



International Laws Governing Supply Chain Transparency

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Overview

In today's interconnected global economy, supply chain transparency is critical because it allows firms to identify, mitigate, and eliminate risks related with unethical behaviors, human rights violations, and environmental degradation inside their operations and extended networks. Companies may encourage responsible sourcing, protect their brand name, and create trust with consumers, investors, and stakeholders who are increasingly demanding sustainable and ethically produced goods and services by assuring transparency. Furthermore, compliance with numerous national and international supply chain transparency requirements helps organizations avoid significant legal obligations, financial penalties, and reputational damage. Essentially, supply chain transparency promotes a more sustainable and responsible global business environment, hence contributing to long-term economic growth and the attainment of the United Nations Sustainable Development Goals (SDGs).

The United Nations Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs, endorsed by the UN Human Rights Council in 2011, provide a global standard for preventing and addressing adverse human rights impacts linked to business activities. They outline the responsibility of businesses to respect human rights, the state's duty to protect human rights, and the need for access to remedy for victims of business-related human rights abuses. Supply chain transparency is an essential component of fulfilling these responsibilities, as businesses must demonstrate their commitment to human rights by monitoring and disclosing information about their supply chain practices.

The OECD Guidelines for Multinational Enterprises

The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises are recommendations for responsible business conduct in areas such as employment, human rights, environment, information disclosure, and combating bribery. They emphasize the importance of supply chain transparency and due diligence to identify, prevent, and mitigate adverse impacts associated with business operations. Although not legally binding, adherence to the guidelines demonstrates a company's commitment to responsible business practices and can enhance its reputation, while non-compliance may result in reputational damage and potential exclusion from government contracts or financing. The OECD also provides a Due Diligence Guidance for Responsible Supply Chains, which serves as a practical tool for companies to improve their supply chain management processes.

European Union (EU) Non-Financial Reporting Directive (2014/95/EU)

Requires large companies to disclose information on their environmental, social, and governance (ESG) performance, including supply chain management.

The European Union (EU) Conflict Minerals Regulation

The European Union Conflict Minerals Regulation, which came into full effect in 2021, aims to stem the trade of minerals sourced from conflict-affected and high-risk areas. The regulation requires EU-based importers of tin, tantalum, tungsten, and gold (3TG) to perform due diligence on their supply chains, following the OECD Due Diligence Guidance. By fostering transparency in the sourcing of these minerals, the regulation helps prevent the financing of armed conflicts and human rights abuses.

Australia – The Modern Slavery Act (2018)

The Australian Modern Slavery Act is a landmark legislation aimed at eradicating modern slavery practices in the operations and supply chains of companies doing business in Australia. Under this Act, businesses with annual consolidated revenue of AUD 100 million or more must prepare and publish annual Modern Slavery Statements, detailing the actions they have taken to identify, address, and mitigate the risks of modern slavery within their supply chains. Non-compliant companies may face reputational damage and risk being publicly identified by the Australian government.

Canada - Special Economic Measures Act, Justice for Victims, Corrupt Foreign Officials Act

Canadian businesses must comply with various legislations to ensure supply chain transparency and responsible business conduct. The Special Economic Measures Act imposes economic sanctions on foreign countries or individuals involved in human rights abuses or international peace and security threats. The Justice for Victims of Corrupt Foreign Officials Act enables the Canadian government to impose sanctions on foreign officials involved in corruption or human rights violations. These laws mandate Canadian companies to perform thorough due diligence on their supply chains to ensure compliance and avoid penalties.

France – Corporate Duty of Vigilance Law (2017)

The French Corporate Duty of Vigilance Law requires large French companies to establish and implement a vigilance plan to identify and prevent human rights abuses, environmental damage, and health and safety risks within their operations and supply chains. The law applies to companies with at least 5,000 employees in France or 10,000 employees worldwide. Non-compliant companies may face civil liability and financial penalties, emphasizing the importance of proactive due diligence and transparency in supply chain management.

Germany - Supply Chain Due Diligence Act (SCDDA) (Effective January 2023)

The German Supply Chain Due Diligence Act, set to come into effect in January 2023, mandates German companies to conduct risk assessments and implement due diligence measures to identify, prevent, and mitigate human rights and environmental risks in their supply chains. Initially, the Act will apply to companies with 3,000 or more employees, and from 2024, to companies with 1,000 or more employees. Companies must publish annual reports detailing their due diligence efforts, and those found in violation of the Act may face fines, sanctions, and exclusion from public procurement contracts.

Netherlands - Child Labor Due Diligence Act (2022)

Requires companies operating in the Netherlands to identify, prevent, and address the risks of child labor in their supply chains.

Norway - The Norwegian Transparency Act (Effective July 2022)

The Norwegian Transparency Act, coming into effect in July 2022, requires large Norwegian companies to disclose information on human rights, labor rights, and environmental impacts within their supply chains. The Act applies to businesses with annual revenue above NOK 70 million, assets exceeding NOK 35 million, and more than 50 employees. The law aims to enhance supply chain transparency and encourage responsible business practices, with non-compliant companies risking financial penalties and reputational damage.

Switzerland – Swiss Code of Obligations (Updated 2022)

The Swiss Code of Obligations, updated in 2022, includes provisions on non-financial reporting for large public companies, which require them to disclose information on environmental, social, and governance (ESG) matters. This includes supply chain management, human rights, and anti-corruption efforts. By complying with these reporting requirements, Swiss companies demonstrate their commitment to supply chain transparency and responsible business conduct, helping them maintain a positive reputation and mitigate potential legal and financial risks associated with non-compliance.

United Kingdom - The Modern Slavery Act

The UK Modern Slavery Act, enacted in 2015, requires large businesses operating in the UK to publish annual statements detailing their efforts to prevent modern slavery and human trafficking within their supply chains. Companies must provide information on their organizational structure, policies, due diligence processes, and any identified risks or incidents related to modern slavery. This legislation has inspired similar transparency laws in other countries, including the Australian Modern Slavery Act and the California Transparency in Supply Chains Act.

USA - The Foreign Corrupt Practices Act (1977)

The Foreign Corrupt Practices Act (FCPA) is a US federal law that prohibits companies and their agents from engaging in bribery of foreign officials to obtain or retain business. The FCPA also requires publicly traded companies to maintain accurate books and records and to implement internal controls, which may extend to supply chain transparency and risk management. Companies found in violation of the FCPA can face severe financial penalties, criminal charges, and reputational damage. Compliance with the FCPA is crucial for businesses with international operations to maintain ethical and transparent supply chains.

USA – Dodd-Frank Act – Section 1502

Conflict Minerals Provision (2010): Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act focuses on promoting transparency and accountability in the sourcing of conflict minerals, specifically tin, tantalum, tungsten, and gold (3TG). Under this provision, US publicly traded companies must disclose their use of these minerals and conduct due diligence on their supply chains to determine whether the minerals originate from conflict-affected areas in the Democratic Republic of the Congo (DRC) or adjoining countries. Compliance with Section 1502 helps companies maintain responsible sourcing practices, prevent the financing of armed conflict, and avoid potential reputational risks associated with the use of conflict minerals.

USA - Food Safety Modernization Act (2011)

The Food Safety Modernization Act (FSMA) is a US federal law that aims to ensure food safety by focusing on prevention, risk-based controls, and supply chain transparency. It requires companies to implement food safety plans, hazard analysis, and risk-based preventive controls, as well as to maintain proper recordkeeping. The FSMA also mandates importers to verify that their foreign suppliers comply with US food safety standards. Non-compliance with FSMA can result in product recalls, regulatory actions, and financial penalties, emphasizing the importance of supply chain transparency in the food industry to protect public health and ensure consumer confidence.

USA - National Action Plan (NAP) on Responsible Business Conduct (December 2016 – Update Pending)

The US National Action Plan on Responsible Business Conduct is a voluntary, government-led initiative that promotes responsible business practices, transparency, and accountability in line with international standards, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Although compliance with the NAP is not legally binding, adhering to its recommendations can enhance a company's reputation and contribute to sustainable and responsible business practices in the global economy.

USA - The California Transparency in Supply Chains

The California Transparency in Supply Chains Act of 2010 (CTSCA) is a groundbreaking legislation aimed at combating human trafficking and forced labor in global supply chains. It requires large retail and manufacturing companies operating in California with annual gross receipts exceeding \$100 million to publicly disclose their efforts to identify and address human trafficking, forced labor, and slavery risks within their supply chains. By promoting transparency and accountability, the CTSCA encourages businesses to adopt responsible practices and enables consumers to make informed purchasing decisions based on a company's commitment to ethical supply chain management.

USA - The Uyghur Forced Labor Prevention Act (UFLPA) (December 2021)

The Uyghur Forced Labor Prevention Act is a US federal law that aims to combat forced labor and human rights abuses in the Xinjiang Uyghur Autonomous Region of China. The UFLPA prohibits the importation of goods made, wholly or in part, with forced labor from Xinjiang and requires companies to provide clear and convincing evidence that their products are not produced with forced labor. Companies must implement robust due diligence processes to ensure compliance with the UFLPA and avoid potential legal, financial, and reputational risks associated with forced labor in their supply chains.

USA - California's Garment Worker Protection Act (January 2022)

The California Garment Worker Protection Act is a state law that seeks to protect garment workers from wage theft and exploitative labor practices. The law eliminates the piece-rate pay system in the garment industry, ensuring that workers receive at least the minimum wage, and expands liability for wage violations to include companies that contract with non-compliant manufacturers. Companies operating in the garment industry in California must ensure compliance with this law to avoid potential legal liabilities, financial penalties, and reputational damage associated with labor exploitation in their supply chains.

About the International Trade Council

The International Trade Council (ITC) is a peak-body trade organization that provides a range of services to help exporters navigate the complex world of international trade. ITC members include startups, mid-to-large sized corporations, government export promotion agencies, and government foreign direct investment promotion agencies.

The ITC provides valuable resources and support to help exporters comply with international trade regulations, find new markets, and connect with potential buyers and partners. Through its programs and services, the ITC helps exporters access trade information, training, and market intelligence, as well as providing networking opportunities and business matchmaking services. The International Trade Council is also home to the [Go Global Awards](#), the [Global Business Confidence Survey](#), the [Quality in Business Certification](#) and a [USA Business Incubation Service](#). By leveraging the ITC's resources and expertise, exporters can increase their chances of success in the global marketplace.

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