



SUPPLY CHAIN TRANSPARENCY

Time to walk the road
to openness

ABSTRACT

Transparency should target a significant structural change of the interconnected and global business relations through the fashion supply chain. Transformative capacity lies in what is publicly disclosed.

Concerns:

Paper | Is transparency in the fashion industry supply chain the main driver enabling a scalable transformation that secures business continuity and strengthens B-to-B relationships?

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Summary

This summary aims to provide a brief overview of the matters covered in each chapter and the most important findings of the paper. This paper argues in favour of enhanced transparency in the global garment supply chain.

From my present role of managing the sustainability department of a group of fashion labels, I wondered why it is so complicated to map a fashion supply chain and accordingly publicly disclose that information.

The complexity of global supply chains has too often resulted in a profound lack of visibility, bringing significant risks for businesses. It has allowed poor working conditions to remain undetected and unchallenged, and systems of accountability to remain weak. The events at Rana Plaza in Bangladesh in 2013 epitomised these issues. Against this backdrop, momentum around demands for greater transparency has gathered pace.

With increased media and stakeholder scrutiny, and mounting pressure from consumers to champion sustainability, the fashion industry recognises the need to improve transparency and the authenticity of its sustainability communications. “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”.

Where business enterprises have large numbers of entities in their value chains it may be unreasonably difficult to conduct due diligence for adverse human rights impacts across them all. If so, business enterprises should identify general areas where the risk of adverse human rights impacts is most significant, whether due to certain suppliers’ or clients’ operating context, the particular operations, products or services involved, or other relevant considerations, and prioritize these for human rights due diligence.

The global textile sector is described as a multi-layered and complex supply chain. 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.

Leading fashion brands and retailers are making significant efforts to be more transparent but there is still a long way to go. There is significant room for improvement when it comes to sharing their social and environmental policies, practices and impacts.

The research question that this paper has tried to answer reads as follows: ‘Is transparency in the fashion industry supply chain the main driver enabling a scalable transformation that secures business continuity and strengthens B-to-B relationships?’

The answer to the research question was conducted by checking the validity of the current knowledge of transparency from existing literature, empirically by analysing case studies.

Conclusions will be focused on transparency in the supply chain, in the sense of buyer-supplier linkages. In an attempt to substantiate the need for a different corporate approach to transparency.

To bring about the necessary changes in current business-to-business relationships (with manufacturers and suppliers carrying a disproportionate amount of social and environmental risk) in order to work towards the transformation of business-to-business relationships and change the fashion business as usual.

The market is not consistently reward sustainable and responsible performance by companies. It became clear, however, that 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. Supply chain transparency can also help check unauthorized subcontracting – a persistent challenge in the garment industry – by publishing all authorized supplier factories.

Furthermore, the demand for more transparency to brands and suppliers, and expectations to make informed choices and adapt their sourcing, buying and logistics approach where necessary, this will support community by Creating Shared Value (CSV). The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy.

It is time to make the chain more transparent in a different way. Collaboration here is essential to join forces and bring connection into the supply chain. The industry need to scale its efforts to assess impacts through a common framework and increase improvements in sustainability performance globally. By using new technologies the fashion industry can be pushed towards full transparency.

Engaging with suppliers in two-way, transparent dialogue, and equal power relations will help build more efficient sourcing relationships and strengthens business-to-business relationships. For example by co-investments in supply chain innovation, long-term collaborations and capacity building for high sustainability performance. Supply chain partners share in the risks, investments, benefits and losses, and work together to improve their joint performance. Resources are allocated by supply chain partners to increase capacity for strategic investment, far-reaching collaboration and radical innovation, to enable all actors to change their business as usual. Above, increased transparency is building trust with investors: facilitated access to capital. Both are crucial to secures business continuity.

Transparency is key to move the sector from disconnected, fragmented and opaque to new models in which supply chain actors go beyond a transactional relationship towards a partnership based on connection, mutual understanding, reciprocity and above all, trust.

Fast fashion, which depends on short lead times, will need to find new strategies to maintain delivery speed and production quality, and at the same time increase transparency in order to build trust with consumers and keep its Licence to Operate.

The global fashion industry is one of the largest, most dynamic and influential industries on the planet, generating over EUR 1.5 trillion a year in revenues. It is one of the most impactful and therefore should also have the power to play a pivotal role in leading the shift towards a more sustainable future.

Transparency should target a significant structural change of the interconnected and global business relations through the fashion supply chain. Transformative capacity lies in what is publicly disclosed.

Time to walk the road to openness. Towards transparent and traceable value chains in the fashion industry, in where value chain partners share ownership of risks and benefits.

1. Introduction

From my present role of managing the sustainability department of a group of fashion labels, I wonder why it is so complicated to map a fashion supply chain and accordingly publicly disclose that information. Why is this not yet fully transparent and public? What are the barriers? What are the requirements for the industry and where do we stand as a sector? Are there any frontrunners or innovative insights that we – Coolinvestments Group – can use as an example to set out our objectives and to determine strategy with vision.

All these questions that play a major role in my work and that can probably all be brought back to this event, which is engraved in everyone's memory:

On 24 April 2013, an eight story factory building in Savar, Bangladesh, collapsed. The collapse of the Rana Plaza factory caused the death of over 1,100 workers, while over 2,500 workers were rescued alive. In the building, garments were produced for a number of Western clothing brands. Investigations found that a number of structural and safety risks led to the collapse. This disaster (which is not the first, but was one of the deadliest) led to media discussions on the role and responsibility of Western (multinational) companies in respect of those who work for them and their suppliers. (Vytopil, 2015)

The Rana Plaza disaster was a wake-up call to the world. It shone a light on the problem of death trap factories and poor government oversight. It also revealed much about how apparel brands do business, and their complex, opaque and global supply chains. The result of these complex global supply chains is a profound lack of visibility, with significant risks for companies. It has allowed poor working conditions to remain undetected and unchallenged, and systems of accountability to remain weak. (Ethical Trading Initiative (ETI), 2017)

Against this backdrop, momentum around demands for greater transparency has gathered pace. Particularly in recent years in which the call for more openness and the associated transparency in supply chains is getting louder. Governments, consumers and civil society are making their expectations of companies and the information they share clear.

The objective of this paper is to research how transparency, related to the fashion supply chain, can bring significant benefits to businesses and drive better outcomes for workers and consumers.

The questions raised in these discussions highlight the importance of the research at hand: Where does the responsibility of Western Fashion companies lie in respect of supply chain workers? And – perhaps for business owners and CEO's more importantly – what is the role that can or should be played by them, from the business point of view? Are they, or should they be, (more) transparent about their supply chains and connected with their suppliers building stronger Business-to-Business relationships in order to prevent these kind of situations?

Is more supply chain disclosure contributing to securing business continuity? Or beyond, is more transparency contributing to create business value and building a future-proof company? Moreover, it has opened up the way for discussions on the role of fashion companies in respect of their supply chains.

This paper aims to answer these number of questions that have been raised, as well as investigates to what extent increasing the transparency of supply chains of fashion companies may contribute to govern Environmental, Social, and Governance (ESG) aspects of their supply chains. To possibly develop into transformation of the current supply chain model to change the business as usual.

What led to the main research question in this paper, which reads as follows:

Is transparency in the fashion industry supply chain the main driver enabling a scalable transformation that secures business continuity and strengthens B-to-B relationships?

The main research question can be divided into a number of sub-questions. The sub-questions are the following, and these are explained and elaborated upon further in this paper.

- What is the added value of increasing supply chain visibility in the fashion industry?
- What are the reasons that full supply chain visibility is not yet reached?
- Can more transparency contribute to limiting reputation risk, and secures business continuity?
- Is increasing transparency in supply chains advance sustainability? Above, strengthens Business-to-Business relationships?
- Can transparency drive the transition towards Business value creation? And a scalable transformation in fashion to redesign fashion's future?

All these, the main and sub questions will be examined in this paper, and searched for factual answers to these questions with the aim of being able to answer them fully.

Research, information gathering and problem solving will be based on the five Ws and How questions, all starting with an interrogative word. Based on this, the chapters have been classified.

1.1 Empirical research method

This problem definition has a normative and an empirical perspective. Having analysed power structures, Business-to-Business relationships in global supply chains, root causes and future outlook of transparency from existing literature (normative study), the paper checks the validity of the current knowledge empirically by analysing case studies. A survey was digitally conducted by computer with managing, buying or CSR staff from fashion companies, mainly Dutch brands and retailers. Additionally, sustainability reports and websites from these companies and of frontrunners were analysed.

There have been analysed transparency as perceived by a stakeholder group of several mainly Dutch based fashion companies. Of which the majority of these companies are participating at the Dutch Agreement on Sustainable Garments and Textile (AGT). The majority of this group are Small and medium-sized enterprises (SMEs), which represent 99% of all businesses in the EU. (OECD, 2005)

For Coolinvestments, the companies who have signed the AGT is an interesting group to be analysed and to follow. Not only to learn where companies stands in terms of improvements and goals, but mainly to learn where to participate in e.g. working groups on increasing impact on certain challenging topics (such as transparent supply chains, living wages etc.) and aim to cooperate in sector improvement projects.

2. WHAT

2.1 What is supply chain Transparency?

This article will focus primarily on investigating what will be the main driver to increase transparency in supply chains in order to promote sustainability, and thus the integration of *Environmental, Social and Governance* (ESG) performance. As well as securing business continuity, strengthen *Business to Business* (B2B) relationships, and a possible scalable transformation in fashion to redesign the future of fashion.

What exactly is meant by the term transparency? How can it be defined (quantitative or qualitative)? Several different descriptions and/or definitions are circulating to describe transparency in relation to supply chains. Multiple descriptions are set forth.

In literature descriptions can be found of supply chain transparency in which traceability, accountability, disclosing and supply chain sustainability are key factors. In this paper supply chain sustainability and supply chain responsibility are interchangeable.

It appears, however, that supply chain transparency is often inconsistently defined. Even though it is frequently discussed in scholarly literature (according to Egels-Zandén & Hansson, 2014).

First, some literature equate supply chain transparency with traceability. With respect to traceability, Leonardo A Bonanni (Sourcemap, 2019) stated: Supply chain traceability is the process of tracking every commercial transaction in the end-to-end supply chain to account for the time and place where every step occurred in the supply chain of a unit, batch or lot of finished good. Accordingly, the key aspect here is assurance. For example to verify that products are authentic and vendors are certified.

Traceability goes beyond the discovery stage of supply chain mapping. Which is the process of engaging with direct suppliers to discover indirect suppliers, resulting in an understanding of the end-to-end supply chain for a material, a product, or a brand (Sourcemap, 2019).

As stated in the *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector* of the *Organisation for Economic Co-operation and Development* (OECD), traceability is the process by which enterprises track materials and products and the conditions in which they were produced (in relation to matters covered by the OECD Guidelines) through the supply chain. (OECD, 2018)

According to *Fair Labor Association* (FLA), mapping allows for greater transparency and traceability (2019). It also is crucial for a company's risk management, part of corporate responsible business conduct. FLA stated: When a company is committed to external transparency, it offers stakeholders, consumers, and other "end-users" information and confidence about the identity, sourcing, work conditions, and labour standards in the supply chain (p. 11).

On a related note, mapping is key for any company performing "due diligence" as well as in the development of a company's responsible and sustainable sourcing program.

Further to supply chain sustainability, where Corporate Citizenship is referring to, is an approach to supply chain management that seeks to actively manage and minimise the negative economic, social or environmental impacts associated with the sourcing of goods and services, while maximising the positive impacts where feasible (2013, p. 3).

Transparency can also be defined as public disclosure or 'showing' in the language of the United Nations Guiding Principles (UNGPs) on Business and Human Rights. Other scholars stress that supply chain transparency is about disclosing sustainability conditions at suppliers (Cramer, 2008). In addition, supply chain transparency

can be described as the process of disclosing suppliers to private customers and/or public consumers (Sourcemap, 2019).

Simply making information available is not sufficient to achieve transparency, but should be managed and published. Above, large amounts of raw information in the public domain may breed opacity rather than transparency (Transparency and Accountability Initiative (TAI), 2019).

Accountability means ensuring that officials in public, private and voluntary sector organisations are answerable for their actions and that there is redress when duties and commitments are not met (TAI, 2019).

Consequently, the definition of transparency can be defined as follows: Characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions.

As a principle, public officials, civil servants, the managers and directors of companies and organisations, and board trustees have a duty to act visibly, predictably and understandably to promote participation and accountability (Transparency International, 2009, p. 44).

Following the ISO 26000 standard the responsibility of an organization is, the impacts of its decisions and activities on society and the environment, through *transparent* and ethical behaviour.

An organization should disclose in a clear, accurate and complete manner, and to a reasonable and sufficient degree, the policies, decisions and activities for which it is responsible. This information should be readily available, directly accessible and understandable to those who have been, or may be, affected in significant ways by the organization. It should be timely and factual and be presented in a clear and objective manner so as to enable stakeholders to accurately assess the impact that the organization's decisions and activities have on their respective interests.

The principle of transparency does not require that proprietary information be made public, nor does it involve providing information that is privileged or that would breach legal, commercial, security or personal privacy obligations. (ISO 26000 and OECD Guidelines, 2017, p. 9)

Finally, supply chain transparency is said to be the way to empower stakeholders to hold firms accountable for their practices. (Egels-Zandén & Hansson, 2015 p. 380; Dingwerth & Eichinger, 2010; Hess, 2007)

For the reason set out above, it helps to highlight that accountability is not only a set of institutional mechanisms or a checklist of procedures, but an arena of challenge, contestation and transformation and – Jonathan Fox provides a useful definition of ‘accountability politics’ as ‘the arena of conflict over whether and how those in power are held publicly responsible for their decisions’. (TAI, 2019)

2.2 What does transparency mean for the sector itself?

End of May 2019, there have been send a questionnaire around transparent supply chains to several mostly Dutch based fashion companies. This to examine various aspects of building a more transparent supply chain.

One of the questions related to transparency was that respondents indicated which of the given definitions about transparency was the most adequate. This turned out to be the following definition:

The corporate responsibility to respect human rights requires seeking to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

It turns out that the preference for a key term on transparency is based on the definitions of the *Organization for Economic Cooperation and Development* (OECD), derived from the *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*.

2.3 What does the law say?

What exactly are the rules and regulations, if any, related to transparency in supply chains? Is there any soft and/or hard law applicable?

States have addressed the human rights responsibilities of business enterprises most directly in soft-law instruments. Soft law is “soft” in the sense that that it does not by itself create legally binding obligations (Ruggie, p. 45).

Apart from the foundational Universal Declaration, the most prominent soft-law instruments in the business and human rights space originate with the *International Labour Organization* (ILO) and the *Organization for Economic Cooperation and Development* (OECD) (Ruggie, p. 46).

In 2011, Ruggie had developed the “*Guiding Principles on Business and Human Rights*”. Which provided a roadmap for ensuring responsible global corporate practices, and stipulate *how* these things should be done. The ‘*Protect, Respect and Remedy*’ Framework addresses *what* should be done: States must protect, companies must respect, and those who are harmed must have redress. (Ruggie, 2013, p. 171)

2.3.1 Human rights due diligence

The *United Nations Guiding Principles on Business and Human Rights* (UNGPR) 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.

Additionally, the OECD Guidelines for Multinational Enterprises 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.

As defined in the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, the corporate responsibility to respect human rights requires seeking to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts (OECD, 2018).

2.3.2 Global governance gap

The Dutch government stated: “National *Corporate Social Responsibility* (CSR) policy focuses on the contribution that businesses can make to sustainable development over and above what the law obliges them to do. International CSR policy focuses on the conduct of Dutch businesses operating in countries where local legislation is inadequate or not effectively enforced. This dilemma is known as the *global governance gap*.”

Within our borders the government can ensure that businesses comply with Dutch law. Beyond those borders, it is a matter of affecting the conduct of subsidiaries and ensuring responsibility throughout the chain.

To address this issue of the *global governance gap*, the *Social and Economic Council of the Netherlands* (SER) advised the Dutch government to make effective CSR agreements with the various trade and industry sectors, in April 2014. (Reichwein & Van Wijngaarden, 2017).

2.3.3 Dutch Agreement on Sustainable Garments and Textile (AGT)

One of these concluded IRBC agreements, is for the Garments and Textile sector; The Dutch *Agreement on Sustainable Garments and Textile* (AGT). It will remain in effect for a five-year period commencing from the date of its signature, 4 July 2016.

A broad coalition of businesses and other organisations has signed this agreement on international responsible business conduct in the garment and textile sector. The aim is to improve working conditions, prevent pollution, and promote animal welfare in production countries.

The businesses and organisations that sign the agreement commit themselves to fighting discrimination, child labour and forced labour. They also undertake to support a living wage, health and safety standards for workers, and the right of independent trade unions to negotiate. In addition, they will do everything in their power to reduce the negative impact of their activities on the environment, to prevent animal abuse, to reduce the amount of water, energy and chemicals that they use, and to produce less chemical waste and wastewater.

Within the AGT, transparency is a critical factor when it comes to identifying risks and working together to make improvements. One of the first steps was for the participating companies to share their production sites, an aggregated list of which has been made available. (AGT Steering Committee, June 2016)

3. WHERE

3.1 Where do we stand as an industry?

The events at Rana Plaza in Bangladesh in 2013 epitomised the complexity of global supply chains in the apparel industry, which has often resulted in a profound lack of visibility, bringing significant risks for businesses.

3.1.1 Current sourcing and purchasing practices

The nature of the apparel business is such that brands need to pay attention to market trends and consumer preferences that can change with dizzying speed. With the tremendous growth of online shopping, experts say global brands' ability to churn out products quickly is key to success.

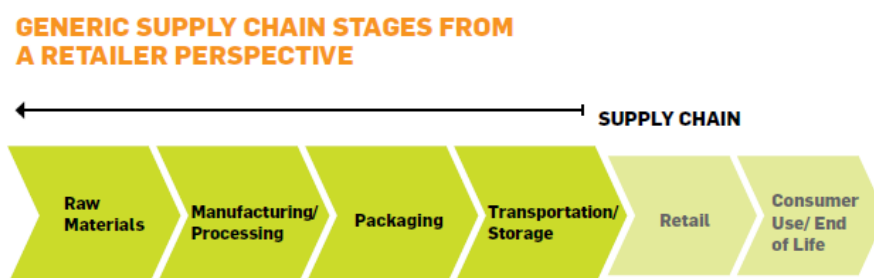
A maze of decisions underpins the development of each product before it hits the shelves. From forecasting consumer demand and planning; sales and marketing; designing products; selecting factories for manufacturing, monitoring them for social and labor compliance; and placing orders with and paying suppliers, numerous departments within a brand are involved in decision-making. Alternatively, some parts of these decisions may be made through agents. This complex web of decisions is generally referred to as a brand's sourcing and purchasing practices. (Human Rights Watch, 2019)

3.1.2 Supply Chain Mapping

Supply chain mapping is the process of engaging with direct suppliers to discover indirect suppliers, resulting in an understanding of the end-to-end supply chain for a material, a product, or a brand. It is usually the only time a company gets in touch with indirect suppliers, so it's a good time to collect data on quality control, social and environmental performance and make sure the indirect supply chain lives up to the brand's standards. (Sourcemap, 2019)

It can be challenging for a company to map its supply chain and to identify where its suppliers are located (including sub-tier 1 suppliers, the actual production locations), how they are linked, and their sustainability challenges, and then to identify how to engage with them to improve their sustainability practices. According to the United National Global Compact and BSR (2015).

As the linked steps in the supply chain from raw materials until the end product stage, are made visible in the figure below:



Source: United Nations Global Compact and BSR. (2015). Supply chain sustainability: A practical guide for continuous improvement (p. 30)

3.1.3 Current level of transparency

Generally speaking, brands, retailers and manufacturers are no champions of supply chain transparency. Fashion companies traditionally are reluctant to share information regarding their corporate structure, and their suppliers' base. For a long time there was no direct incentive, rather the opposite, the attitude was always protective to be competitive. Since competition in the fashion industry often results in a contest of survival of

the fittest, it does not contribute to openness of the industry. The overall feeling is that disclosure would put them at a competitive disadvantage.

An important development is that everything indicates that a change is now taking place. That the importance of secrecy no longer seems to outweigh market demand for transparency. More and more companies are sharing information regarding their suppliers' base about first or further tier suppliers. There are significant best practices that lead the way in chain transparency, as shown in the following section.

Although sharing information regarding their suppliers' base is becoming more common, Fashion companies' reports on *Corporate Social Responsibility* (CSR) policies and practices mainly 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.

In turn, garment and textile producers, including vertically integrated manufacturers, are not transparent about their corporate structure or the precise location of different units. In general, manufacturers are not sharing information about their suppliers, such as yarn spinning mills, or suppliers of raw cotton.

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. (SOMO & ICN, 2013)

To conclude with a positive note, since more brands are already disclosing raw material suppliers and to be able to reveal the chain from raw material until end product. Ten brands (5%) are disclosing some of the facilities or farms supplying their fibres such as viscose, cotton and wool. This is a significant increase from 2018 where only one brand disclosed this information and no brands shared this information in the previous years. (Fashion Revolution, 2019 p. 53)

3.1.4 Best Practices

Once companies made the step to map their supply chains they are eager to publish them. This movement towards transparent supply chains is set in motion by a number of frontrunners, who make supply chain data public available in different ways. The most notable examples are highlighted in the following paragraphs:

Disclosure about first or further tier suppliers

VF Corporation, shares a factory list and country locations of its direct-sourced Tier-1 and sub-contractor factories, and updates the list quarterly. (VF Corporation, 2019)

Nudie Jeans shares its Production Guide for years, which shows a map where its production is located. (2019)

C&A stated to monitor the human rights conditions in its supply chain to ensure their standards are upheld and continually improved. Emphasizing by its Suppliers' Factory List continuously increasing transparency in their supply chain. C&A discloses the location of its global suppliers' tier-1 and tier-2 factories, in accordance with their commitment to the Transparency Pledge. (C&A, 2018)

The factories featured on Primark's Global Sourcing Map are Primark's suppliers' production sites which represent over 95% of Primark products for sale in Primark stores. (Primark, 2019)

Nike shares an interactive list global manufacturing map of its Tier 1 finished goods manufacturers and strategic Tier 2 materials suppliers, which is online available at Nike's Manufacturing Map. The map includes detailed information on factory location, supplier group, type of product made, number of workers, gender and migrant percentage, and average age. (Nike Impact-Report, 2019 p. 29)

"We believe that responsible manufacturing is a precompetitive space which requires partnership across our industry to make global change. Collaboration starts with transparency, creating a foundation that holds both

brands and suppliers accountable, while creating opportunities to effectively work together to advance change. That is why, in 2005 Nike was the first company in our industry to publicly disclose our Tier 1 supply base, and since that time we've continued to push on transparency.” – Jaycee Pribulsky, VP Sustainable Manufacturing & Sourcing, Nike (24), (ICAR, 2019)

Disclosure about social and environmental policies, practices and impact

Brands and companies are being increasingly scrutinized for their social and environmental policies, and Fashion Revolution, a non-profit campaign group, rated 200 of the world's top fashion brands for their level of transparency. Compiled in the 2019 Fashion Transparency Index, the results show that Adidas, Patagonia and Reebok all champion the industry when it comes to having transparent policies, all three scoring 64% in a maximum of 250 points, followed by Esprit and H&M at 62% and 61%, respectively.

Fashion Revolution stated to have seen in previous years, brands continue to publish the most information about their policies and commitments, while they disclose significantly less information about the outcomes and impacts of their social and environmental practices. (Fashion Revolution, 2019)

Adidas and Reebok disclose detailed and individual supplier lists for multiple categories including primary suppliers and sub-contractors; licensees; wet processing facilities and specific supplier lists for key events. In Adidas and Reebok's annual report (page 97), they also disclose detailed but aggregated data on the top 10 labour non-compliances found during their supplier assessments: wages, working hours and lack of standardised record keeping. (Adidas 2018, 2019)

Patagonia's *The Footprint Chronicles* identifies its supplier factory textile mills, factories, and farms and their detailed locations in an interactive global map. According to the company, "The goal is to use transparency about our supply chain to help us reduce our adverse social and environmental impacts— and on an industrial scale" (Patagonia, 2019). As one of the exceptions, Patagonia is sharing a process for gathering supplier feedback on their purchasing practices. (Fashion Revolution, 2019 p. 70)

Fashion Revolution mentioned that six companies in their Index have signed Global Framework Agreements (GFAs) with IndustriALL Global Union, under which Esprit. GFAs provide mechanisms and standards to empower trade unions to safeguard workers' rights across a company's global supply chain. (2019 p. 68)

Retailer H&M (2019), who have signed the Transparency Pledge, has announced to Environmental Leader (2019), it is providing product transparency for all garments on its website. Claiming to be the first global fashion retailer of its size and scale to launch this level of product transparency and stated: *"For many years, we have worked hard to build strong, long-term relations with our suppliers, based on mutual trust and transparency. This allows us to disclose the information of their factories without major concerns about the ongoing competition on the best available production capacity in our industry."*

Corporate Human Rights Benchmark

In an effort to drive greater transparency, the Corporate Human Rights Benchmark (CHRB) assessment is based on publicly available information. According to the CHRB, from the Apparel sector, the best three scoring companies on the theme transparency are: Adidas, Marks & Spencer Group, VF (Corporate Human Rights Benchmark (CHRB®), 2019 p. 23)

According to Marks and Spencer (2019), *"[as a very trusted brand], we believe our role is to reassure our customers and key stakeholders that our products are ethically and sustainably sourced. To do this, we must look beyond our operations to the wider supply chain, where the biggest impacts occur." [...]* *"We source products and commodities from more than 70 countries, so our supply chain is very complex."*

Transparency benchmark

The Jury of Crystal Prize for transparency, the main prize of the Transparency Benchmark (2018), expresses its appreciation for the surprisingly clear and clear way in which the Zeeman Group provides insight into its chain. Also the fact that the Zeeman Group is very open about the most important dilemmas that play a role in its chain. Although, there is little insight into the objectives of the organization and the future vision that the organization has to bring its chain management to a higher level.

3.1.5 What applies to the fashion company's supply chain asked by survey?

In the questionnaire about transparent supply chains sent to several mostly Dutch based fashion companies, companies were asked to give their statements about its supply chain.

The majority of the companies indicates that they do not own manufacturing facilities (90%), that they have a very fragmented supply chain (60%), that their supply chain is spread across multiple countries (90%), they are working with agents (50%) and the majority (100%) of production is in high risk countries.

Roughly "80% of sourcing come from 20% of Suppliers" (Pareto principle), were the bulk of the orders come from "direct sourcing" and they all more or less monitor conditions across their supply chain. None of the companies indicated to be able to trace its products through the chain from raw material stage.

On the other hand, the majority (70%) of the companies asked indicated to have nominated Tier 1 factories (one degree removed), some (40%) even have nominated Tier 2 factories (two degrees removed) and is working with long term commitments with suppliers (70%).

Remarkable, the overall pressure to become transparent about their supply chain does not seem to apply to everyone asked. At the same time, the companies indicated that they are not meeting stakeholder demands for more product information.

3.2 Where are the obstacles?

"Supply chain visibility is a key business challenge: in a recent survey of business continuity professionals, nearly 75% reported a lack of visibility into their supply chains. The problem is even more pronounced for extended supply chains: most companies have little or no information on second- and third-tier suppliers." according to Sourcemap. (2016)

As company supply chains become more dispersed and complex, building more transparent supply chains becomes more challenging. Dispersion and complexity also create greater difficulty for companies in increasing the sustainability of their supply chains. Conversely, building a more transparent supply chain also becomes more important so that a company can gain a better understanding of its increasingly complex supply chain and reduce its exposure to business risks (Laurell, 2014).

Consider the trouble an opaque supply chain can cause. When a company does not know what suppliers are in its supply chain and something negative happens, its brand reputation could be negatively affected. Conversely, many firms make a virtue of provenance. International clothing retailer H&M, for example, declares that it strives to improve labor practices and minimize the adverse environmental effects of not only its suppliers, but its suppliers' suppliers, right back along the chain. Similar claims—once the preserve of a handful of niche retailers—have become widespread. But until recently, customers had a limited view of supply chains. Even companies themselves have often been content not to ask lots of questions about the origins and pathways of the goods they source. (Kashmanian, 2017) (p. 76)

Many firms have made bold assertions about how seriously they manage their supply chains. Transparency, at a granular level, gives credibility to those claims. (New, 2010)

DRIFT stated that two of the root causes pointing to the persistent problems in the Fashion industry are disconnected and uncontrollable supply chains. The transactional relationships, fragmentation and unequal power relations that characterize the industry lead to collective irresponsibility, conservatism and risk aversion. The industry operates in an unregulated global market where negative externalities can be produced freely, becoming a 'footloose' industry that moves production to wherever it is cheapest, with strong vested interests to keep practices opaque. (DRIFT for transition, November 2018)

Low purchase prices and shorter times for manufacturing products, coupled with poor forecasting, unfair penalties, and poor payment terms, exacerbate risks for labor abuses in factories. (Human Rights Watch, 2019)

3.2.1 Challenges for the years ahead

From the survey the most striking result regarding the main challenges asked for the years ahead related to transparency, is that the majority (82%) of the respondents consider stakeholder pressure to be a main challenge. Beyond, respondents consider it highly likely that technology will be developed to achieve 100% traceable, transparent supply chains. Probably driven by the plausibility that consumers seeking more information about the products it purchases. On the other hand a common approach to identifying suppliers (e.g. common supplier registrars or ID codes) is assessed as (very) unlikely. Also notable is that the value chain is heading toward a fast-moving future is considered to be likely, but not but not convincing by everyone. As well as that prices will rise substantially.

The Business of Fashion (BOF) and McKinsey & Company (2019 pp. 37, 85.v), announced that consumers will make or break brands based on trust, in their point of view on the state of fashion in the year to come. Regardless of size and segment, players now need to be nimble, think digital-first and achieve ever-faster speed to market. They need to take an active stance on social issues, satisfy consumer demands for ultra-transparency and sustainability, and, most importantly, have the courage to "self-disrupt" their own identity and the sources of their old success in order to realise these changes and win new generations of customers.

3.3 Where do we want to go?

The demand for transparency in supply chains is increasing rapidly. Customers want to know how, where and under which conditions the products they buy are produced. In addition, more and more regulations are imposed which require better supply chain visibility. If not managed well, this growing demand for transparency will lead to ever increasing costs over time. Also, transparency can be defined in so many different ways. Thus, a structured approach to supply chain transparency is required. (KPMG, 2018)

First and foremost, transparency is not an objective in itself. Transparency alone is not sufficient, the quality of the disclosed data is key. (SOMO & ICN, 2013)

Modern global supply can create challenges for enterprises to meet their responsibilities. Until now, efforts at chainwide assurance have faltered because of logistical and financial barriers to seeing beyond the first tier of supply. Although firms have directed huge, laudable efforts in auditing and certifying their immediate suppliers, the real reputational and operational risks may lie further upstream. Companies will increasingly mandate traceability from their suppliers. At each stage of the chain, a new rule will apply: The only acceptable products are those with a clear, comprehensive provenance. (New, 2010)

Supply chain transparency, the ability to visualize suppliers and the flow of inputs, goods, and services in a given supply chain, is a fundamental element of a sustainable supply chain program. Transparency in the supply chain is also critical to building climate resilience, as information about the supply chain is essential to identifying hotspots, prioritizing interventions, and verifying progress toward goals. (Norton et al., 2015, p. 18)

3.3.1 Future proof supply chain

DRIFT for transition stated that the supply chain moves from disconnected, fragmented and opaque to new models in which supply chain actors go beyond a transactional relationship towards a partnership based on connection, mutual understanding and reciprocity. (DRIFT for transition, November 2018)

This pathway is about the transformation of business-to-business relationships, for example by co- investments in supply chain innovation, long-term collaborations and capacity building for high sustainability performance. Supply chain partners share in the risks, investments, benefits and losses, and work together to improve their joint performance. Resources are allocated by supply chain partners to increase capacity for strategic investment, far-reaching collaboration and radical innovation, to enable all actors to change their business as usual. It is key that this effort extends beyond the usual suspects (i.e. the top 100 brands and retailers) to engage players globally and across the supply chain, including small- to medium-sized enterprises (SMEs).

Supply chain sustainability

We mustn't forget that transparency [itself] is not the goal. Transparency is just one step towards the aim, which is sustainability. (McKinsey State of Fashion 2019 report)

By supply chain sustainability Corporate Citizenship (2013) is referring to an approach to supply chain management that seeks to actively manage and minimise the negative economic, social or environmental impacts associated with the sourcing of goods and services, while maximising the positive impacts where feasible.

With respect to supply chain sustainability, the United Nations Global Compact and BSR (2015) stated: In today's globalized economy, outsourcing business operations doesn't mean outsourcing responsibilities or risks—or that a company's responsibility ends once a product is sold. Leading companies understand that they have a role to play throughout the lifecycle of their products and services. Supply chain sustainability management is key to maintaining the integrity of a brand, ensuring business continuity and managing operational costs. (p. 7)

Companies sometimes find that they have significant risk in the suppliers who are one or more links away in the supply chain. For example, food and fashion companies have faced significant challenges with child labour on farms and factories which they rarely buy from directly. The electronics industry, as well as others, are struggling with mining in conflict zones for the minerals that go into their products. Engaging with sub-tier suppliers may have additional complications, including lack of transparency in the supply chain and less leverage over the sub-tier supplier. To overcome these obstacles, companies are pursuing a number of strategies including:

- Participation in industry collaborations: Collaborating with other companies can increase leverage collectively. It can also help companies to share the costs and resources required to engage with these suppliers.
- Engagement in public policy: Many companies also overcome their lack of leverage by seeking legal and regulatory redress of sustainability issues, working with local governments or their home state either alone or in collaboration with other businesses.
- Supply chain optimization: Individual companies can also take steps to shorten their supply chains by grouping smaller suppliers into cooperatives and reducing middlemen. This can also increase the revenue that small suppliers earn. (United Nations Global Compact and BSR, 2015)

Building trust with suppliers

Brands have a responsibility to take measures to identify and stop, prevent, and mitigate risks that cause or contribute to human rights problems in their supply chains. Brands—large and small—truly committed to

workers' rights should adopt and publish a policy on responsible purchasing practices and embed this across all internal departments through standard operating procedures, trainings, key performance indicators, and incentives tied to measures on social and labor compliance in factories. (Human Rights Watch, 2019)

Engaging with suppliers in two-way, transparent dialogue (through sharing contractual information as well as more strategic, high-level information), will help build better relationships and trust. (ETI, 2017)

A recent initiative, Better Buying (2018 p. 7), is pursuing a win-win sustainable partnership between suppliers and brands, by anonymous supplier surveys of brands' purchasing practices to analyse about good purchasing practices. The results show a direct correlation between the use of negotiation strategies and prices covering compliant production.

Specifically, as the number of pressure-producing strategies used by retailers and brands increased, the percentage of products priced to cover compliant production decreased. This important finding highlights an urgent need for retailers and brands to ensure their negotiation processes promote fair and sustainable partnerships. (2018 p. 9). Increased visibility, accurate forecasts, and evenly distributed orders throughout the year enable suppliers to allocate human resources supporting compliance with labor laws and codes of conduct, ultimately decreasing the risks for their customers. (Better Buying, 2018 p. 17)

Reward suppliers

Reward suppliers. Traditional audits and code of conduct compliance processes are aimed at identifying risks and potential sanctioning "non-compliant" suppliers. One of the advantages of sustainability scorecards is that they can allow you to focus on the positive side by identifying suppliers who go beyond compliance to provide eco-innovations and real value creation for their customers. Johnson & Johnson, for example, is working to integrate their sustainability scorecard into their annual supplier Recognition Awards. (EcoVadis, 2018)

4. WHY

4.1 Why not yet reached?

Why is transparency in supply chains not yet reached? Over the past 10–25 years, many company supply chains have become longer, larger, more dispersed, and more complex. Many supply chains have also expanded across multiple countries, especially as companies have extended their markets into emerging economies, lending credence to the assertion that we have a globalized economy. (Kashmanian, 2017, p. 73)

4.1.1 Long legacy of bad habits

The core problem of a lack of transparency stems from the attitude and working methods of the fashion industry to stay ahead of the competition. The idea of mystique is one that is so engrained into the fashion culture of total exclusivity that brands hid what they're doing from everybody. (McKinsey, 2019)

Until less than two decades ago, no major apparel company published its global supplier factories network. The companies viewed the identity of supplier factories as sensitive business information, and thought disclosure would put them at a competitive disadvantage, elucidates Human Rights Watch (2017). In the late 1990s and early 2000s, major apparel brands Nike and Adidas began disclosing the names and addresses of factories that produced US collegiate apparel. This was a result of a campaign led by a campus network, United Students Against Sweatshops (USAS), in dozens of universities. Subsequently, in 2005, Nike and Adidas went further by publishing information about all of their supplier factories for all products—not just collegiate licensed apparel.

Over the past decade, a growing number of other global apparel companies, including North American companies with no connection to the US collegiate apparel sector like Levi Strauss and Patagonia, as well as some European apparel companies, began publishing supplier factory information. (HRW, 2017)

4.1.2 Barriers to be not transparent

The 2019 Pulse Score shows that the fashion industry has improved its social and environmental performance in the past year, but at a slower rate than the previous year. Despite this improvement, the fashion industry is still far from sustainable. Furthermore, the findings demonstrate that fashion companies are not implementing sustainable solutions fast enough to counterbalance negative environmental and social impacts of the rapidly growing fashion industry. (Global Fashion Agenda, Boston Consulting Group, Sustainable Apparel Coalition).

United Nations Global Compact (2013) stated that companies are skipping the assess step and missing the return-on-investment data needed to move forward. Through assessments, companies perform upfront work to determine the risks, opportunities and impacts of their operations and actions. This is the return-on-investment stage of the process, but survey results indicate that many companies are skipping this step. (p. 13)

4.1.3 Corporate arguments against disclosure

Companies often argue that enforced disclosure of suppliers will not help to improve working conditions. Above that they do not have detailed information about their supplier base, in particular, not about second and further tier suppliers, or about subcontractors. Additional, to categorise supply chain details as confidential business information that cannot be shared in a competitive environment

This position is also taken by Dutch business associations for the textile and garment sector, who 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. They also fear that disclosure of suppliers would be put at a disadvantage in comparison to international competitors if they disclosed this information. 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. However, the sector does acknowledge the importance of more transparency towards consumers and between companies. (SOMO & ICN, 2013)

4.2 Why is there a dilemma?

As Steve New stated; some companies have built reputations for ethical practices in one arena—for example, certain apparel retailers celebrate the working conditions at their first-tier suppliers. But all firms will find that consumers' interest can stretch farther back up the chain. There is little point in trumpeting the excellent conditions for the stitching of jeans if the cotton is being harvested unethically. Companies certainly should exploit the marketing and operational opportunities that sophisticated tracking offers, but they'd also be wise to reveal what they find before outsiders do. (New, 2010)

As a great number of retailers do not own their own manufacturing facilities or use a system of agents and subcontractors known as “indirect sourcing,” it makes it difficult for companies to monitor conditions across their supply chain. (McKinsey State of Fashion 2019 report)

On the other hand, companies have a responsibility to respect human rights. These principles build upon the notion of due diligence. The ‘Protect, Respect and Remedy’ Framework addresses *what* should be done. 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.

Leading fashion brands and retailers are making significant efforts to be more transparent but there is still a long way to go. There is significant room for improvement when it comes to sharing their social and environmental policies, practices and impacts. (Fashion Revolution, 2019)

4.3 Why increase transparency?

Supply chain traceability is a pre-requisite for transparency, stated by Orsola de Castro (co-founder of Fashion Revolution). Today's consumers increasingly expect companies to be transparent about how, where and by whom their products are made. In a culture where social media often drives the consumer dialogue, not addressing these expectations can have a direct impact on a company's brand value. (GFA, 2019)

An increasingly important priority is sustainability and transparency, reflecting rising concerns on the part of consumers and companies about how to alleviate their impact on the environment. Consumers will make or break brands based on trust. (McKinsey, 2019)

4.3.1 Is there a business case?

The World Business Council for Sustainable Development (WBCSD), which is the strongest proponent of the business case, suggests that it is predicated on five returns : operational efficiency, risk reduction, recruitment and retention of talent, protecting the resource base of raw materials, and creation of new markets, products and services. And it is certainly not hard to find ad-hoc examples of each of these win-wins. But is there always a business case?

Does the market consistently reward sustainable and responsible performance by companies? Even without checking the data, we know intuitively from what we see going on in the world that the answer is an unequivocal no. Why are Fairtrade and organic products, or renewable energy, more expensive than more generic products? The fact of the matter is that, beyond basic legal compliance, the markets are designed to serve the financial and economic interests of the powerful, not the idealistic dreams of CSR advocates or the angry demands of civil society activists. (Visser, 2010)

The case against Corporate Social Responsibility, which claims that the idea that companies have a responsibility to act in the public interest and will profit from doing so is fundamentally flawed, argues Aneel Karnani. It also makes it more likely that we'll ignore the real solutions to these problems.

Very simply, in cases where private profits and public interests are aligned, the idea of corporate social responsibility is irrelevant: Companies that simply do everything they can to boost profits will end up increasing social welfare. In circumstances in which profits and social welfare are in direct opposition, an appeal to corporate social responsibility will almost always be ineffective, because executives are unlikely to act voluntarily in the public interest and against shareholder interests. (Karnani, 2010)

Although several reports have connected the importance of building more transparent supply chains to companies becoming more climate-resilient. Companies that lack visibility into their suppliers' geographic locations, key issues, and decision-making systems will have a difficult time taking steps to mitigate their climate vulnerability. By contrast, companies that have a high degree of supply chain transparency are better positioned to mitigate risks posed by climate change and realize opportunities in their supply chains. (Norton et al., 2015, p. 18)

4.3.2 Benefits to business

The International Corporate Accountability Roundtable stated that when companies adopt basic supply chain transparency principles, they benefit from a set of mutually reinforcing outcomes: Positive reputation; Operational efficiency; Improved compliance; and Increased access to capital. Each of these benefits results from and reinforces the others.

The transformation within the world's leading apparel brands to a posture of responsible engagement should be understood as a net benefit, not only for workers, advocates, communities, and the governments that serve them, but also for businesses themselves. (ICAR, 2019)

Against this backdrop, momentum around demands for greater transparency has gathered pace. Governments, consumers and civil society are making their expectations of companies and the information they share clear, with responsible businesses calling for a level playing field. In parallel, businesses are increasingly realising the commercial value of transparency, backed by growing evidence that it is linked to improved financial, social and ethical performance. (ETI, 2017)

A focus on sustainability-driven productivity in the supply chain can reduce a company's procurement costs while also reducing the environmental footprint of the supply chain, such as energy, water and use of natural and synthetic materials. This may also reduce the harm to worker health and safety and improve worker motivation, productivity and cost efficiency.

Productivity and efficiency initiatives require a full understanding of the different steps of the supply chain and the key social and environmental impacts and cost drivers. Other benefits include: Increased understanding of key processes in the supply chain, including natural resource management and extraction, logistics and manufacturing and enables better management and stewardship of resources. More efficiently designed processes and systems which reduce required inputs and lower costs.

By addressing the root causes of issues through strong communication capabilities, in-depth understanding of business drivers and sustainability trends and shared assessments and priorities for improvement, companies can drive improvements and derive the benefits. (United Nations Global Compact and BSR, 2015) (p. 16)

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. (SOMO & ICN, 2013)

5. WHO

An analysis was made of the status with regard to transparency in the supply chain, as observed by a stakeholder group of various fashion companies based mainly in the Netherlands. Of which the majority of these companies are participating at the Dutch Agreement on Sustainable Garments and Textile (AGT). The majority of this group are Small and Medium-sized Enterprises (SMEs), which represent 99% of all businesses in the EU. (OECD, 2005)

With a representative but small part of the Dutch fashion market, is examined various aspects of building a more transparent supply chain by survey. The transparency performance and the future outline of the stakeholder group of various fashion companies have been compared against literature on supply chain transparency.

End of May 2019, there have been send a questionnaire about transparent supply chains to several mainly Dutch based Fashion companies. On the basis of the answers provided amass good knowledge is collected, and understanding, also of the market related data available and the pros and cons of increasing transparency.

5.1 Survey key findings

The majority of the respondents are from B2C (Business to Consumer) Fashion companies (67%). Of which more than half of them is selling Apparel. Mainly a clothing line for women followed by a clothing line for men, and children (total Apparel 56%). Followed by Outerwear and Sportswear collections (27%).

Almost all companies filled the survey, except one, indicated to have a Turnover > €25 million in garments and textiles or turnover between €2.5 and €25 million and buying at least 25% of their turnover directly from production countries.

Of all the initiatives and standards, addressing environmental and social issues, companies can participate in The Dutch Agreement on Sustainable Garment and Textile (Convenant) covers a major share. Of all the respondents 81% points out that their company have signed the Dutch Agreement.

Further, 22% of the respondents indicated to participate in the amfori Business Social Compliance Initiative (BSCI), as well as the Bangladesh Transition Accord. Both can help monitor and as well as ensuring that existing due diligence mechanisms mitigate risk and guarantee compliance with labor and other standards.

One of the conclusions that can be drawn is that the focus is still on social compliance in the traditional way through an auditing system. While the current compliance-focused approach has played a significant role improving social and labor conditions over the past two decades, it has also led to a proliferation of audits. The outcomes of audits are shared with other buying companies, only if performed through the same audit system.

Although a relatively small group of the respondents indicated to have joined The Social and Labor Convergence Program (SLCP) (3%). This might indicate a new way forward to create an efficient, scalable and sustainable solution for social audits. SLCP aims to implement the first industry-wide framework to assess social and labor conditions. This framework includes a standard-agnostic tool and verification methodology which collects objective social and labor data that stakeholders can use to identify opportunities for improvement and track progress. One assessment for all, vast amounts of resources saved.

In line with SLCP, The Sustainable Apparel Coalition (SAC) has its focus on assessing environmental conditions. The SAC Higg Facility Modules is a suite of tools that enables brands, retailers, and facilities of all sizes — at every stage in their sustainability journey — to accurately measure and score a company or product's sustainability performance. Also some respondents indicated to be part of SAC (3%).

Interesting is the fact that up to now 3% of the respondents have signed The Apparel and Footwear Supply Chain Transparency Pledge (the Pledge) of which have laid out a key set of transparency practices. In short,

alignment with the Pledge requires companies to publish and regularly update, in a searchable format, meaningful information about the factories in the manufacturing phase of their garment supply chains.

5.1.1 Transparency about the products sold

In order to determine whether a fashion brand/retailer is being transparent about its products it has to provide information about the enterprise's relationship to impacts. Or at least provides information about social and environmental impacts. To accomplish this, it may be useful to provide a complete list of full supply chain from raw materials till the end product. The outcomes of the questionnaire clearly showed that this is recognized by the majority of respondents, as being transparent about the products sold. Who indicates those three described statements as being the most important ones.

However, if the same statements are being requested whether those apply to their organisation regarding what information is being made publicly available, the results show a very different reality. The majority of the companies that participated in this survey provides in general little information about their production process and Environmental, Social and corporate Governance (ESG) criteria and impact. In addition, it must be mentioned that a number of respondents also indicated that none of the given options were applicable to their company related to publicly available information.

A number of companies surveyed do, however, make Tier 1 (8%). In addition, the companies that are members of the AGT share their Tier 1 and sometimes also Tier 2 production sites (8%). Additionally, production locations of AGT signatories are then jointly published by all participating companies, aggregated through the AGT list. This year (2019), for the first time, the production locations of all the companies participating in the Agreement are being disclosed on the Open Apparel Registry (OAR) website. (AGT news)

5.1.2 Steps towards a full transparent supply chain

Further, respondents were asked to indicate which steps their company have been taken on the journey towards a full transparent supply chain. Why is this so important? Because brands have a responsibility to take measures to identify and stop, prevent, and mitigate risks that cause or contribute to human rights problems in their supply chains.

The following six steps were identified by Sourcemap, as the key features of effective human rights due diligence on purchasing practices:

- Step 1: Find out what your supply chain looks like.
- Step 2: Identify the suppliers you didn't know you had.
- Step 3: Measure risk using advanced geo-analytics.
- Step 4: Manage continuous improvement for direct and indirect suppliers.
- Step 5: Trace every product from raw material to finished good.
- Step 6: Share your supply chain story.

If a certain step apply, the respondents were asked also to indicate per step if it was based on: Material analysis, Purchase volume, Purchase value and/or Risk assessments.

In summary it can be concluded that a third is still in the initial phase and is working on step 1: identifying the production chain (33%). Yet two thirds of the companies filled the survey, is a step further by completing steps one to three. In addition to investigating how their production chain works, they are also mapping who their direct and indirect suppliers are. In addition, overall a geo analysis is performed (66%). More than half indicate that they complete all 6 steps and thus complete the due diligence cycle (58% steps 1-6).

Extra information that was collected in the survey additional to the 6 steps, shows that the companies requested do not only act at different stages, but also that different elements are used within the same step.

5.1.3 Statements on increasing transparency

From the given statements on increasing transparency in general, almost all respondents (strongly) agrees with the statement that transparency is seen as a corporate tool. Also that it is helping to protect the license to operate (brand reputation). Even as that transparency will contribute to correct the environmental and societal negative impacts. Although it is recognized that it becomes more challenging due to increasingly complex supply chains.

Notably in the results of the survey is that increasing transparency is seen to build Industry collaboration. The majority even strongly agree that increasing transparency will lead to a transformational change in the fashion industry. If transparency is ensuring business continuity, opinions are divided on this. Although the majority more or less agrees with the statement (64%).

Overall respondents strongly agree that technological advances will improve visibility in the supply chain, it will reduce risks and it is important to ensure that sustainability claims are true. Further if transparency is increased within the companies this will strengthen management systems, maximising competitive advantage, as well as strengthen collective action with civil society organisations and collective benefits.

Of the supply chain of the companies that participated in the survey, roughly "80% of sourcing come from 20% of Suppliers" (Pareto principle), and the bulk of the orders come from "direct sourcing". The majority of their production is in high risk countries and their supply chain is spread across multiple countries. Manufacturing facilities are not owned (except for one). A majority stills works with agents. What is interesting is that the majority indicates to work with long term commitments with suppliers. This is at odds with working with agents, who regularly move production orders to other production locations on short term agreements.

All indicates to monitor conditions across their supply chain, and having nominated Tier 1 factories (one degree removed). No one indicates to be able to trace its products through the chain from raw material stage. It is striking that the majority feel no pressure to be transparent about its supply chain. At the same time no one is feeling to meet stakeholder demands for more product information.

5.1.4 Due diligence process steps

Under the OECD Guidelines, businesses must investigate the extent to which they are implicated in human rights, environmental or animal welfare violations. Such an investigation is known as *due diligence*. One of the questions asked was to learn more about the due diligence process of the companies addressed. Where they are in the process cycle and moreover, how they assess themselves at what level their company performs the steps in the due diligence process. The following steps are indicated:

1. Identify potential and actual harm in the enterprise's own operations and in its supply chain: The majority have classified themselves at the advanced level (63%). One company indicates that it is acting as a leader.
2. Cease, prevent or mitigate harm in the enterprise's own operations and in its supply chain: The majority indicates just started with the process of Cease, prevent or mitigate harm in the enterprise's own operations and in its supply chain (60%). All others have classified themselves at the advanced level (40%). None of the respondents have classified themselves to act at leading level.
3. Track: Verify, monitor and validate progress on due diligence and its effectiveness in own operations and in its supply chain.
4. Communicate publicly on the enterprise's due diligence processes, including how the enterprise has addressed potential and actual harm, and with affected stakeholders: The majority indicates just started with the process of tracking progress on due diligence (70%). Some have classified themselves at the advanced level (20%) and even to act at leading level (10%). (step 3 and 4 have the same outcome).

Generally can be concluded that the companies are in the starting phase and taking first steps in the due diligence process.

6. HOW

In order to succeed, we will need innovation and creativity. Business is naturally creative and innovative. Business creativity needs to be directed to solving the world's social and environmental problems. We cannot, to paraphrase Einstein, solve today's problems with yesterday's thinking.

As our world becomes more connected and global challenges like climate change and poverty loom ever larger, businesses that still practice CSR 1.0 will be rapidly left behind. Highly conscientized and networked stakeholders will expose them and gradually withdraw their social licence to operate. By contrast, companies that embrace the CSR 2.0 era will be those that collaboratively find innovative ways tackle our global challenges and be rewarded in the marketplace as a result. (Visser, 2008).

But beyond groceries, the question of precisely where our goods come from remains as pertinent as ever — and one that the fashion industry has not yet been able to solve at scale. This will be one of the main challenges for year ahead, as mentioned by their respondents in the State of Fashion 2019 report. Sustainability is evolving from a tick-box exercise into a transformational feature that is engrained in the business model and ethos of many recent success stories. (McKinsey, 2019)

If the industry does not implement changes at a faster rate, it will not be able to achieve the United Nations Sustainable Development Goals or meet the Paris Agreement. Global Fashion Agenda, Boston Consulting Group and Sustainable Apparel Coalition call upon industry leaders to increase their pace towards a deeper and more systemic change. Companies must push harder, with more focused and coordinated efforts, to overcome technological and economic limitations that hinder progress". (2019, May 7)

6.1 By what means

Industry collaboration is key. Even the largest of organizations lack the leverage to impose improvements upon all suppliers. And with the multiplication of sustainability scorecards, the reporting burden on suppliers only increases. This is why you should look for opportunities to collaborate with your peers on common sector-specific scorecard systems. (EcoVadis, 2018)

Collaboration is essential for companies to make greater progress in achieving sustainability in supply chains. (United Nations Global Compact, 2018)

Kashmanian and Moore (2014) described a "supply chain ecosystem," comprising companies and their suppliers, as well as nongovernmental organizations, working together to support and advance sustainability in supply chains. For instance, to harmonize practices within or across sectors, reduce burdens, increase efficiencies for suppliers and/or companies and inform the marketplace. (p. 23)

Amina Razvi, Interim Executive Director at Sustainable Apparel Coalition (SAC) states: "To achieve the transformational change required, we must collaborate and make meaningful commitments to end our industry's damaging practices. We need to scale our efforts to assess impacts through a common framework and increase improvements in sustainability performance globally." (Global Fashion Agenda, Boston Consulting Group (BCG), and Sustainable Apparel Coalition (SAC) 2019).

H&M states that "Transparency is the key to build trust and enable customers to make conscious choices. It is also an important driver for improved performance and creation of stronger impact across our value chain. Beyond disclosing where and by whom our products are made, we also work to make the impacts of how they are made measurable and comparable." [...] "Creating this transparency is a big and important step, but it doesn't immediately show how sustainable a product is. To answer this question, we need a common measurement for fashion products that allows consumers to compare in a simple and trusted way. This is why we have been involved in developing the Higg Index [SAC]." (H&M Transparency, 2019, p. 25)

An initiative that seek to combine collective brand action on reforming purchasing practices with sectoral collective bargaining like the Action, Collaboration, and Transformation (ACT) on Living Wages, which is focusing its work in a few key priority countries. Such collective initiatives hold the promise of enhancing brand leverage in shared factories and undercutting supplier competition. (Human Rights Watch, 2019)

MVO Nederland stated in its New Business Agenda that it is time to make the chain more transparent in a different way. The traditional compliance approach has undeniably led to improvements in recent years. However, in many production chains there are still abuses, sometimes openly, but also often hidden from view of well-meaning companies and consumers. More quality marks and audits are not going to solve this.

In the new economy, it should be possible to find out for each product how, where and by whom it is made, with regard to working conditions, the preservation of ecosystems, and e.g. the handling of chemical substances. This information should be real time, reliable, accurate and accessible. If it appears that there are incidents or structural problems, they will be reported immediately so that action can be taken.

To achieve this, it is essential that information is added to 'the story of the product' in as many places as possible in the chain. This means that not only a judge of a certification scheme shares its notes, but that every employee, visitor or supplier is also able to add observations and experiences. Like platforms as Booking.com, Airbnb, lens or Uber. (MVO Nederland, 2019)

H&M states: "We believe that if we collaborate across the industry and use new technologies such as blockchain and AI, we can push the fashion industry towards becoming fully transparent." Blockchain is a ledger or table that businesses use to keep track of their credit and debit. The distinguishing feature of block chain is that it cryptographically chains verified data into blocks. That means once info is added into the system it can't be modified without everyone connected into the chain being informed. ARKET has conducted a pilot project to better understand the usage of blockchain in connection to transparency. (2019, p. 27)

Large-scale introduction of a ledger system of materials and materials passports using blockchain or other decentralized, open information technologies. This is a critical enabler for a circular economy because information about material flows will be available. It could even serve as a starting point for moving beyond ownership of materials towards a duty to maintain and return them after a completed lifecycle, which could disrupt the way products are handled. (DRIFT for transition, November 2018, p.)

In fashion, the shift to new ownership models is driven by growing consumer desire for variety, sustainability and affordability and sources suggest that the resale market, for instance, could be bigger than fast fashion within ten years. (McKinsey State of Fashion 2019 report)

6.2 In what way

Hence, if we look at Value Creation, it is clear we are talking about more than financial profitability. It is a complete misnomer to believe that the purpose of business is to be profitable, or to serve shareholders. These are simply means to an end. Ultimately, the purpose of business is to serve society, through the provision of safe, high quality products and services that enhance our wellbeing, without eroding our ecological and community life-support systems. (Visser, 2008).

Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity. Creating Shared Value (CSV) presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business, but goes far beyond that. The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy.

The most fertile opportunities for creating shared value will be closely related to a company's particular business, and in areas most important to the business. Here a company can benefit the most economically and

hence sustain its commitment over time. Here is also where a company brings the most resources to bear, and where its scale and market presence equip it to have a meaningful impact on a societal problem. And the competitive advantages that arise from creating shared value will often be more sustainable than conventional cost and quality improvements. The cycle of imitation and zero-sum competition can be broken. (Porter M.E. and Kramer M.R., 2011)

Better insight in the monetary value of societal impact can improve reputation. A new technology that allows organisations to quantify their societal impact is True pricing: the monetary valuation of social and environmental externalities. Such information and knowledge enhances e.g. to prevent reputation risk: Measuring and monetizing all impacts quantitatively – internally – allows companies to safely make partial or qualitative claims externally about their sustainability.

Above, to improve transparency and reporting: Monetizing has the potential to improve transparency and reporting. It allows consumers to compare the social and environmental performance of brands based on standardized information.

Moreover, it can be used in integrated reporting, which can attract investors with more long-term horizons and investors with an interest in the societal impact of their investments as well. In addition, monetizing enables companies to clearly communicate the effect of interventions, which increases stakeholder trust. (True Price)

Similarly, an Environmental Profit and Loss Account (EP&L) helps identifying negative impacts that can harm a company's reputation. Furthermore, the IP&L can show the sector and policy makers how they can have better policies and rules, stressing a role as a frontrunner. (KPMG International, 2014)

The IP&L helps to lay the foundation to pursue an integrated value strategy. Jochen Zeitz, Executive Chairman of PUMA, commented: "Reducing the environmental impacts that derive from PUMA's supply chain represents a real challenge for us, as we have limited control over these activities and on further Tiers, suppliers can be shared by thousands of companies. However, we recognize that in order to make a real change we, along with our industry peers, have to work responsibly to help reduce the impacts of external supplier factories and raw material producers.

In addition to driving innovation in various areas along our own supply chain and with our consumers, we also need the support of policy makers and the engagement of the whole industry to implement a new model for businesses that works with nature rather than against it and ultimately supports social and economic sustainability." (PUMA, 2019)

The global fashion industry is one of the largest, most dynamic and influential industries on the planet. It is one of the most impactful and therefore should also have the power to play a pivotal role in leading the shift towards a more sustainable future. (Global Fashion Agenda, BCG, 2017) (Fashion Pact, 2019)

7. Conclusions

The research question that this paper has tried to answer reads as follows: **‘Is transparency in the fashion industry supply chain the main driver enabling a scalable transformation that secures business continuity and strengthens B-to-B relationships?’**

This paper argues in favour of enhanced transparency in the global garment supply chain. Conclusions will be focused on transparency in the supply chain, in the sense of buyer-supplier linkages. In an attempt to substantiate the need for a different corporate approach to transparency.

The definition of transparency can be defined as follows: Characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions.

The OECD Guidelines encourage companies to identify and publicly disclose information about their relationships with suppliers. This may be regarded as soft law, which is “soft” in the sense that that it does not by itself create legally binding obligations. 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.

Generally speaking, brands, retailers and manufacturers are no champions of supply chain transparency. Fashion companies traditionally are reluctant to share information regarding their corporate structure, and their suppliers’ base. For a long time there was no direct incentive, rather the opposite, the attitude was always protective to be competitive. This characterizes the industry leading to collective irresponsibility, conservatism and risk aversion. The industry operates in an unregulated global market where negative externalities can be produced freely, becoming a ‘footloose’ industry that moves production to wherever it is cheapest, with strong vested interests to keep practices opaque.

With increased media and stakeholder scrutiny, and mounting pressure from consumers to champion sustainability, the fashion industry recognises the need to improve transparency and the authenticity of its sustainability communications.

Increasing the transparency of supply chains cannot be an objective in itself. It does not contribute to manage increasingly complex risks and opportunities related to environmental, social and governance (ESG) performance. Let alone this is the answer to conduct due diligence and move the sector forward in addressing the underlying causes of the obstacles.

The global textile sector is described as a multi-layered and complex supply chain. That control over the supplier base is limited; there is not one single business actor that has control. As a great number of retailers do not own their own manufacturing facilities or use a system of agents and subcontractors known as indirect sourcing. The established structures, networks, routines, technologies and production processes keep the fashion industry locked in.

The results reveal that the current unstable buyer-supplier relationships and the complexity of the supply chain in the global apparel industry do not contribute to innovation and control when dealing with increased transparency in the supply chain. It became clear, that 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. Supply chain transparency can also help check unauthorized subcontracting – a persistent challenge in the garment industry – by publishing all authorized supplier factories.

Fast fashion, which depends on short lead times, will need to find new strategies to maintain delivery speed and production quality, and at the same time increase transparency in order to build trust with consumers and keep its Licence to Operate.

Engaging with suppliers in two-way, transparent dialogue, and equal power relations will help build more efficient sourcing relationships and strengthens business-to-business relationships. For buyers to limit the spread of production over too many suppliers and to strive for continuity in trade relationships with multi-year contracts. Companies should apply responsible purchasing practices and reward suppliers that perform above compliance standards, with regards to ensuring a decent standard of living for those in the lowest paid roles.

It is time to make the chain more transparent in a different way. The current linear production cycle of take > make > use > waste promotes a lack of transparency, traceability and visibility into all aspects of production. This industry should develop beyond the archaic model, language and behaviour of our current chain-based model.

Transparency is key to move the sector from disconnected, fragmented and opaque, to new models in which supply chain actors go beyond a transactional relationship. Towards a partnership based on connection, mutual understanding, reciprocity and trust. Increased transparency is also building trust with investors: facilitated access to capital. Both are crucial to secure business continuity.

Collaboration is essential to join forces and bring connection into the supply chain. The industry need to scale its efforts to assess impacts through a common framework and increase improvements in sustainability performance globally.

The solution lies in changing the power balance in supply chain partnerships; the transparency of production chains, and changes in how materials are owned and managed throughout product lifecycles. The potential for substantial waste savings if brands choose to operate with a more compressed network of partners, one which does not require goods to be passed from pillar to post.

The industry needs to evolve towards a natural capital assessment and radical transparency that gives the public free and reliable access to the details of the true costs of environmental impacts, origin and materials. The industry can take on a new tone, as an ecosystem of collaborative networkers using valued, respected long-term relationships.

The tool to accelerate and generate connectivity is modern technology: state-of-the-art technology and processes such as artificial intelligence, blockchain, robotics and omnidirectional data flows. At the same time, it should also focus on innovation and the use of (new) sustainable materials.

By using new technologies the fashion industry can be pushed towards full transparency, in such a way that information is added to 'the story of the product' in as many places as possible in the chain and should be real time, reliable, accurate and accessible. People are increasingly looking for bigger ethical statements from brands and retailers, and brands in turn are realizing the importance of values-based business.

The global fashion industry is one of the largest, most dynamic and influential industries on the planet, generating over EUR 1.5 trillion a year in revenues. It is one of the most impactful and therefore should also have the power to play a pivotal role in leading the shift towards a more sustainable future.

Time to walk the road to openness. Towards transparent and traceable value chains in the fashion industry, in where value chain partners share ownership of risks and benefits.

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