

Global Agenda Council

Shared Responsibility: A New Paradigm for Supply Chains

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Welcome

Foreword

The World Economic Forum's Global Agenda Council on Human Rights works to promote industry-wide approaches to human rights challenges. In 2014, the council undertook a two-year project to examine global supply chains with the aim to explore the increasingly vital relationship between large global buyers and the local suppliers and governments in the countries where they operate. Often in these complex environments, global companies face daunting human rights challenges related to their core business operations. Although many companies have taken action to address these challenges, they typically are reflective of larger gaps in governance that the private sector alone cannot reasonably be expected to address.

This paper seeks to offer a fresh way of looking at serious, entrenched human rights challenges by outlining the appropriate scope of supply chain responsibilities in different industries, and how companies should assess and report on the real risks associated with their business operations. It then offers a series of recommendations based on the principle of "shared responsibility", proposing a fair allocation of the

preventative and remedial costs and commitments for addressing these problems among global companies, their local business partners, local and foreign governments, unions, international financial institutions and private philanthropies.

Among the target audiences for this paper are senior leaders of global companies, government officials from developed nations and the international lending institutions they help to support, and leading suppliers in developing countries. In publishing this paper, we aim to stimulate consideration of a new approach to addressing human rights issues across global supply chains, more fully expanding the benefits of globalization to workers and communities in producing countries, and the advantages and feasibility of the shared responsibility model.



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Executive Summary

Extending the benefits of globalization to all workers

Businesses in a range of industries today place increasing reliance on global supply chains to produce their goods and deliver commodities to their customers. A key feature of a globalized economy, these supply chains have created millions of new jobs, which have helped lift hundreds of millions of people out of extreme poverty. Yet at the same time news headlines reveal chronic human rights and environmental challenges associated with supply chain operations, especially in the most difficult places to do business around the world.

This paper seeks to examine the most pressing human rights challenges in supply chain operations in such places and offers a way forward in addressing the most vexing of these challenges. It aims, in part, to contribute to work now being done on supply chain issues by the G7, the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD). We propose a collective response that we call shared responsibility, in which global and local businesses, governments, international organizations and philanthropic organizations devise collective solutions and share the financial cost of addressing the most entrenched human rights problems in global supply chains.

To date, the international community's primary response to supply chain issues has been private initiatives by multinational companies. These include policing primary suppliers, building management and production capacity of suppliers, and, in some instances, beginning to set standards across an industry. Despite significant investment from companies and episodic improvements, these efforts have been limited in the face of deeply entrenched human rights challenges. Ensuring that workers and communities across global supply chains realize the benefits of globalization – enhanced economic opportunity and increased respect for basic human rights – requires a new paradigm, one that enlists a wider range of stakeholders and resources, including governments, to improve respect for human rights in global business.

Shared responsibility

The model of “shared responsibility” seeks to address the underlying causes of the most serious and entrenched human rights risks and abuses – weak governance and unsustainable upstream business practices. It requires the collective action, influence and resources of all major stakeholders in global supply chains, including global companies, national-level suppliers, developed and developing governments, international financial and labour organizations, workers and trade unions, civil society, private philanthropy, and development agencies that are often central to public-private partnerships.

Shared responsibility includes four critical components:

- Adopting industry-wide, systemic approaches that involve key public and private stakeholders
- Gaining visibility of the full scope and complexity of human rights challenges in each industry’s entire supply chain, and delinking visibility from financial responsibility
- Assessing the real costs and commitments requires addressing the most serious risks and problems, recognizing that neither companies nor governments alone can underwrite all of these costs
- Generating cooperative approaches based on an equitable sharing of responsibility for action among the key stakeholders

The model also operates under a number of key principles:

- Not all industries and supply chains require a shared responsibility model of action. It is a model aimed at tackling the most serious and entrenched human rights challenges,

where governance gaps are the widest and most persistent.

- Industry-specific rather than company-specific approaches are necessary for addressing the most serious human rights risks. These risks are often common among particular products or commodities and to specific geographical areas where governance is weakest.
- Achieving visibility over entire industry supply chains is critical for managing human rights issues. However, visibility does not equal responsibility; companies cannot and should not be held solely responsible for addressing challenges in their supply chains.
- Shared responsibility includes both financial costs and regulatory commitments. Dividing costs and commitments among stakeholders requires stakeholders to shape a fair and transparent method of allocation.

To guide shared responsibility approaches, we have identified a number of existing models and key considerations for implementation of this model. The Apparel Industry Partnership from the mid-1990s, the Soccer Ball Project in Sialkot, and Pakistan and Detroit’s Blight Removal Task Force each relied successfully on aspects of the shared responsibility model. In proposing this bold new approach, the paper begins to grapple with a number of practical questions. What is the threshold for implementing the shared responsibility model? How can stakeholders equitably divide costs? How do stakeholders ensure that the resources raised are delivered to the intended beneficiaries, and that the system is accountable?

A call to action

Upholding human rights in core business operations is critical for sustainable business growth; businesses operating in failed or fractured states face enormous obstacles to their success. Crafting responses to the most severe human rights challenges in today's global supply chains requires a willingness to recognize when existing approaches are not working and to take bold action to create new solutions. The shared responsibility model presents a significant departure from familiar responses. It is born out of recognition that the familiar has not delivered the benefits that workers and communities have a right to expect from a rising global

economy. These challenges will never be addressed in a meaningful way if we put the burden solely on companies or governments to act alone. But acting together, there is greater promise for a better, more sustainable future for those working in global supply chains to enjoy the dignity of work and a secure economic future.



Introduction

Globalization – fuelled by trade liberalization, freer flows of international capital, advances in information and communications technology, and cheaper modes of transportation – has redefined how goods and services are sourced and produced. Unlike the vertically integrated multinational companies of the 20th century, today's global companies rely on thousands of internationally dispersed suppliers, who each play a distinct and specialized role in production. The rise of the global outsourcing model has been described as one of “greatest organizational and industry structure shifts of the century.”

Many aspects of this supply chain model have been immensely beneficial to the global economy. It dramatically reduces production costs, offers high volumes of products and commodities available to buyers on short timelines, makes a wide variety of products affordable to consumers, and concentrates the different stages of production in places that have competitive advantages.

The expansion of global supply chains in manufacturing, farming, fishing and other industries has generated new jobs and economic opportunities, which have greatly benefited millions of people in less developed parts of the world. Over the past 35 years, almost one billion people have been lifted out of extreme poverty, nearly halving the number of people living below the extreme poverty line. In China alone, an estimated 680 million people have been lifted out of extreme poverty.

Multinational companies have been central drivers of this growth, making much-needed investments that help integrate developing countries into

the global economy, provide jobs and technology, and stimulate innovation. The increased economic growth and employment opportunities supported by global supply chains, including multinational and nation-level suppliers, have had positive consequences for human rights, such as increasing access to healthcare, educational levels and per capita food intake and an improvement in the status of women. In Bangladesh, for example, employment in garment manufacturing has offered several million young women job opportunities for the first time.

However, the expansion of global supply chains also has contributed to a range of challenges. While many companies have committed significant resources towards avoiding and remedying human rights challenges in their supply chains, these efforts have limits in the face of entrenched problems rooted in serious governance gaps. Today, human trafficking, child labour, forced labour and other abuses of affected communities are well documented in the supply chains of many industries. News headlines reveal troubling trends in some of the most difficult places to do business around the world: collapsing apparel factories in Bangladesh, forced and child labour in Uzbekistan's cotton fields, human trafficking on fishing vessels in Thailand, child labour on cocoa plantations in West Africa, violence fuelled by conflict minerals in the Congo, abuse in electronics manufacturing in China and the list goes on.

These trends are especially notable in least developed countries and where governance is very weak. While these places often are important sourcing destinations because of low labour

costs and access to raw materials, governments lack the resources, technical capacity and, often, the political will to protect the basic rights of their own citizens. Rule of law is often weak and corruption widespread. Because less developed countries rely so heavily on foreign investment, host governments have an incentive to ease regulatory burdens and encourage lower production costs to secure global business. This “race to the bottom” exacerbates persistent governance gaps in places that are important to global business, but where workers and communities are not realizing their full share of the benefits of a globalized economy.

Weak governance is compounded by certain upstream business practices such as just-in-time sourcing, fragmented production and the trend towards shorter product cycles, as well as asymmetric power between different supplier tiers and additional supply chain layers created through sourcing agents. National-level contractors and sub-contractors located in weak states are under intense pressure to reduce costs, meet short deadlines and generate profits, but these business practices often are root causes contributing to longer hours, lower wages, gaps in worker safety and other violations of workers’ internationally recognized rights.

In many instances, companies have demonstrated a sincere interest in confronting difficult human rights challenges in their supply chains. Many companies have adopted codes of conduct and monitoring programmes aimed at policing and improving human rights in their primary suppliers. Others have focused on capacity-building initiatives to enhance suppliers’ internal management systems, increase efficiency and encourage adoption of best practices. Some of the most engaged companies have led the way by coming together in

initiatives that set and enforce standards for human rights performance across companies in the same industry and that establish mechanisms for enforcing these standards.

While these approaches – what Richard Locke has termed “private governance” – have yielded episodic improvements, none have successfully addressed the most persistent and egregious governance gaps. Critically, private governance approaches focus on changing the human rights standards in the supply chains of specific companies. Even at their most successful, such initiatives create “islands of compliance”, where the human rights of workers depend on the strength and commitment of the global companies involved. As a result, private governance approaches do not address the full range of human rights challenges that are fuelled by a combination of weak governance and unsustainable business practices. These approaches also fail to fully mitigate companies’ own reputational, legal and operational risks.

It is a fundamental principle of international law that states have an obligation to protect the rights of their own citizens. The 2011 UN Guiding Principles on Business and Human Rights affirmed that businesses’ responsibility to respect human rights exists independently of governments, especially in scenarios where government is failing to provide basic protections for the workers and communities who are essential to global business operations.

To date, private governance initiatives have been the international community’s primary response to addressing violations of human rights in supply chains. These initiatives can and should continue to play a beneficial role in improving standards among primary suppliers in each multinational company’s global

operations. But ensuring that workers and communities across global supply chains realize the benefits of globalization – enhanced economic opportunity and increased respect for basic human rights – requires a new paradigm that enlists a wider range of stakeholders and resources, including governments, to improve respect for human rights in global business.

A Shared Responsibility Model

The Global Agenda Council on Human Rights proposes the adoption of a model of shared responsibility, based on collective action, to more fully extend the benefits of global supply chains to the workers and communities whose labour makes globalization possible. This model would seek to address the underlying causes of the most serious and entrenched human rights risks and abuses – weak governance and unsustainable upstream business practices.

To succeed, a shared responsibility model will require collective action both among global companies and between global companies, national-level suppliers, developed and developing governments, international financial and labour organizations, workers and trade unions, civil society and private philanthropy. It also will require a deliberate focus on the challenges confronting workers supported by systems and solutions that empower affected communities to reinforce their own rights.

This kind of cross-sector collaboration presents significant opportunities for industry stakeholders to scale their collective impact on human rights challenges and for individual companies to mitigate risk in their supply chains. The potential result is an environment in which all stakeholders in global supply chains can succeed: workers, companies, suppliers, consumers and government. Workers, for example, will have access to safe and fair working conditions and systems to reinforce their own rights. Companies will gain better visibility over their supply chains by leveraging each other's resources. Suppliers will have greater access to the resources they need to implement more sustainable models, including policies,

training and financial resources. Consumers will have greater confidence in the positive global benefits of the products they buy. And governments will garner support, including buy-in from companies, to implement needed reforms and close governance gaps.

This shared responsibility model offers a curative approach to remedying existing human rights challenges in supply chains as well as a preventative approach to mitigating serious risks at the inception of business. The model seeks to:

- Adopt industry-wide, systemic approaches that involve key public and private stakeholders
- Gain visibility of the full scope and complexity of human rights risks and problems in each industry's entire supply chain
- Assess the real costs and commitments required to address the most serious risks and problems, recognizing that companies alone cannot underwrite all of these costs
- Generate cooperative approaches based on an equitable sharing of responsibility for action among the key stakeholders, including global companies and non-Western brands, local industry, foreign and local governments, international financial institutions, trade unions, civil society and private philanthropy.

Industry-specific approaches

The most serious human rights risks in certain supply chains often are common to particular products or commodities and specific to certain geographical areas where governance or sourcing practices are challenging. As a result, industry-specific, rather than company-specific, approaches are critical for addressing the most serious human rights risks and challenges.

Over the last 15 years, some leading global companies have banded together with their industry competitors and other stakeholders to adopt collective human rights standards, metrics and evaluation programmes across sectors. These efforts have led to important, salutary benefits for workers. Such industry-based efforts lay the foundation for the shared responsibility model.

Industry-specific approaches will require even greater collective, collaborative action among key private and public stakeholders – including global Western and non-Western companies, their local business partners, developing and developed state governments, international institutions, workers and trade unions, civil society and private philanthropies – who must come together to design and implement solutions. These stakeholders have the potential to contribute a wide range of resources, from political to financial, and to drive industry-wide changes. This kind of effort is beyond the capacity of any one company or group of companies, and instead requires the support of all stakeholders, especially home and host governments.



Visibility

Achieving visibility over the entire supply chain for particular products at a sector rather than company level is a necessary precondition for managing human rights issues across industry supply chains. One of the most serious limits of the private compliance model is that it confines the definition of problems in the supply chains to those for which multinational companies will accept responsibility. Understandably, if companies perceive themselves as solely responsible for human rights problems in their supply chains, they define those supply chains narrowly. Most companies restrict the scope of their efforts to address social and environmental factors to tier-one suppliers, with whom they have the greatest leverage (and who are likely to have the greatest resources and ability to meet environmental and social standards).

This approach ignores the significant risks related to sub-tier suppliers. Even those global companies that commit to going deeper into their supply chains or seek to extend their company codes of conduct to sub-tier suppliers struggle with their limited influence over suppliers further down the chain. This is compounded by the fluidity in supply chains – as suppliers and sub-contractors move in and out – and also by intermediary trading houses that often obscure visibility in supply chains.

Considerations of scope and leverage over suppliers do not effectively drive responses to human rights challenges, especially because risks are greatest among the least visible sub-tier suppliers with whom companies have the little contact or influence. The result is an overall lack of visibility of the wider supply chain, which means that often the most serious and systemic human rights problems are not acknowledged or addressed.

In the wake of the Rana Plaza garment factory collapse in Bangladesh, for example, more than 200 leading global retailers came together in two important factory safety initiatives: the Accord and the Alliance. Both initiatives have underwritten factory inspections and encouraged their local suppliers to address compliance risks. However, the Accord and Alliance reach only the 1,900 factories with which their member brands have direct relationships, out of an estimated 7,000 or more factories producing for the export market in Bangladesh. More than 3 million workers producing for the export market are excluded from these remediation efforts. In Bangladesh, as in other important sourcing destinations, workers in the wider network of export factories that are indirectly connected to foreign brands (and where risks for safety and abuse of workers' rights are even more challenging) enjoy far fewer protections.

In addition, consumers and the media assume that global brands have the capacity to know where their products are being produced or obtained. In recent years, this has prompted some governments, such as the UK and US, to mandate reporting requirements on global companies in order to compel end-to-end visibility, for example through the conflict mineral provisions found in the US's Dodd-Frank Act and Burma Responsible Investment Reporting Requirements and the UK's Modern Slavery Act 2015.

As a result of these risks and expectations, companies need to collaborate among themselves and with outside stakeholders in civil society, government and academia to focus on mapping the relevant industries at each stage of production, especially stages that involve sub-tier suppliers. Mapping a supply chain across an industry allows companies and other stakeholders to

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gain a more comprehensive understanding of the scale and nature of particular human rights issues, and at which points in production these issues arise. It also helps alleviate some competitiveness concerns that hamper global companies' efforts to achieve end-to-end visibility.

While the scale, complexity, fluidity and geographical diversity of global supply chains makes end-to-end visibility challenging, a few leading companies are demonstrating that it is possible to achieve such visibility. In 2014, Intel announced that it had succeeded in ensuring its microprocessors were free of "conflict minerals" by mapping all the smelters that produced the minerals in its microprocessors – smelters being the choke point in the minerals supply chain – and ensuring they were sourcing conflict-free minerals. Although it is early to determine the ultimate success of Intel's mineral traceability programme, the effort to gain full visibility of the supply chain is positive and should be replicable by others in this and other industries.

Intel and other companies are also implementing a range of systems to improve end-to-end visibility, including establishing systems that centralize the data held by different departments within their companies, such as procurement, sourcing, risk and sustainability, to allow them to better trace and map their supply chains. Engaging with suppliers around the importance of achieving supply chain visibility to gain their buy-in in mapping the supply chain is also crucial to these efforts.

Ultimately, achieving full supply chain visibility of particular industries should be seen as a collaborative process that draws on information produced by a range of stakeholders, including companies, governments, civil society, workers and trade unions. There are an increasing number of sources of such information:

- Supply chain and mapping tools and associated data produced by the Fair Labor Association
- Government analysis of supply chains, such as the supply chain tools supporting the eradication of child labour produced by the US Department of Labor and other government ministries
- Results of specialized NGO investigations into particular sectors, like the Enough Project's analysis of the conflict mineral trade
- Collaborative investigative partnerships between civil society groups and media sources, for example the recent investigation into slavery in the Thai fishing industry conducted by the Guardian and supported by Humanity United
- Information collected on the food and beverage industry by Oxfam's Behind the Brands initiative

Supply chain experts also anticipate that as supply chain logistics companies and technologies continue to advance over the next decade, industry stakeholders will be able to use tools like geo-tagging and cloud-based fulfilment to facilitate greater visibility throughout supply chains. Companies should actively mine and analyse this data to enhance visibility.

Assessing true costs and commitments

Global brands and retailers generally assume that their local suppliers have the primary responsibility for meeting the costs associated with addressing human rights problems, sometimes with capacity-building assistance from the global buyers. Often local suppliers work on very tight margins, and as a result, many of the most serious and costly problems are never addressed.

Local suppliers, some of whom are benefitting greatly from the supply chain model, also must assume responsibility for addressing serious human rights risks and challenges. While many smaller subcontracting factories operate on impossibly tight margins, the largest and most well-established local suppliers have achieved significant financial success and often are members of their countries' business and political elite. Like other stakeholders, local suppliers cannot assume sole responsibility for addressing human rights problems in the supply chain, but their role as important influencers in business and political circles, as well as their financial support, is essential for the success of a shared responsibility model.

To determine what various stakeholders should contribute, shared responsibility requires an honest assessment of the true costs and commitments associated with addressing the most serious human rights problems and a willingness to consider sharing the burden of meeting those costs. Often this will be an expensive undertaking. It may for example, involve widespread factory remediation and technical improvements to protect workers' health and safety, upgrading municipal infrastructure, enhancing governmental regulatory systems, or restructuring production processes.

In assessing the true costs and commitments required to ensure respect for human rights throughout a supply chain, a distinction needs to be drawn between visibility and responsibility. The goal should be for all stakeholders, including subcontractors, to gain visibility over the full scope of human rights challenges in particularly challenging supply chains. They should understand the human rights risks at every stage and assess the full costs of addressing these risks. Civil society, unions, the media and academia have an important role to play in the process of gaining visibility. Achieving more comprehensive visibility does not mean that companies alone must bear the costs of resolving every risk identified. Rather, greater visibility will give companies, governments and other stakeholders the information they need to more effectively identify and prioritize the areas that need the greatest attention and to craft collective solutions.

Allocating responsibilities among stakeholders

The shared responsibility model has both financial and regulatory components. Neither financial nor regulatory responsibilities, however, are relegated to one sector. Instead, this model requires all stakeholders, private and public, to assume some level of responsibility for addressing both of these components.

For example, while global brands and retailers do have some role to play in meeting risk mitigation and remediation costs, they cannot and should not be expected to do so alone. Others, especially home and host governments, as well as local suppliers, international financial institutions, such as the World Bank and IMF, and private foundations, must share responsibilities for these costs.

Shared financial responsibilities may be implemented and structured in a number of ways. For example, it may be appropriate for diverse stakeholders to make contributions to a common fund that will be used to address the human rights problem or risk in question. Developed states may be able to use tools such as trade benefits to incentivize regulatory improvements in developing states. The World Bank, International Finance Corporation (IFC) and other international financial institutions should be able to help underwrite infrastructure improvements in key sectors.

While there is not one model, the central premise is that developed and developing governments, end-companies, local suppliers and international institutions each need to accept different degrees of financial responsibility for addressing the real costs of meaningful actions to both prevent and combat the most urgent human rights challenges in global supply chains. The key is that while responsibilities are shared among stakeholders, they are also clearly differentiated; the special responsibilities

of each stakeholder must be specified and agreed upon in order to pursue the group's collective goal.

Different models of shared financial responsibility are beginning to gain traction. In June 2015, for example, under German leadership the G7 undertook a broad focus on supply chain issues and established the Vision Zero Fund that will apply contributions from governments and business to address human rights issues in supply chains, for example through factory remediation and the creation of accident insurance.

Another example related to supply chains is the Soccer Ball Project in Sialkot, Pakistan, which began in 1997. This project was a large public-private partnership, involving the Sialkot Chamber of Commerce, the International Labour Organization (ILO), the US Department of Labor, FIFA and the major global brands in the soccer ball industry. It attempted to address the widespread problem of child labour in the sewing of soccer balls for the global markets and established the Independent Monitoring Association for Child Labor (IMAC), initially funded by ILO-IPEC in 2002 and now financially sustained by member companies from the soccer ball industry.

The Soccer Ball Project helped to reduce child labour in manufacturing of hand-sewn soccer balls in Sialkot and prompted action from the local Sialkot government, which in 2003 pledged to eliminate all forms of child labour in its jurisdiction. Despite these gains in Sialkot, however, the project did not fully address the most serious challenges in the soccer ball industry as a whole, including extremely low wages and the proliferation of temporary labour, as well as continued child labour in Pakistan, India and China. This is, in large part, because the effort failed to achieve

visibility across the entire soccer ball supply chain, which strengthens the argument for an industry-wide approach to shared responsibility.

The Detroit Blight Removal Task Force also provides a model for a public-private partnership that shares costs and responsibilities. This partnership, by Quicken Loans, a private mortgage lender in the US, together with local and state governmental leaders, has developed a detailed plan to tear down condemned buildings and spur economic revitalization in Detroit, assessing the costs of doing so at approximately \$1 billion dollars. Through the collective efforts of the private and public sectors, the task force has generated almost the entire \$1 billion from federal, state and local government funds, the private sector and philanthropy. Using these funds, the city has torn down nearly 8,000 condemned buildings and in three years has bought 2.6 million units of commercial space downtown. The Detroit task force is an example of how private businesses and governments can work collectively and share costs to address a big, seemingly insoluble social problem to spur economic development. The task force also highlights the important role that local businesses with resources should play in shared responsibility approaches.

In addition to providing financial resources, a model of shared responsibility needs to extend beyond financing and take advantage of various stakeholders' knowledge, institutional capacities and leverage to help provide effective remedies. Ultimately, building sustainable and effective solutions to the most serious human rights issues requires substantial collaboration with government authorities. Home and host governments are responsible for upholding the human rights of their citizens, and these governments cannot relegate responsibility for human rights solely to global brands. Government action and improved governance are indispensable elements in building effective collective responses. Protection of rights like free association, enforcement of labour laws, protection of fair wages and the creation of licensing systems all require significant government input.

Governments will also need to provide financial resources and may adopt relevant trade policies or develop other creative ways to exercise their leverage. Governments in more developed countries, for example, can exercise important leverage through their foreign policies, such as reforming longstanding trade programmes to create meaningful incentives for developing countries to improve human rights performance or being more assertive in the use of

existing labour provisions in free trade agreements. Some foreign governments have begun to exercise their leverage through reporting requirements, including those under the US Dodd-Frank Act relating to tracking supply chains for conflict minerals in the Great Lakes Region, the California Supply Chain Transparency Act, UK Modern Slavery Act 2015 and Responsible Business Reporting Requirements for Burma also promulgated by the US government.

The convening of the Apparel Industry Partnership (AIP) by former US president Bill Clinton and his labour secretary, Robert Reich, in 1996, also highlights the important role governments can play in organizing shared responsibility. The AIP was created to address sweatshop issues in the apparel and athletic footwear industries. The White House assumed a catalytic role in convening and engaging industry leaders, labour unions, consumer groups and NGOs to address working conditions. The result of this US government initiative was the development of industry standards and the creation of the Fair Labor Association in 2000.

Practical Considerations for Adopting a Shared Responsibility Model

Establishing a threshold for adopting the shared responsibility model

Below are several practical considerations for companies and industry stakeholders interested in adopting the shared responsibility model, including establishing a threshold for organizing a shared responsibility initiative, outli-

ning a process for dividing costs among stakeholders and ensuring transparency over resources, and establishing systems of accountability.

The shared responsibility model will not be appropriate for all supply chains across every industry. In general, it is most likely to be applicable in industries and places with the lowest costs of production and the least effective forms of regulation, especially where other approaches have failed to address systemic mega-challenges or where human rights risks are greatest. Some key considerations for establishing a practical threshold for adopting the shared responsibility model include the frequency and severity of human rights challenges, stakeholders' leverage and capacity to have an impact on particular challenges, and the extent to which stakeholders are contributing to the problems.

While the considerations outlined below can help stakeholders determine whether a shared responsibility model is necessary or appropriate for their industry, no one stakeholder or group of stakeholders will have a mandate to organize action. As demonstrated in the examples from Sialkot, Detroit and the AIP, various stakeholders – including governments, private companies and international organizations – can assume

responsibility for organizing action and develop their own mandates based on the context, industry and circumstances within which human rights risks or challenges exist.

Frequency and severity

Under a shared responsibility framework, one set of factors to consider is whether the most severe and widespread human rights problems in global supply chains are being prioritized. A similar concept is framed as salience within the framework of the UN Guiding Principles on Business and Human Rights. Stakeholders within each industry will be in the best position to identify the most pressing problems, for example, child and forced labour in the agricultural sector, dangerous working conditions, long hours and health and safety concerns in various manufacturing sectors, or abuses by security forces in the extractive sector. These kinds of challenges are entrenched within industries and further enabled by serious governance gaps and unsustainable business practices. They are the most severe, complex and systemic challenges across entire industries and will not be solved by policing companies'

individual supply chains. Consultation with multiple stakeholders can help determine which challenges or risks meet this threshold.

Leverage/impact

Once the most serious and widespread human rights problems or risks have been identified, global companies, international financial institutions, Western and local governments and other actors can assess where they can exercise their greatest leverage or have the potential for maximum impact either individually and collectively. This is again the notion of shared but differentiated responsibilities across stakeholders. This leverage may come from a company or other stakeholder's commercial power or political influence. A global company might, for instance, have an opportunity to exercise leverage over others in the supply chain because of their contractual obligations or the importance of their business relationships. This does not absolve smaller companies with less leverage or local suppliers from developing and maintaining high human rights standards as well; there can be no free riders in this process.

Companies may also be able to exercise leverage over governments to improve their regulatory responses to systemic human rights issues in supply chains. In addition, governments in more developed states may be able to exercise similar leverage over other governments through trade incentives, diplomatic initiatives or by other means. A recent example is efforts by the European Union in 2015 to address illegal unregulated and unreported abuses by the fishing industry in Thailand. The EU has pressed for a range of regulatory reforms, including for the Thai government to enact new licensing and registration requirements on all fishing boats and equipment.

In addition to helping stakeholders prioritize action, opportunities for leverage and positive impact can also guide the extent and nature of the role played by stakeholders in framing the shared responsibility approach to a given problem. A particular stakeholder or group of stakeholders' ability to have a positive impact on a problem may come from its resources or expertise with respect to a problem, the nature of the problem itself and the degree to which the stakeholder can exercise control. When a stakeholder's opportunity for impact is low, however, the expected response should be different. While it is not reasonable to expect a stakeholder, in these circumstances, to lead a collective response to a given problem, it still will be important to engage with others, particularly those who have greater leverage, to design, underwrite and implement effective collective responses.

Contribution/centrality

Another important factor in identifying challenges that lend themselves to a shared responsibility approach is the extent to which the business practices of companies are contributing, directly or indirectly, to the problem. In making these determinations, it will be helpful for companies to assess the impact of their upstream business practices on workers in their supply chains.

Often individual companies focus on a topical human rights issue without assessing whether the issue is centrally related to their core business operations. While these initiatives are valuable and welcome, as non-core and indirect practices can also create human rights risks, companies are in the strongest position to address issues that arise in connection with their central business practices.

Similarly, governments and other stakeholders should also identify the extent

to which human rights issues are primarily related to significant governance gaps, caused by weak or inefficient regulation or corruption. In these cases, governments and companies should work together to address the extent and nature of these gaps, some of which may be exacerbated by a local government's focus on remaining attractive and competitive in today's global economy. This does not mean that companies should assume governments' responsibilities to their citizens. Instead, it requires governments, companies and other stakeholders to work together to close governance gaps that are being driven, in part, by globalization and private sector demands.

Dividing costs among stakeholders

The shared responsibility model does not dictate the size of each stakeholder's or constituent group's financial responsibility for remedying human rights challenges in a particular supply chain. Each application of this model will be different and depend on a collective effort to shape the right formula for contributions. This model will only succeed if each of the contributing constituencies views the formula for sharing these costs as fair and transparent.

This formula is likely to result in a proportional sharing of costs between various groups of stakeholders – global brands and retailers, local businesses, governments, international organizations and philanthropies – as well as among the individual stakeholders within those groups. For example, if global companies assume responsibility for a

portion of the total remedial or preventative costs, they may decide to allocate those costs to individual brands in a proportional manner reflecting the level of business each individual company is doing. Similarly, foreign governments might divide costs among themselves based on the level of benefit their citizens receive from the import of products or commodities to their countries. The shared responsibility model needs to be predicated on the assumption that a strict and practical level of oversight will be developed to help ensure that resources raised are used for their intended purposes.

Mutual accountability

Establishing systems of mutual accountability is necessary for ensuring transparency over the contribution of resources and integrity in their delivery. Today, there is no super regulatory body or global framework that has the capacity or authority to compel all stakeholders to participate or contribute to the type of comprehensive plan outlined in this paper. What the Council is proposing is essentially a voluntary model based on shared goals and mutual interests. It is predicated on the assumption that various stakeholders – global companies, home and host governments, international bodies, NGOs and others – will hold each other accountable. Together, stakeholders will define the goals of their shared responsibility approach, determine measures of success and then hold each other responsible for meeting these commitments.

These key stakeholders also will be mutually accountable to the public, especially to the workers and communities affected by human rights issues across supply chains. Empowering workers and communities to enforce their own rights through unions and collective bargaining creates a shared responsibility model that is both self-reliant and self-enforcing. Shared responsibility, therefore, rests on a triangle of accountability that holds stakeholders jointly accountable to one another and mutually accountable to the public, and especially to affected communities.

Mutual accountability does not obviate the need for individual accountability. To be successful, the doctrine of shared responsibility requires every business and government to do more; there can be no free riders. While various stakeholders, especially companies, assume different levels of responsibility, all stakeholders must demonstrate maximum effort within their individual spheres of influence and commensurate with size and ability to contribute. Each company in the supply chain has an obligation to address human rights problems in the operations under their control. These efforts will be essential and integral to the successful application of a shared responsibility model that is aimed at addressing persistent, systemic, industry-wide challenges.

Conclusion

The Global Agenda Council on Human Rights encourages companies, governments, unions, financial institutions and other stakeholders to adopt the principles of shared responsibility as they craft responses to the most severe human rights challenges arising in today's global supply chains. This will require the audacity to recognize when existing approaches are not working and to take bold action under a self-generated mandate to create new solutions that practically improve the lives of the workers and communities who make globalization possible.

The Council offers this doctrine of shared responsibility as a guide for meeting some of the global economy's most vexing challenges. Developing new, bold and, at times, untested solutions can and should leverage the financial resources, political influence and expertise of a range of industry stakeholders, including local and global businesses, but also foreign governments and the international lending institutions they support, NGOs, philanthropies, workers and unions.

The shared responsibility model presents a significant departure from familiar responses. This model is borne out of recognition that the familiar is not delivering the benefits workers and communities have a right to expect from a rising global economy. The Council believes that no one company or government can or should address these challenges alone. But acting together, there is great promise of a better, more sustainable future where millions more people can enjoy the dignity of work and a secure economic future.

APPENDIX I: CORE ELEMENT MATRIX

Core Element	Why it Matters	Tools and Practices	Examples
Industry-specific approach	The most serious human rights risks in supply chains often are common to particular products or commodities and specific to certain geographical areas where governance or sourcing practices are particularly challenging.	<ul style="list-style-type: none"> Set and enforce industry standards and partnerships Organize collective action among key public and private industry stakeholders Design industry-wide, rather than company-specific actions and solutions 	<ul style="list-style-type: none"> Former US president Bill Clinton's Apparel Industry Partnership IDH's Cocoa Improvement Program Accord on Fire and Building Safety in Bangladesh and Alliance for Bangladesh Worker Safety
End-to-end visibility	Mapping a supply chain across an entire industry allows companies and other stakeholders to gain a more comprehensive understanding of the scale and nature of particular human rights issues, and at which points in production these issues arise.	<ul style="list-style-type: none"> Collaborate to map industries at each stage of production (companies cannot map alone) Identify key stages of production where sub-contracting is prevalent Centralize intra-company data sharing across procurement, sourcing, risk and sustainability Leverage existing third-party mapping tools and research 	<p>Initiatives moving toward end-to-end visibility include:</p> <ul style="list-style-type: none"> Fair Labor Association and Workers' Rights Consortium factory databases The Enough Project's research on conflict minerals in the Great Lakes Region US Department of Labor's reporting on the worst forms of child labour NYU Stern's Center for Business and Human Rights report on garment manufacturing in Bangladesh Investigative media reporting (e.g. Benjamin Skinner's reporting on palm oil and the fishing industry)
True-cost accounting	To determine what various stakeholders should contribute, shared responsibility requires an honest assessment of the true costs and commitments associated with addressing the most serious human rights problems.	<ul style="list-style-type: none"> Involve all public and private stakeholders, including contractors and subcontractors Delink cost identification from responsibility for remediation Reward stakeholders for surfacing hidden costs Account for the costs of radical, systemic changes, such as: Acknowledging and regulating subcontractors Widespread factory remediation and technical improvements Upgrading municipal infrastructure Enhancing government regulatory systems Restructuring production processes 	The Detroit Blight Removal Task Force's assessment of the costs to completely remove residential and commercial blight from the city
Proportional allocation of costs and commitments	Shared responsibility includes both financial and regulatory commitments. The model requires all stakeholders, private and public, to assume some level of responsibility for addressing both of these components.	<ul style="list-style-type: none"> Tools for financial commitments: Determine a fair and transparent formula for cost allocation Establish a common fund for remediation Engage development finance institutions (DFIs) to underwrite infrastructure costs Engage DFIs and philanthropies to support project development costs for shared responsibility initiatives Develop transparent mechanisms to monitor spending Tools for regulatory commitments: Use trade benefits to incentivize compliance Use government convening power to rally stakeholders 	<ul style="list-style-type: none"> G7's "Vision Zero" fund for factory remediation and accident insurance ILO-IPEC Independent Monitoring Association for Child Labor in Pakistan US Dodd-Frank Act relating to tracking supply chains for conflict minerals in the Great Lakes Region Convening of Apparel Industry Partnership and creation of the Fair Labor Association

APPENDIX II: AREAS OF ACTION MATRIX

Action	Tasks	Actors
Create a mandate	<ul style="list-style-type: none"> Stakeholders organize and give themselves authority for action Identify and underwrite stakeholder group to serve as organizing body Identify key challenges to be addressed through shared responsibility model Outline a timeline and goals for action 	<ul style="list-style-type: none"> Global companies and local suppliers Local governments Foreign governments Intergovernmental organizations NGOs/philanthropies Trade unions
Organize a process	<ul style="list-style-type: none"> Determine working structure of initiative (e.g. working groups, committees, advisory board, steering committee, task force) Assemble support staff to convene stakeholders (e.g. hold meetings, facilitate communication, ensure accountability) Seek philanthropic support to underwrite costs of organizing the process 	<ul style="list-style-type: none"> Organizing body Support staff NGOs/philanthropies Participating representatives from business, government and civil society
Engage experts	<ul style="list-style-type: none"> Identify key industry experts and engage them in working structure Commission research with experts and other stakeholders 	<ul style="list-style-type: none"> Organizing body Relevant committee or working group Key industry experts Academic research centres
Map the real risks	<ul style="list-style-type: none"> Include all stakeholders, not just companies, in risk mapping Centralize all relevant data from various sources Consider the role of technology to fill gaps in existing data Identify all stages of end-to-end production; noting points where processes become opaque and sub-contracting is common Highlight governance and regulatory gaps 	<ul style="list-style-type: none"> Organizing body Relevant committee or working group Key stakeholders, especially companies, local suppliers, host governments and civil society Supply chain management companies Industry partnerships Academic research centres
Develop roadmap for change	<ul style="list-style-type: none"> Outline immediate, intermediate and long-term goals and establish a timeline Identify processes and tools for implementation Highlight core competencies for stakeholder groups involved in implementation Assess true costs of implementation and identify resources needed 	<ul style="list-style-type: none"> Organizing body Relevant committees or working group Key stakeholders External consultants and experts
Allocate costs and responsibilities, and implement	<ul style="list-style-type: none"> Evaluate stakeholders based on leverage over/contribution to risks Establish a fair and transparent formula for allocating costs and responsibility (e.g. assign costs proportionally based companies' level of business in a region) Divide financial costs and regulatory responsibility across all stakeholder groups (not just companies or governments) Implement roadmap for change 	<ul style="list-style-type: none"> Organizing body Relevant committees or working group Key stakeholders
Measure, evaluate, report	<ul style="list-style-type: none"> Identify Key Performance Indicators for various phases of action Centralize KPI data for monitoring and reporting Measure impact of initiatives on human rights risks and challenges Report outcomes regularly to internal and external stakeholders 	<ul style="list-style-type: none"> Organizing body Relevant committees or working group Key stakeholders Academic research centres/evaluators



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