



BSI Global Supply Chain Intelligence Raises Alarm on Human Rights Breaches

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Top five countries for Corporate Social Responsibility human rights risks identified Asian efforts to reduce red-tape create broader supply chain risks for global brands.

The risk of organizations breaching international human rights regulations has risen significantly over the last quarter as key Asian economies adapt to tougher economic conditions. Rising labour costs in China have led companies to diversify their supply chains into other high-risk countries such as Vietnam, especially for electronics, apparel, and footwear. This is the conclusion of the latest Risk Index Report from BSI, in which it identifies China, India, Vietnam, Bangladesh and Myanmar as the five highest risk countries for human rights violations. These countries account for 48% of global apparel production, 53% of global apparel exports, and 26% of global electronics exports.

The Quarterly BSI Risk Index is based on intelligence from BSI's Supply Chain Risk Exposure Evaluation Network (SCREEN) tool, which provides real-time incident reports for corporate social responsibility (CSR), security, and business continuity risk, threats, across 20+ proprietary risk categories across 200 countries. Supply Chain Intelligence from SCREEN -identifies major CSR concerns, such as brand protection risks and changes to global regulation including the US legislation aimed at eliminating forced child labour, EU draft conflict minerals law, and the UK's Modern Slavery Act. All of which relate directly to complex supply chains worldwide and can subject an organization to prosecution if their suppliers exploit human rights.

In addition to the legal repercussions, an organization's brand reputation and consumer trust is compromised. The latest generation of consumers, millennials, are focused on buying from ethical and responsible businesses, highlighting the increased importance for organizations to adopt a supply chain risk management program and implement risk-based sourcing strategies. Understanding country-level threats provides the needed intelligence to filter risk to underpin a socially compliant and responsible supply chain.

The latest BSI Risk Index report warns that efforts by Asian governments to boost their economies are having the unintended consequence of allowing child labour abuses to become more present in supply chains. Also highlighted were proposed changes to labour laws that may incentivise firms to restructure as "family enterprises", making it easier to employ under-age workers in a country where 4.4 million children are already put to work. Two thirds of child workers are found in agriculture (69.5%), and 17.5% in industries such as garment manufacturing.

Mike Bailey, EMEA Director of Professional Services, BSI commented:

"Organizations can no longer turn a blind eye to the actions of their suppliers. The laws we are seeing today may only apply to larger firms, but they set a benchmark for the industry and smaller organizations will be forced to comply to work with the larger companies, by default. Products assembled or services provided by child labour or depending on minerals from conflict zones have no place in the modern world."

BSI's Risk Index highlights that 880,000 companies could potentially be affected by the new draft conflict minerals law approved by the European Parliament in May. The law follows the United States' Dodd-Frank Act, but is far more extensive in its remit, covering not only the 50,000 tonnes of gold, tin, tantalum and tungsten exported from Central Africa, but also minerals from around the world. BSI SCREEN has identified Mexico, Colombia, and Venezuela, among others, as countries of concern.

It further goes on to note that the Dodd-Frank Act has seen approximately 1,300 companies from a variety of industries, including the aerospace, automotive, electronics, industrial and retail sectors, submit their first required disclosure reports to the US Government.

Bailey concludes:

"Some organizations underestimate the damage that can be caused by not adopting and enforcing ethical practices across their supply chain. Command and control from the centre means nothing if it is not rigorously monitored and enforced. For too long, extended supply chains have obscured ethically questionable practices, tools such as SCREEN highlight country level corporate social responsibility risks helping increase visibility and awareness, and enforce a responsible and ethical supply chain."

To request a copy of BSI's CSR Risk Index please [click here](#).

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