This paper argues in favour of enhanced transparency in the global garment supply chain. Building on recent work on the appalling employment and labour conditions in the Tamil Nadu (India) textile and garment industry, the Centre for Research on Multinational Corporations (SOMO) and the India Committee of the Netherlands (ICN) build the case for substantial supply chain transparency.

SOMO and ICN believe that disclosure of detailed information regarding corporate structure, suppliers’ base, employment relations, work force, and due diligence processes, among others, is an important prerequisite to enable different actors along the supply chain, workers in the first place, to address human rights violations and improve working conditions.

In this paper, SOMO and ICN focus on disclosure of buyer-supplier linkages. To walk the talk, SOMO and ICN present up-to-date information on buyers sourcing from suppliers in Tamil Nadu. In an attempt to demand a different corporate approach to transparency, SOMO and ICN counter corporate arguments that oppose disclosure.

**Ongoing labour rights violations in Tamil Nadu**

In the textile and garment industry of Tamil Nadu – one of the major Indian production hubs – bonded labour, child labour, long working hours, forced overtime, caste discrimination, unhealthy working conditions, and restricted freedom of movement are rife. Workers often come from very poor Dalit backgrounds and are not in the position to stand up for their rights. Trade unions and labour groups have very little manoeuvring space. These problems have been known for years. Nevertheless, manufacturers and buyers only reluctantly started taking steps to improve the situation when research by SOMO, ICN and others directly linked them to these deplorable practices. SOMO and ICN spent months piecing together information to establish the links between a selected number of manufacturers in Tamil Nadu and their European and American customers.

**Current level of transparency**

Generally speaking, brands, retailers and manufacturers are no champions of supply chain transparency. They are very reluctant to share information regarding their corporate structure, and their suppliers’ base.
Most of the time, workers have no clue where the garments they produce will end up.

Meta-data about garment exports and imports are hard to come by. India is one of the few countries for which such export data are available, but they are expensive. Data regarding the import of South Indian garments into major European ports like Rotterdam (the Netherlands) or Hamburg (Germany) are not publicly available.

Brands and retailers are reluctant to share information about first or further tier suppliers. Buyers’ reports on corporate social responsibility (CSR) policies and practices do not specify production locations. Information about volumes, values, order history, distribution of orders over the supply base etc., is also hard to come by. Concrete audit findings and measures taken to address violations are kept confidential and are not even shared with direct stakeholders such as workers, trade unions and labour rights non-governmental organisations (NGOs). In cases where specialised buying companies do the sourcing for various undisclosed clients, it is difficult to identify the ordering customers.

In turn, garment and textile producers, including vertically integrated manufacturers, are not transparent about their corporate structure or the precise location of different units. Manufacturers are not sharing information about their suppliers, such as yarn spinning mills, or suppliers of raw cotton. Moreover, information about employment relations, including human resource policies is negligible. Details about the size of the workforce, the methods for recruiting workers, the brokers used, whether the workers are lodged in hostels, the location of such hostels, the number of hostel residents are not easily available. Since workers often do not have proper contracts, it is difficult to establish the correct size of the labour force or the ages of workers. In case of factory fires or other calamities, for instance, it may be very difficult to identify victims and survivors, and to know whether workers may be eligible for compensation.

Business initiatives, multi-stakeholder initiatives, and trade associations are not forthcoming with detailed supply chain information either. It is therefore almost impossible to assess the effectiveness of corporate actions to address human rights violations in the garment supply chain.

**Corporate arguments against disclosure**

Companies often argue that enforced disclosure of suppliers will not help to improve working conditions. This position is also taken by Dutch business associations for the textile and garment sector Modint, CBW-Mitex, and RND/VGT. Companies are also quick to categorise supply chain details as confidential business information that cannot be shared in a competitive environment. Dutch business associations for the textile and garment sector Modint, CBW-Mitex, and RND/VGT fear that disclosure of suppliers would be put at a disadvantage in comparison to international competitors if they disclosed this information.3

The Dutch business associations describe the global textile sector as a multi-layered and complex supply chain. They argue that control over the supplier base is limited; there is not one single business actor that has control. Dutch garment companies are willing to cooperate, but their role and leverage is not enough to resolve all abuses along the supply chain. Another argument raised by the Dutch business associations is the administrative burden that comes with disclosure of suppliers. They fear a ‘paper tiger that constantly changes shape’.4 Companies also argue that they do not have detailed information about their supplier base, in particular, not about second and further tier suppliers, or about subcontractors. The industry points out that small and medium sized businesses in particular find it difficult to live up to stringent disclosure requirements due to lack of capacity.

Whereas the Dutch garment and textile sector opposes supplier disclosure, the sector does acknowledge the importance of more transparency towards consumers and between companies. Modint, CBW-Mitex, and RND/VGT suggest explaining to consumers what problems the sector is facing and what CSR initiatives are developed in response. Companies may work on enhancing transparency amongst one another, as well as towards stakeholders. Sharing audit findings or insights about the way to tackle bottlenecks could be part of this.5

At a recent stakeholder meeting organised by Modint, CBW-Mitex and RND on 22 February, supply chain transparency was one of the topics of discussion. Among the stakeholders participating in the meeting, including SOMO and ICN, there was a broad consensus that transparency should be part of any initiative to address issues in the global supply chain.

**Making the case for enhanced supply chain transparency**

First and foremost, SOMO and ICN stress that transparency is not an objective in itself. Transparency alone is not sufficient, especially not concerning audit findings. The methodology used by commercial ‘social’ audit and certification bodies is no guarantee for preventing or mitigating human rights violations, as has been highlighted by SOMO and ICN’s research. When it comes to disclosing audit findings, the quality of the disclosed data is key.
That said, SOMO and ICN believe that access to information is a crucial enabling right for diverse groups of stakeholders:

- Workers that are adversely affected by corporate activities, as well as local trade unions, need to know about their legal employer and precise employer relations in order to address their situation effectively. In cases where workers come away empty-handed when calling upon their employer, they need information about buyers to push claims for redress or compensation.

- Communities that are adversely affected by corporate activities need know about the corporate structure of a company in order to be able to knock on the right door. Again, in cases where communities are rebuffed on a local level, information about business relations will help them bring their complaints to an international/higher level.

- Local and international civil society organisations (CSOs) need detailed supply chain information, including corporate auditing results, in order to independently verify claims made by the industry. Without such information, CSOs cannot effectively assume their role as a countervailing power. Independent verification of CSR reports will improve the content and credibility of these reports. Sector-specific indicators are helpful to achieve a sufficient level of detail and to enable comparisons between companies and over time.

- Consumers are entitled to know the origin and the conditions under which products are made so that they can make informed purchasing decisions.

- Investors and public authorities need detailed information about various sustainability aspects for responsible investment and procurement decisions. This includes supply chain information.

- Last but not least, transparency is good for companies, as it enhances the quality of management and ultimately the company’s value. If a company is able to generate information with regard to the possible impacts of corporate actions on society, management will be better positioned to value and address risks. For instance, disclosure of the supplier base can contribute to preventing unauthorised subcontracting to factories that violate brands’ codes of conduct and international labour standards.

With regards to the confidentiality and competitiveness issue, SOMO and ICN refer to existing examples of supplier disclosure (see below), which effectively turn this argument on its head.

SOMO and ICN recognise that the current volatile buyer-supplier relations and the general complexity of the supply chain in the global garment sector may add to the administrative challenge of supplier disclosure. One obvious way to combat this is for buyers to limit the spreading of production over too many suppliers and to strive for continuity in trading relations with multiyear contracts.

**Know and show**

The position SOMO and ICN take is in line with various sets of recently-released normative guidelines and standards that specify in more detail what is expected of companies with respect to supply chain responsibility and transparency. SOMO and ICN refer here to the 2011 Communication on CSR by the European Commission, the 2011 update of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the 2011 United Nations Guiding Principles on Business and Human Rights. These internationally-recognised standards and recommendations provide guidance for companies and can be used as a benchmark for their performance on supply chain responsibility and transparency. The standards insist that companies should identify, prevent and mitigate negative impacts in their supply chain and encourage companies to disclose information about their relationships with suppliers.

The United Nations Guiding Principles for Business and Human Rights (UNGPs) effectively clarify that enterprises have a responsibility to respect human rights. These principles build upon the notion of due diligence. This means that companies need to proactively look into the human rights risks of their activities, including their supply chain and business relations, and develop strategies to address these risks. Due diligence requires that business enterprises have policies and processes in place through which they can both know and show that they respect human rights in practice. Showing involves communication, providing transparency and accountability to individuals or groups that may be impacted, as well as to other relevant stakeholders, especially in high-risk sectors. Independent verification is considered important. Governments have an important role in encouraging and/or demanding corporates to report on their activities. For labourers working in the garment sector, knowing who you are producing for is vital in terms of having access to remedy in case of human rights violations, which is another pillar of the UNGPs.

The OECD Guidelines for Multinational Enterprises encourage companies to identify and publicly disclose, rather than withhold, information about their relationships with suppliers.

Recent developments in the area of international standards regarding supply chains make it clear that the old argument,
“I don’t know”, is no longer acceptable. In terms of the argument that the supply chain is too complex, the key word here is “identify”. If companies wish to comply with these standards, they themselves must identify exactly who their suppliers are. They cannot simply argue that it is not possible to trace the origin.

In the Netherlands, civil society organisations are pushing for a meaningful interpretation of an April 2012 parliamentary resolution that calls for supply chain transparency and elimination of child labour in the garment sector.9 The former Minister for Agriculture and Foreign Trade Mr H. Bleker referred to the OECD Guidelines and the UN Guiding Principles in his elucidation on the implementation of the said resolution.10

Main customers of the Tamil Nadu garment industry and their suppliers

As described above, it is of great importance for workers, and the organisations representing them, that they have access to supply chain information. At the moment, it is difficult to uncover buyer-supplier relations, let alone to determine the leverage a buyer may have over its suppliers. This section zooms in on the complexity of the Tamil Nadu textile garment industry. While companies are not forthcoming with this kind of information, SOMO and ICN present a snapshot of buyer-supplier linkages, based on export data from Tuticorin port, South India.

The Tamil Nadu garment and textile industry counts thousands of factories, including spinning mills and garmenting units, not counting smaller manufacturers operating power or handlooms, or homeworkers. Thousands of European and North American brands and retailers are regularly sourcing from here. Export data of the Tamil Nadu port of Tuticorin from December 2012 show a total of more than 16,000 separate orders by some 600 ordering companies placed at around 700 exporting units, for a total value of about 80 million Euros. One order may consist of different packages; each package may consist of several pieces. Main product categories are pyjamas, T-shirts, trousers, hoodies, dresses, tops, romper suits, leggings, shorts and pullovers.

The exact number of customer and supplier companies is difficult to ascertain, even for this one month, as various exporting units may belong to one supplier company, and multiple ordering companies may fall under one customer mother company. Moreover, specialised buying desks may source for a variety of undisclosed customers. This makes it hard to determine the added value of transactions between one supplier company and their customer company.

Nevertheless, the tables below give an insight into the major customer companies.

Gap, including Gap-owned brands Old Navy and Banana Republic (USA), stands out as a giant customer with orders totalling an FOB (Freight on Board) value of 2.6 million Euros in December 2012. They are followed closely by: Migros (Switzerland) with 2.1 million Euros; Primark (Ireland) with 1.4 million Euros; Peacocks (UK) with 1.3 million Euros; Asda with 1.2 million Euros; and C&A (Netherlands) with 1.2 million Euros. Relatively smaller players like Somerbond Ltd (UK); LPP (Poland); Carodel (Belgium); Abercrombie & Fitch (USA) and Yang Design are still placing orders of around 0.5 - 0.6 million Euros.

Two tables on the following pages present the largest international and Dutch customers of the Tamil Nadu garment and textile industry, plus their respective suppliers.11 It is a snapshot based on the December 2012 export data from Tuticorin port in Tamil Nadu. On the basis of these tables, it is possible to get an idea about the comparative leverage of buyers over their suppliers.

Encouraging corporate steps towards more transparency

Currently, a handful of garment companies disclose information about their first tier suppliers. Nike, Levi’s, Adidas, Patagonia and Timberland publish supplier lists including factory names and locations (including address details). Nike’s list is the most detailed, presenting the number of workers per factory, broken down by gender. Patagonia’s supplier list also includes the year in which the company started working with each supplier. However, these supplier lists do not include information regarding volumes sourced or the level of compliance with the buyer’s code of conduct.

PVH (Tommy Hilfiger, Calvin Klein and Heritage Brands) and the German brand company Tchibo have endorsed the Bangladesh Fire and Building Safety Memorandum of Understanding, a sector- wide programme developed by Bangladeshi and international trade unions and labour rights organisations. This programme requires participating companies to provide information about suppliers and subcontractors. Such information will then be published on an aggregated basis.

See page 6
### Table 1: The top-20 international buyers

<table>
<thead>
<tr>
<th>No.</th>
<th>Buyer</th>
<th>Country</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GAP (including Old Navy and Banana Republic)</td>
<td>USA</td>
<td>Arvind Limited, Bombay Fashions, Bombay Rayon Fashions Ltd, Eastman Exports Global Clothing Ltd, Gokaldas Exports, Indian Designs, Royal Classic Knit Finishers, Royal Classic Mills Pvt Ltd, Shahi Apparels Pvt Ltd, Shahi Export House, K. Mohan &amp; Co., Pearl Global Industries Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Migros</td>
<td>Switzerland</td>
<td>Armstrong Knitting Mills, Atlas Export Enterprises, Eastman Exports Global Clothing, Hero Fashion, Mantra Exports, Meridian Apparels</td>
</tr>
<tr>
<td>5</td>
<td>Asda</td>
<td>UK</td>
<td>First Step Baby Wear, Gokaldas Exports, Meridian Apparels Ltd</td>
</tr>
<tr>
<td>7</td>
<td>Walmart</td>
<td>USA</td>
<td>J.V.S Export, Jay Jay Mills India Pvt Ltd, Kaytee Corporation, N.C. John &amp; Sons, Shahi Export House, Shahi Export Pvt Ltd</td>
</tr>
<tr>
<td>8</td>
<td>Ernstings Family</td>
<td>Germany</td>
<td>Clifton Export, Kaytee Corporation, Lococust Incorp, N.N.M &amp; Company, Shirt Company</td>
</tr>
<tr>
<td>9</td>
<td>TDP Textiles Ltd.</td>
<td>UK</td>
<td>Benso Garments, Enrich Exports, Primo Fashions</td>
</tr>
<tr>
<td>10</td>
<td>Impala Lofts</td>
<td>Germany</td>
<td>Agni Exports, Ashvin Apparel, Bannari Amman Spinning Mills Ltd, Fibre Fashions, Shell Export, Snegam Exports</td>
</tr>
<tr>
<td>11</td>
<td>Crew Clothing Co.</td>
<td>UK</td>
<td>Santhosh Textile Process</td>
</tr>
<tr>
<td>12</td>
<td>Rahim &amp; Sons Ltd.</td>
<td>UK</td>
<td>Priyanka Knitwear</td>
</tr>
<tr>
<td>13</td>
<td>Bon Prix</td>
<td>Germany</td>
<td>Danavarshini Exports, Harini Colours, K Shethra Exports, Knitcom Fashions, Mandhana Industries Pvt Ltd, Mantra Exports Pvt Ltd, Original Knit Exports, Pratik Hosiery Handels, Saravana Exports, Sharp Knit Fashions, Shethra, Smart Garments Exports</td>
</tr>
<tr>
<td>15</td>
<td>Vetir</td>
<td>France</td>
<td>Glamindia Knit Designs, Gokul Hi Fashions, Gokul Knit Fabs, Infomark Marketing Pvt Ltd, Maruthi Garments, N.S.P. Knitting Mills, Revival Impex, Shakhthi Knitting Pvt Ltd</td>
</tr>
<tr>
<td>16</td>
<td>Somerbond Ltd.</td>
<td>UK</td>
<td>Clifton Export, Eastman Exports Global Clothing Ltd, Knit Gallery, Richmond Exports</td>
</tr>
<tr>
<td>17</td>
<td>LPP</td>
<td>Poland</td>
<td>Gokila Garments, Gomathy International, Sapphire Clothing Co Pvt Ltd</td>
</tr>
<tr>
<td>18</td>
<td>Carodel</td>
<td>Belgium</td>
<td>Anushri Fashion India Pvt Ltd, Deluxe Knitting Mill, Fancy Knit Wear, Green Garden Fabrics, Jayachitra Garments, Knit Fair Impex, Mam Spermo Knit Wear, Sree Krishna Textiles</td>
</tr>
<tr>
<td>19</td>
<td>Abercrombie &amp; Fitch</td>
<td>USA</td>
<td>Matrix Clothing Pvt Ltd, Orient Fashions Exports, Pee Empro Export P Ltd, Shahi Export House</td>
</tr>
<tr>
<td>20</td>
<td>Yang Design SAS</td>
<td></td>
<td>Majestic Exports</td>
</tr>
</tbody>
</table>
A working group within the German Dialog Textil-Bekleidung, an alliance of 161 German clothing brands and retailers\(^1\), is taking an innovative approach to corporate collaboration with regard to supply chain management and sourcing.

The working group currently has six member companies, including luxury brand Escada, and focuses on ‘cluster sourcing’. Participating companies share information about their suppliers, for instance regarding products, quality and social compliance. Moreover, they develop sourcing policies and carry out a number of processes together, including combined shipments, quality control and trainings. Instead of harming business interests as is commonly feared among companies, ‘cluster sourcing’ leads to cost reductions, is the experience of the working group.

### Proposed next steps with regard to supply chain transparency

SOMO and ICN are calling for substantial steps towards improved supply chain transparency:

- South Indian garment and textile companies should provide information about their corporate structure, including the precise location of different units.
- Brands and retailers as well as local manufacturers should share information about first and further tier suppliers, including factory names, possible alternative factory names, locations, whether they are strategic suppliers, the duration of the supplier relationship, etc. It is acknowledged that the suggested requirements may need to be adjusted to the possibilities of small and medium sized enterprises.
Business initiatives, multi-stakeholder initiatives, and trade associations should take the lead in facilitating further supply chain transparency in the global garment sector. Brands, retailers and manufacturers must develop a positive and pro-active view on inter-sector sharing of business related information, within the limits of applicable anti-trust regulations.

Companies should communicate openly about audit procedures, specific audit findings, specific corrective action plans and progress in action, certification schemes. CSR reporting should cover the due diligence procedures of the company. Moreover, communication on CSR should provide enough information to assess the adequacy of the steps taken by the enterprise.

External corporate communications should appear in a form and with a frequency that is in tune with the social impact of the business activities, and should target personnel, business relations and all relevant stakeholders, both internally and externally.

Buyers should provide transparency about the weight accorded to the human rights record of suppliers when identifying or assessing new and/or existing suppliers.

In addition, governments should make basic information on imports and exports available for the concerned ports, including dates, volumes, values, etc. for the different product groups.

About the authors

Centre for Research on Multinational Corporations
The Centre for Research on Multinational Corporations (SOMO) is an independent, not-for-profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation has been investigating multinational corporations and the consequences of their activities for people and the environment around the world. SOMO supports social organisations by providing training, coordinating networks and generating and disseminating knowledge on multinational corporations in a context of international production, trade, financing and regulation.

The India Committee of the Netherlands
The India Committee of the Netherlands (ICN) is an independent non-governmental organisation campaigning and doing advocacy work on human rights issues. Central to the work of ICN are the issues of caste-based discrimination, labour rights and child labour & education. ICN co-operates with organisations in India and elsewhere in combating discrimination, poverty, oppression, exploitation and lack of education, focusing on the role of policy makers and companies. ICN is an active member of networks like the Clean Clothes Campaign, the Stop Child Labour campaign, the International Dalit Solidarity Network and the Dutch MVO Platform.

Endnotes

4 ibid.
5 Modint, CBW-Mitex, RND, letter to the Commission on Economic Affairs of the Dutch House of Representatives, 3 December 2012.
9 Resolution tabled by Braakhuis, Gesthuizen, and Voordewind and adopted by the Parliament on 26 April 2012.
10 Ministry for Agriculture and Foreign Trade, ‘Ketentransparantie en uitbannen kinderarbeid in de textielindustrie’ (Letter to the Dutch Parliament), 3 October 2012.
11 Tuticorin and Madras are the main South Indian/Tamil Nadu ports for the export of garments and textiles to Europe and the USA. Source for the export data is InfodriveIndia, http://www.infodriveindia.com/.
12 See for more information website Dialog Textil-Bekleidung: http://www.dialog-dtb.de/114.0.html.