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Research Article

Inhospitable Accessibility and Blurred Liability: Institutional Voids in an Emerging Economy Preventing Supply Network Transparency

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ABSTRACT

Research on supply network transparency is incipient and focused on how focal firms can improve monitoring of supplier misbehavior. This narrow focus has restricted advancements in the topic. Our research, firstly, shifts the focus from supplier to focal firm misbehavior, and secondly, focuses on Brazil as an exemplar of an emerging economy. We explore how institutional voids influence supply network transparency. We focus on how voids in regulation, labor market, and contracting systems provide fruitful land for buyer misconduct and undermine supply network transparency. We review legislation in five developed countries to contrast with legislation in Brazil and we synthesize six years of Brazilian law suits regarding outsourcing issues in the apparel sector. This study exposes that voids can ease pressures allowing firms to navigate 'below the radar' and sustain poor working conditions along the supply network. Within this context, society has limited information availability and accessibility — what we label *inhospitable accessibility* (due to the regulatory void), as well as limited proportionality between real risks in the supply network and traceability of those risks back to the buying firm — what we label *blurred liability* (due to voids in labor market and contracting systems), thus preventing supply network transparency.

Keywords: supply network transparency; institutional void; institutional isomorphism

JEL Codes: M11, M14

INTRODUCTION

In 2013, the Rana Plaza incident killed over 1,000 workers contributing to a peak of awareness to poor working conditions in fashion production (Marshall, McCarthy, McGrath, & Harrigan, 2016). In 2015, the Brazilian branch of Zara was prosecuted for evidence of modern slavery (Agência Brasil, 2015). In 2016, BBC revealed child labor in apparel firms working for major luxury brands in Turkey (BBC News, 2016). Unfortunately, these are only picked examples of a multitude of denouncements of poor working conditions in the apparel industry, but this could be extended to environmental issues, as well as to a broader array of industry sectors.

We live in an era in which many firms operate through highly complex and globalized supply networks. We use supply network instead of the most commonly adopted counterpart supply chain, as a supply network encompasses not only the linear supply chain of materials suppliers, but also relationships between the focal firm and other entities such as third-party logistics, consultancy firms, as well as non-linear relationships such as suppliers interacting without the purview of the focal firm (Marques, 2019). Given the increasing complexity of such supply networks, focal firms “have been more and more exposed to liabilities caused by unsustainable behavior from suppliers in their globally dispersed supply network” (Marques, 2019, p. 1164).

Unsustainable behavior can range from inadequate working conditions to modern slavery, or from excessive carbon emissions to triggering natural disasters. A number of focal firms have suffered reputational and economic loss as a result of media exposure of the unsatisfactory ethical and/or environmental performance of their suppliers (Marques, 2019). Moreover, there is increasing pressure from stakeholders such as NGOs and activists, demanding higher transparency regarding the focal firm’s supply network (Marshall et al., 2016). But so far, research has emphasized suppliers’ misconduct, often located in emerging economies, while framing the focal firms as those in charge of changing this scenario (e.g., Villena & Gioia, 2018).

We dive into supply network transparency in emerging economies, but we deviate from the extant research in three key ways. First, we shift the focus to focal firm (mis-)behavior, instead of supplier behavior. We ground this choice on prior evidence that in emerging economies buyer-supplier relationships are often disguised as collaborative, but are often win-lose for the supplier (Pinheiro, 1999), resulting in captive suppliers highly dependent on the buying firm (Vasconcellos, Garrido, Vieira, & Schneider, 2015).

Second, we combine key concepts to ground our theoretical lens. We start with institutional isomorphism to describe how institutions shape the behavior of firms, which slowly become isomorphic. We than focus on how weak regulation in emerging economies provides fruitful land for isomorphism toward buyer (not supplier) misconduct (Sethi, Veral, Shapiro, & Emelianova, 2011). We draw from a study of institutions in emerging economies that called attention to the gap between institutions in rich and emerging economies, where the latter experiences weak or absent institutions regarding (a) product markets, (b) labor markets, (c) capital markets, (d) ambiguities in regulations, and (e) a lack of formal contracting systems, all labeled as institutional voids (Khanna & Palepu, 1997). This study looks at in which ways institutional voids can prevent supply network transparency, more specifically voids in regulation, labor market, and contacting systems. In order to do that, we present an international benchmarking of transparency regulation put against the Brazilian mandated transparency of the apparel sector as an exemplar case.

Third, we combine theorists in transparency to elaborate an intrinsic set of relationships that lead to the lack of supply network transparency. Fung's (2013) democratic transparency defines information availability, proportionality (i.e., proportional to involved risks), accessibility to society, and actionability — which is needed to trigger change. To dive into information proportionality, we combine the studies by Egels-Zandén, Hulthén, and Wulff (2015) and Marshall, McCarthy, McGrath, and Harrigan (2016) to map: buying firm behavior, supply network membership, traceability, and working conditions at suppliers. In doing so, we ask the research question: How do institutional voids influence supply network transparency?

Although there is previous empirical research on institutional voids and supply chain management (SCM) in emerging economies, previous work has emphasized the protagonism of multinational focal firms in overcoming such voids (Parmigiani & Rivera-Santos, 2015; Silvestre, 2015). Instead, we argue that when it comes to transparency, focal firms take advantage of these voids in order to delay adherence to supply network transparency.

By investigating the context of institutional voids typical of emerging economies (Khanna & Palepu, 1997), we explore how such voids enable focal firms to manage easy pressures and avoid supply network transparency. In other words, we discuss how voids can ease pressures for higher transparency by legitimating opacity with weak regulation and allowing firms to navigate 'below the radar' without the expected level of conflict (Besharov & Smith, 2014). As a result, focal firms can take an opportunistic approach by exploring these voids to prevent supply network transparency and delay sustainable practices. At the same time, within this context, consumers and the broader society have limited capability to assess and pressure focal firms due to two key voids, namely the regulatory void, which we label 'inhospitable accessibility,' and the voids in labor market and contracting systems, which we label as 'blurred liability.'

The remainder of this article is structured as follows. First, we review the institutional theory as well as the transparency literature to pinpoint the key constructs used to build our theoretical framework. Next, we describe our qualitative approach based on secondary data. Then, we provide our findings covering the influence of voids on (lack of) supply network transparency. We then provide a set of propositions and offer contribution to both theory and public policy, closing with a reflection on limitations and future research.

LITERATURE REVIEW

Institutional isomorphism

According to Powell (2007), the main level of analysis in institutional research is the organizational field or societal sector. The initial argument emphasizes the salience of symbolic systems, cultural scripts, and mental models in shaping institutional effects. To Powell, an 'organizational field' is a "community of disparate organizations, including producers, consumers, overseers, and advisors, that engage in common activities, subject to similar reputational and regulatory pressures" (Powell, 2007, p. 3). This community is formed by the complex combination of human actions, social contexts, and institutions (March & Olsen, 1984), and thus, the role of institutional theory is to observe how these interactive processes of action and the formation of a meaning to social life evolve. In this sense, institutional theory understands organizational change as driven by 'legitimacy' or the need to conform to expectations of critical stakeholders in the external environment (Ashworth, Boyne, & Delbridge, 2009). That explains why such theory emphasizes social and cultural elements that attempt to understand similarity and stability rather than what makes organizations different. Toward this goal, the identification of institutional aspects that lead to social stability is vital. Therefore, research must understand the reproductive processes that function as patterns for sequences of activities that, in turn, end up achieving normative and cognitive fixity and become taken for granted (Meyer, Boli, Thomas, & Ramirez, 1997).

Institutional theory is multifaceted, although different perspectives tend to emphasize different aspects of social systems (Fleck, 2007; Scott, 1987). On the one hand, the old (i.e., classic or traditional) institutionalism is a theoretical paradigm that focuses on roles, structures, norms, and processes inside the organization (Selznick, 1957). The new (or neo) institutionalism, on the other hand, switches the focus to the interaction of the organization with other stakeholders in the external environment, trying to understand the constant and intense pressures from outside the boundaries of the firm reaching inside organizational structures in the pursuit of legitimacy. To DiMaggio (1991), the new institutionalism, where we ground our research, stresses the relationship between the stability of structural forms and the search for legitimacy by organizations that, by trying to fit into a common understanding of the institutional constituents, end up replicating such forms. The new institutionalism stream of thought seems more adequate to be used within the SCM perspective as supply chains necessarily encompass actors beyond the boundaries of the firm, and the relationships and power balance between the focal firm and its stakeholders are critical to understand supply chain structures and practices (Marques, 2019; Touboulic, Chicksand, & Walker, 2014).

Conformity to outside expectations and rules also impact organizational efficiency, as organizations tend to develop strategies to reduce the conflict between the institutional rules and internal operations (Meyer & Rowan, 1977). Furthermore, myths of best practices also emerge based on the supposition that they are rationally more effective. In this sense, "organizations that incorporate societally legitimated rationalized elements in their formal structure maximize the legitimacy and increase their resources and survival capabilities" (Meyer & Rowan, 1977, p. 355).

Therefore, when an organizational structure is mostly derived from those institutional myths, it evocates more confidence both internally and externally, leading to remarkable similarities between organizations (Meyer & Rowan, 1977). The seminal work of DiMaggio and Powell (1983) advances on the argument by Meyer and Rowan (1977) by offering the concept of 'institutional isomorphism,' based on three main processes of institutional reproduction: normative, mimetic, and coercive.

'Normative forces' come from the influence of education and the process of professionalization, i.e., the process in which members of an organization shape their actions according to a desire to maintain autonomy over work procedures and legitimization of their work. Formal education, training, and professional development, certification processes, and the relations coming from professional networks are the mechanisms in which those pressures take place (DiMaggio & Powell, 1983). In the context of emerging economies where low skilled labor and lack of unionization are predominant, normative forces may play a limited role.

'Mimetic forces' appear as a way of dealing with uncertainty, by copying behaviors associated with known 'best practices' generating habitual, taken-for-granted responses. DiMaggio and Powell (1983) explain that organizations tend to imitate each other regarding to structure "when goals are ambiguous, or the environment creates symbolic uncertainty" (DiMaggio & Powell, 1983, p. 151). Those isomorphic responses come, thus, from a deeply rooted anxiety, when actors are not sure about the outcomes of different processes (Ashworth et al., 2009). When regulation is weak, best practices may include lack of supply network transparency.

'Coercive forces' involve political forces and influences for organization legitimacy, coming from other stakeholders or regulatory oversight by the state. The primary sources of coercive pressures are government mandates and regulation, an established system of contract laws, the annual standard budget cycle, and financial reporting requirements (DiMaggio & Powell, 1983). Lack of or weak coercive pressures may offer fruitful ground for institutional voids and weak supply network transparency, as further discussed.

Institutional voids in emerging economies

In a study of emerging markets, Khanna and Palepu (1997) found evidence of the lack of the formal "institutions that are necessary to support basic business operations" (Khanna & Palepu, 1997, p. 41), and they termed these gaps 'institutional voids.' The authors identify five types of institutional voids: lack of intermediaries and formal institutional support in (a) weak product markets, (b) unstructured labor markets, (c) unstructured capital markets, (d) ambiguities in regulations, and (e) a lack of formal contracting systems. Although conceptually distinct, these voids coexist and are interconnected because they originate in the same poverty context (Khanna & Palepu, 1997). Despite the heterogeneity across different emerging markets, they all fall short of, to some extent, in providing the institutions necessary for multinationals to replicate business operations from rich economies (Khanna & Palepu, 1997).

Recent studies have discussed institutional void along with its impact in each stage of the supply chain as well as at different levels of analysis. They suggested that

> product market and contracting voids occur mostly at the dyadic level, as they impact transactions between a buyer and a seller. By contrast, institutional voids in labor markets, capital markets, and regulations impact the subsistence market network as a whole, rather than specific exchanges (Parmigiani & Rivera-Santos, 2015, p. 61).

Most importantly, the authors contend that not all firms will experience voids in the same manner and voids have important implications for supply chain development (Parmigiani & Rivera-Santos, 2015).

When discussing the impact of voids to supply chains, studies mainly focus on the challenges for multinational firms entering emerging markets (Parmigiani & Rivera-Santos, 2015; Silvestre, 2015; Wu & Jia, 2018) taking a positive perspective concerning the role of those multinationals in developing more effective and sustainable supply chains. Instead of asking how multinationals "engage with other institutional actors to overcome the challenge imposed by institutional voids" (Wu & Jia, 2018), we turn our attention to how they explore these voids to postpone supply network transparency. We do so by focusing on supply network transparency and working conditions as a key element that simultaneously is a particularly salient issue in emerging economies where voids are present.

An institutional lens to supply network transparency

Transparency is studied across various areas such as management, public relations, policy, and finance, and such dispersion of perspectives also grants transparency some messiness and imprecision as a concept, thus making it difficult to frame. This study is grounded on a conceptualization of transparency as 'performativity,' i.e., "transparency as complex communicative, organizational, and social processes rife with tensions and negotiations" (Albu & Flyverbom, 2019, p. 277). Such complexity may lead to unintended consequences, such as more criticism to firms that disclose partial information than those 'below the radar' and not disclosing any information. These dynamics influence and are influenced by subjects (different stakeholders), objects (artefacts such as reports and websites), and relations within the supply network. The performative perspective suggests that all these components need to be jointly examined in order to fully understand transparency, as they are "entangled in socio-material practices" (Albu & Flyverbom, 2019, p. 277).

The governmental decision to increase public policy targeting mandated transparency is usually based on the expectation that mandated transparency will trigger a virtuous cycle. The cycle starts when focal firms increase information disclosure, which then is perceived by consumers, NGOs, and society more broadly. This perception promotes change in their choices and behavior (e.g., in particular, consumers may shift to ethical, safer, and/or healthier products and services). Ultimately, exposed firms (especially those avoiding adherence to mandated transparency) perceive consumers' positive response and move toward further transparency, thus reinforcing the cycle. In parallel, firms lagging in terms of transparency may receive negative feedback and be compelled to change as well. Overall, the virtuous cycle would allow consumer behavior to reward transparency while stimulating competition (Fung, Graham, & Weil, 2007). Strong policy includes which information must be accessible and how the process should be audited to identify noncompliance. Even after enforcement, adherence needs to be assessed overtime and to be adapted to an ever-changing landscape (Fung et al., 2007).

We ground transparency in supply networks with what Fung calls 'democratic transparency,' defined in four pillars. First, availability of information to citizens. Second, proportionality, as information should be provided in the same proportion to involved risks. Third, accessibility, as information should be provided in a comprehensible manner. Fourth, actionability, as structures should enable citizens and organizations to take actions based on information to protect society and influence organizations. Democratic transparency is a challenge as firms often see the need for secrecy regarding their supply network information (Fung, 2013).

This study takes an institutional lens to explore when the mentioned above virtual cycle fails in emerging economies. Institutional theory deals reasonably well with interactions between firms and their external institutional environment, not just regarding the regulatory aspects, but also related to cultural and cognitive aspects in society (Scott, 2001). Thus, through this lens, it becomes possible to analyze isomorphic steaming from forces for competing firms to jointly avoid supply network transparency. Moreover, by exploring an institutional theory lens to look at supply network transparency in emerging economies, we subscribe to the notion that such emerging economies carry institutional voids, particularly regarding regulation (Khanna & Palepu, 1997). We focus on regulation that relates to supply network transparency. Looking through an institutional theory lens, on the one hand, tough regulations should increase pressures for transparency, producing a virtuous cycle; on the other hand, weak regulations and voids allow the transparency to remain peripheral while maintaining the economic goals as core (Besharov & Smith, 2014).

Focal firms are constantly managing pressure to disclose information, particularly regarding their extended supply network (Marshall et al., 2016). Despite pressure to disclose information, the reality is that most focal firms have very limited visibility of their supply networks "and have not overtly considered their supply chain [network] information disclosure strategy" (Marshall et al., 2016, p. 37).

To answer the research question, "How do institutional voids influence supply network transparency?", we operationalize what Fung calls proportionality, and we combine the studies by Marshall et al. (2016) and Egels-Zandén et al. (2015). While the former classifies supplier information to be publicly disclosed in four types: membership (supplier lists), product provenance (traceability), environmental information, and social information, the latter defines 'supply network transparency' as buying firm practices, traceability, and supplier conditions. Our study focuses on the disclosure of information regarding social issues related to guaranteeing decent working conditions — the Achilles' heel of the fashion industry.

METHODOLOGY

Research approach

This study is exploratory in nature, qualitative in method, and based on secondary data to complement the 'nascent theory' in supply network transparency (Edmondson & McManus, 2007). We advance on previous work using secondary data to investigate mandated transparency such as the 2015 UK Modern Slavery Act (Stevenson & Cole, 2018), but expanding to a benchmarking across multiple countries and a contrast between developed economies and an emerging economy, in this case Brazil.

We pick Brazil for a number of reasons. The fashion industry generates around 90 billion dollars annually in the country, which figures as top five global markets and hosts one of the five biggest fashion weeks in the world (Tex Brasil, 2020). In addition, Brazil is one of the few countries to hold a complete supply chain: fiber cultivation, weaving, manufacturing, and retailing; and yet, subject to scrutiny due to lack of supply network transparency, which results in the first (and so far only) country to have a dedicated Fashion Transparency Index, administered by the most prominent NGO in the sector (Fashion Revolution, 2019). We therefore respond to the call to study regulation but looking at an emerging economy instead of the UK (Stevenson & Cole, 2018), while focusing on an industry sector that is subject to strong criticisms regarding supply network transparency — thus resorting to a theoretical sampling. We also advance and depart from previous research by shifting attention from corporate statements and reports (Stevenson & Cole, 2018; Tate, Ellram, & Kirchoff, 2010) to legislation content and governmental databases. Such an approach also supports analogy to other choices of country-sector experiencing similar institutional voids alongside increasing society scrutiny.

In the last decade, there has been growing discussion regarding the benefits of secondary data to the SCM field, alongside research guidelines for these projects (Calantone & Vickery, 2010) and exemplar publications using this approach to advance the field (Stevenson & Cole, 2018; Tate et al., 2010). There are numerous databases that can provide valuable insights to SCM research and complement traditional methods; in the words of Calantone and Vickery (2010, p. 4), "finding goldmines among landmines." In particular, databases developed by governments allow the exploration of specific topics of interest and offer a high standard of source credibility (Calantone & Vickery, 2010). Moreover, the exploration of existing documents and databases is non-intrusive and less subject to informant social desirability bias, since there is no direct interaction between the research team and the original data authors (Dorval & Jobin, 2019).

Data collection and analysis

The first step of this project consisted of producing an international benchmarking of legislation concerning mandated transparency. In order to achieve this goal, we have synthesized mandated transparency from California, European Union, United Kingdom, France, and Australia, where acts' dates range from 2010 to 2017. At this stage, we have opted for a descriptive coding (Saldaña,

2009) to identify commonalities across the acts, using a classification based on the questions: when, who, where, how, and how much, followed by a match of how each act aligns with the categories proposed by Marshall et al. (2016). Appendix A summarizes the main elements of each act according to this classification. The outcome of this stage included: a balance between depth and breadth of our understanding of mandated transparency across the world; the confirmation of the nascent nature of this topic, as legislation is clearly evolving in this last decade; and the identification of the key elements that we needed to look for in the Brazilian legislation to assess its maturity, namely: what is mandated, what types of firms need to disclose, where/how they need to disclose, and finally, the consequence of non-compliance, for example, charging financial penalties.

In the second step of this study, we pivoted our attention to the Brazilian legislation as exemplar of an emerging economy. In particular, we have focused on the apparel sector, where outsourcing is prevalent, working condition is a major issue, and a major share of production occurs inside the emerging economy and is therefore exposed to local regulation (Amaeshi, Osuji, & Nnodim, 2008; Stevenson & Cole, 2018; Svensson, 2009). To better understand Brazilian law, we have synthesized all acts related to transparency at any aspect, in order to contrast this review with the international benchmarking of the first step. Figure 1 presents a timeline of the past decade with Brazilian key legislation vis-à-vis legislation from other countries on transparency. A detailed comparison is offered in the Findings section.

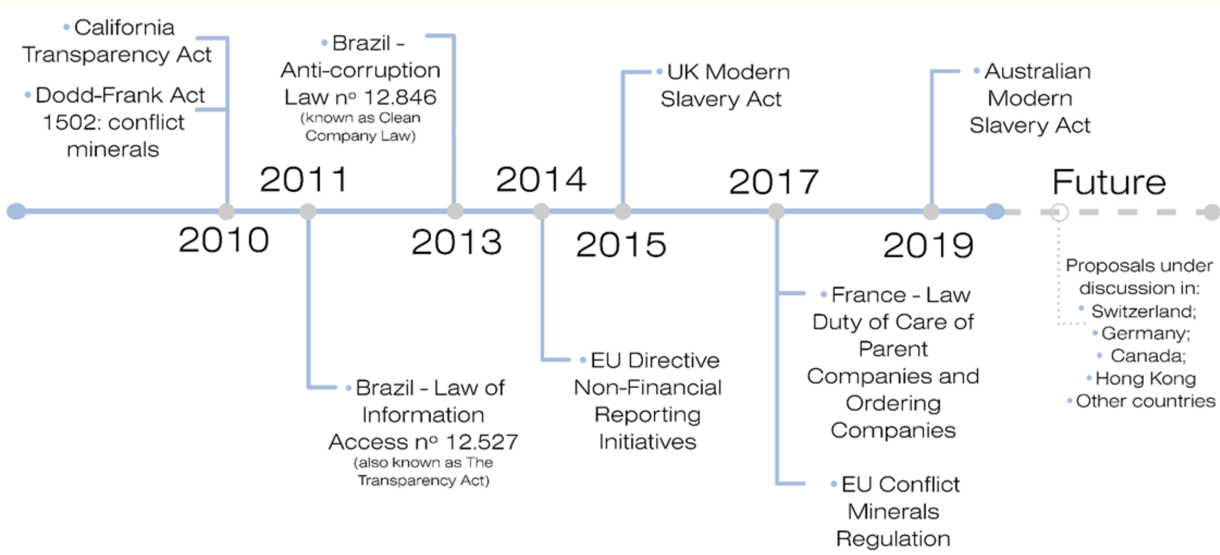

Figure 1. Transparency legislation decade timeline (2010-2019).

In the third step, after reviewing legislation, we went after concrete evidence of lawsuits against Brazilian companies infringing the law. From this stage onward, we have focused on outsourcing issues in the apparel sector. To do so, we first conducted a two-hour interview with an expert lawyer on labor regulation. This interview was key, firstly to understand the Brazilian landscape of labor issues, and secondly to identify where and how we could look for evidence of law infringements by Brazilian firms. We then accessed the governmental database on jurisprudence regarding firm liability of outsourcing issues. After a learning curve on how to search, we defined a set of keywords to identify labor cases, namely: illegal outsourcing, outsourcing essential activities, direct interference, isonomy principle, and subsidiary liability. As a result, we uncovered 208 legal processes dated from 2013 to 2018 that were judged by the Brazilian Superior Labor Court in their database[1]. Data download was conducted in January 2019. To process the large amount of data, we have resorted to the software Atlas.ti 7.5.16 to support the qualitative coding (the original coding tree has been conducted in Portuguese and is available upon request). Initial coding was conducted by one researcher, while two others validated the coding based on the expert lawyer interview. At this stage, we were able to shift from first order descriptive coding to second order elaborative coding (Saldaña, 2009), matching data with (lack of) pressures (coercive, normative, mimetic), Fung's (2013) four pillars of democratic transparency (availability, accessibility, proportionality, and actionability), and an in-depth assessment of proportionality by discussing buying firm behavior, supplier working conditions, and (lack of) traceability that could match the two. This second order coding grounded the propositions offered in the Discussion section.

Our approach is unique and innovative once it allows, firstly, to experience supply network transparency through the eyes of any given citizen in search of information about a focal firm, while struggling to get good quality data. Secondly, the secondary data approach allowed us to review a large share of longitudinal data to explain how institutional elements undermine supply network transparency. The Findings show how institutional voids shape institutional isomorphism and deconstruct every pillar of what would be a 'democratic transparency' in the fashion supply network.

FINDINGS

Our findings cover, firstly, the international benchmarking of mandated transparency that allowed us to define key elements to be able, secondly, to categorize institutional voids in the Brazilian legislation. Thirdly, we cover a review of lawsuits against firms in the Brazilian apparel sector related to labor and outsourcing problems to expose complementary institutional voids and the (lack of) supply network transparency.

International benchmarking in mandated transparency

Recent international benchmarking of mandated disclosure of supply network membership and social information such as work conditions is particularly focused on preventing modern slavery. The concept of modern slavery differentiates it from ancient models of servitude, as there is no more ownership of one person over another. The ancient model of slavery is internationally considered a criminal activity in all countries of the world, as defined by Article Four of the Universal Declaration of Human Rights (United Nations, 1948). In turn, modern slavery is a recent term adopted to define a range of exploitative practices in modern society that resemble slavery. Modern slavery can include victims of sex trafficking and domestic servitude, but within the supply chain domain, the focus is on forced (and child) labor. According to the International

Labor Organization (ILO) (2015), forced labor is characterized by elements such as: threats or actual physical harm to the worker; restriction of movement and confinement; debt bondage, where the worker works to pay off a debt or loan instead of being paid for his/her services; withholding of wages or excessive wage reductions; retention of passports and identity documents; and threat of denunciation to the authorities, when the worker is an irregular immigrant. Modern slavery is difficult to monitor but there is a broad consensus that such exploitation is widespread. The blurred line between modern slavery and poor working conditions adds complexity to the discussion (New, 2015). Ultimately, modern slavery can be framed as the most extreme case of poor working conditions and regulation steps as a key prevention tool.

Some international regulation benchmarks focus on a specific context of modern slavery: the trading of conflict minerals, which finances conflict and human rights abuses. Although the term conflict minerals is associated with raw material provenance (origin), the fact that such minerals are extracted in conflict zones has significant social impact and shape (poor) working conditions. The Conflict Minerals Regulation, for example, covers mostly membership information, demanding disclosure of names and locations of suppliers at supply chain's tiers, but it also concerns social information disclosure. On the one hand, in cases where regulation simply pushes firms to move their supply network away from conflict areas, social impact can be devastating. On the other hand, effective legislation on conflict minerals combining disclosure, processual change and clear penalties can be positive for supply network working conditions. In this context, mandated transparency must take into account the risk of pushing global supply networks away from conflict/low-performing regions in order to avoid the negative impact of abandoned suppliers.

A third element of the international benchmarking is the need to conduct due diligence. The EU directive of 2014 demand firms to report on due diligence processes implemented, the outcome of policies, main risks, and non-financial key performance indicators. France took a step forward by approving the French Law on Duty of Care in 2017. The plan includes due diligence measures to identify risks and prevent serious violations of human rights, human health and safety, and the environment. This includes civil liability of those who infringe requirements and obligation to repair damages that could have been avoided if the plan was properly put into practice.

In a summary, the international regulatory benchmarking is framed to avoid two key trends in supply networks: modern slavery and conflict minerals. In addition, we identify two critical factors that can assess the maturity of regulation related to mandated transparency that go beyond simply demanding information disclosure. First, effective acts mandate focal firms to not only disclose information, but also to establish a process of due diligence that proactively work toward improvement of working conditions. Second, acts must be inclusive in terms of firm demography (sales revenues) and be precise in terms of financial penalties and other sanctions in case of non-compliance.

The status of Brazilian mandated transparency

The international benchmarking offered a list of key elements to assess Brazilian legislation regarding supply network transparency. Mandated transparency is deficient in Brazil, lagging behind the international benchmarking. This is reflected in international transparency rankings. In the Corruption Perception Index, published by Transparency International (2019), Brazil has plummeted to the 35th position, falling for the third year in a row. In the Global Competitiveness Index (GCI) report by World Economic Forum (WEF), in 2017-2018, Brazil ranked 80th position out of 137 countries — and even worse in terms of private sector transparency (127th position) (Schwab, 2018).

In addition, there is no evidence that multinational companies from developed countries do follow the strict compliance requested within the laws and acts previously described when operating in Brazil. Differently from the international acts, Brazilian legislation is incipient and sparse, especially considering private sector transparency. The law that regulates public listed firms in Brazil (Brazilian Law No 6,404, 1977) is an important milestone that requires disclosure of annual financial reports. However, there are no laws that require private firms to reveal non-financial information on their supply networks. We summarize the contrast between the international benchmarking and Brazil in Table 1.

Table 1

The status of Brazilian mandated transparency against international benchmarking

	International benchmarking	Brazilian status
Why?	Fight modern slavery and conflict minerals.	n/a.
	Availability / accessibility	
Where? - Fung (2013)	Website, annual statement/report or public platform.	No demand. The Government database of law suits must be public, but access is inhospitable.
	Proportionality (Traceability and Supplier working condition)	
What? - Fung (2013) - Egels-Zandén et al. (2015) - Marshall et al. (2016)	Disclosure of non-financial covering: diversity information, risks versus efforts/actions taken, assessment of results, use of products in conflict conditions, supply chain due diligence obligations, and monitoring plan. At least social information, but ideally membership, environmental and provenance.	Public listed firms need to disclose financial information (non-public listed have no demands). No demands for non-financial information.
	Actionability	
So what? - Fung (2013)	Penalties upon failure to report and obligation to repair the damages.	In 2018, penalties accounted for R$ 18 million, but actual payments of only R$ 60 thousand.

Table 1 highlights how lack of regulation undermines all four pillars of democratic transparency and leaves lack of traceability and poor conditions at suppliers unquestioned. Having little constraints from the regulatory environment, firms face reduced expectations from the government, a critical stakeholder. This means that the firms' path toward legitimacy is facilitated, and there is less tension between outside expectations and organizational efficiency as foreseen in the institutionalism framework (Meyer & Rowan, 1977). Instead, there are institutional voids. Next, we delve deeper into how institutional voids help explaining the huge gap between international and Brazilian legislation.

Regulatory void: inhospitable accessibility

The Anti-corruption Law (Law No 12,846/2013, also referred to as Clean Company Law) was enacted in August 2013, but its implementation occurred in March 2015 (Decree No 8,420, 2015). This law regulates the administrative and civil liabilities for acts against the public administration, at national or foreign levels. It covers Brazilian firms, foundations, associations, and foreign firms with representation in the Brazilian territory. It can also affect managing directors or any person who authorizes, co-authorizes, or participates in an unlawful act. Administrative fines can reach up to 20% of the firm's gross revenue, in addition to recovery of damages to public administration through the instrument of agreement of leniency. The agreement between Brazil and the Organization for Economic Co-operation and Development (OECD) was the main driver of the law. In this agreement, 36 countries committed themselves to create anti-corruption legislation (Lei n.º 12.846, 2013).

A survey presented by the Federal Controller's Office (CGU) indicates that 30 firms were fined in 2018, with total value close to R$ 18 million, but only R$ 60,000 were actually paid up by the time the report was issued (Sputnik Brasil, 2019). A study by Santiago and Portes (2018) indicates that since the law came into force, 87 administrative processes of accountability (PAR) were established by different states in Brazil, with a total of 177 legal entities processed. As a reference of values practiced in São Paulo, the study indicates that convictions are equivalent to 1% of the gross income of the focal firm (far from the limit of 20% stated by the law).

Application of fines depends on the existence of internal mechanisms and procedures for integrity, auditing, and incentive to report irregularities and the effective application of codes of ethics and conduct within the scope of the legal entity. The fine imposed may receive a discount in case of proof of the existence and application of a program of integrity in accordance with the parameters established in the decree itself. Brazilian anti-corruption legislation does not require firms to have a compliance program or integrity program, nor do they have a complaint channel in place, but the associated costs of not having such mechanisms can be disastrous[2].

Since 2012, the Information Access Law (Law No 12,527, 2012) aims to ensure the fundamental right of civil society to public information, aligned to the targeted transparency mentioned by Fung, Graham, and Weil (2007). Principles worth mentioning from this act are: the prioritization to make all information publicly available unless noted otherwise; the valorization of transparency as a culture across public offices; and the social control of public administration. The Information Access Law is a citizenship instrument (Soares, Jardim, & Hermont, 2013).

This law focuses on information of public interest. Information related to national security and citizens' personal information remain protected, to ensure freedom and individual rights (Soares et al., 2013). The Information Access Law indicates that there must be public, free of charge, and easy access to all information produced by public offices. The internet has become the main platform for disclosure (search, access, and download) of public information and documents, supposedly including channels for orientation to citizens (Soares et al., 2013). This law has also impacted private firms as infringements and legal decisions/verdicts are disclosed by governmental agencies and made available on the web.

As Brazil has just experienced a change in government, it is uncertain whether transparency is going to advance, freeze, or fall back in the years to come. Yet, initial presidential actions indicate a movement toward a regress in transparency enforcement. In January 2019, the first month of a 48-month mandate, the Brazilian Federal Government issued a decree (Decree No 9,690, 2019) that alters the Information Access Law, increasing the range of documents that can be classified as top-secret and, therefore, be restricted from the public.

During data collection for this research project, however, it became clear that as much as most public offices follow the law, information is often not easily accessible. The research team faced challenges to search data in a coherent and easily accessible format. There is a lack of support, 'how to' guides, and orientation on how to use the high volume of available data. It was not possible to produce queries and download data according to specific criteria, such as a specific focal firm, a timeframe, or a topic — all of which are common search criteria in scientific databases. The huge amount of data available is contrasted with an 'inhospitable' access.

In this study, we coin the term 'inhospitable accessibility' to represent the regulatory institutional void related to transparency. The term emphasizes the challenge of searching, filtering, and downloading publicly available data. In particular, we have had an enormous effort to map infringements and legal decisions/verdicts regarding working conditions that are available on one online database with low level of public awareness and hard to be assessed and understood by non-lawyers. In a nutshell, a vicious cycle that turn firms away from Fung's democratic transparency: even when a lawsuit is triggered, there is limited information availability/accessibility side by side with limited actionability — as most fee payment is seldom effectively imposed.

Voids in labor market and contracting systems: blurred liability

If public transparency is limited, despite some progress as the result of the laws aforementioned, advancements within the private sector are even more limited. Our study did not identify specific regulation toward transparency of private organizations. As so, we turn our attention to transparency of labor conditions in the Brazilian private sector beginning with a historical perspective of human rights, slavery conditions, and labor legislation in Brazil. Slavery conditions in Brazil are often linked to voids that allow informality and opacity. Understanding slavery conditions and informality is key to understand (the lack of) transparency in the Brazilian labor market. This is a key source of the gap between Brazilian law and the international benchmarking.

Under Brazilian Penal Code, slavery may be characterized by degrading conditions, exhaustive working hours, forced labor, and/or debt bondage. According to the International Labor Organization (ILO) (2018), more than 35,000 people were rescued from working conditions analogous to slavery in Brazil over the past 15 years, but over 600 of them ended up in similar conditions at least for a second time. An important transparency instrument launched to hold focal firms accountable when accused of slave labor has been the Slavery Dirty List (in Portuguese, *Lista Suja do Trabalho Escravo*). The 'dirty list' used to be published by the former Brazilian Ministry of Labor[3] every six months, listing the names of corporations deemed responsible for situations of slavery, subjecting them to sanctions. Presence in the list represents a risk to brand reputation. Exposure can lead to public service agencies and banks denying financing, grants, and public credit to those listed, as well as reaction from other stakeholders that hinders legitimacy.

As noted by Góis (2010), in Brazilian labor law there is a so-called 'protection paradigm' that reflects a set of principles applied to the interpretation of the law in favor of the worker. The law includes important principles, such as: 'in dubio, pro worker' (i.e., in case of doubt, the worker is favored), 'more favorable rule' (i.e., where there is more than one applicable norm, the most favorable to the worker must be used), and 'most beneficial condition of the rules edited a posteriori' (i.e., when evaluating whether or not it should apply to pre-existing employment relationships). Labor legislation guarantees an extensive set of rights that includes: paid annual leave, overtime limits, mandated personal protection equipment and hygiene rules, among others. The law is based on labor relations patterns that emerged from the Industrial Revolution, where the workers had similar characteristics: male sex, responsible for family support, and with specific tasks along the production line, keeping long lasting jobs and economic prosperity. In recent decades, the sequence of economic crises and technological innovations has undermined these standards and new possibilities of labor relations emerged that are not reflected in the law. For example, the service sector is becoming predominant and work flexibility needed do not always fit the legal standards.

What is called in Brazil the 'protection paradigm' has led to a reversed effect, i.e., the increase of informality, particularly during economic crises. Informality is usually associated with poorer working conditions and high opacity. Brazilian supply chains have often been organized in such a way that while employees hired directly by the focal firm get formal jobs, and therefore, are protected, a significant share of workers upstream in the supply chains (working in first-tier suppliers, but mostly in lower-tier suppliers) engage in informal, and therefore un-protected, working conditions. The legislation has thus offered a legal path for labor informality and lack of traceability across supply chains by allowing significant flexibility (Law No 6,019, 1974 and later adjusted by Law No 13,429, 2017). High informality is characterized as a labor market void.

Outsourcing is a common practice in the apparel sector. The apparel outsourcing contract may concern two different types of relation: (a) outsourced workforce (but maintaining ownership over raw materials) and (b) outsourced production (full outsourcing). Depending on circumstances and law interpretations, there is often a blurred line between hierarchical contracts (internally hired workers) disguised as outsourced workforce to reduce focal firm's liability. Or in other cases, outsourced workforce may be disguised as outsourced production, again in an attempt to reduce liability. To better understand the three levels of liability within Brazilian law, Table 2 summarizes Brazilian jurisprudence regarding the accountability of focal firms concerning the three types of contractual arrangement. What we frame as 'blurred liability' represents the easiness to detach liability between focal firm and suppliers in Brazil.

Table 2

Blurred liability: Voids in labor market and contracting systems[4]

	Hierarchical contract (Fully internal)	**Outsourced workforce (Only labor)**	**Outsourced production (Labor and naterials)**
Definition	The focal firm formally hires its internal workers. The focal firm is subject to inspections and labor claims and has full responsibility regarding the labor force.	The focal firm hires another firm to provide human resources for some activities. Although workers are not employed by the focal firm, there may be liability if labor issues are taken to court.	The focal firm buys the final product from the supplier. The focal firm and the supplier are two completely different firms. Thus there is lower level of labor issues liability.
How? (Control mechanisms)	Government (Formerly Ministry of Labor, currently Minister of Economy). Labor claims. Unions. CIPA and SESMT.	Focal firm can demand the contracted supplier to provide the proof of payment of labor charges.	None (because control mechanisms would characterize accountability).
So what? (Liability)	Total liability for labour indemnities.	Subsidiary liability of the focal firm.	There is no liability for the focal firm However, depending on circumstances and judge interpretation of the law, there is a possibility of subsidiary liability ("diversion").

Apparel outsourced production involves a contracted firm (supplier) delivering semi-elaborated products to be completed in focal firm's production line. This contractual arrangement significantly reduces the focal firm's liability over working conditions. In order to preserve this status, (a) the contracted firm must not exclusively work on the manufacturing of the focal firm's (contractor) products, and (b) the focal firm must not interfere in the contracted firm's activities. In other words, the outsourced production contracts become de-characterized when one proves the exclusivity of contracted firm's activity to the focal firm, as well as when there is some management intervention by the focal firm to the activities of the supplier. Employee testimonials, contracts, and invoices are common evidences presented to the Court.

The key issue here lies in the interpretation of the Court, based on evidences, about exclusivity and management intervention by the focal firm onto the supplier. Exclusivity is based on the percentage of total supplier sales and management intervention includes constant and direct supervision of contractor employees on contracted employees, supervision and/or interference in the supplier's production process, layout determination and/or requirement, requirements for excessive specifications, and power to change and/or stop the production line of the contracted firm. The combination of both exclusivity and intervention characterizes high supplier dependence, and therefore co-liability of the focal firm to any working conditions infringements by the supplier. In order to avoid liability risks, firms engage in a fragmented supply network, where outsourced production to tier-1 supplier is further outsourced to tier-2 without the focal firm purview. Such fragmentation is characterized as a contracting system void.

These findings show that both the labor void and the contract void reinforce opacity. Firms can explore blurred liability to reduce supply network transparency, and they can do so while adherent to the law. Moreover, such procedures drive mimetic forces within the sector. As a result, fragmentation becomes the dominant practice while firms navigate below the society radar. Here, the forth pillar of Fung's democratic transparency — proportionality — is reinforced. Blurred liability allows firms to offer a disproportionate level of transparency compared to risks involved in poor working conditions of the supplier.

DISCUSSIONS AND CONCLUSION

Contribution to theory

Taking an institutional theory lens, we contrast international benchmarking with Brazilian mandated transparency, providing an example of the apparel sector to expose voids, particularly in regulation, labor market, and contracting systems. Despite significant advancements in the global arena, the Brazilian regulation is limited (namely two acts — Law of Information Access and Clean Company Act), inputting low coercive forces to the supply network. Moreover, access to databases is inhospitable and existing regulation is blurred when defining liability. We label these as inhospitable accessibility (regulatory void) and blurred liability (the bundle of labor market and contracting system voids). As a result, despite the fact that focal firms are deemed to be judged by what happens across their dispersed supply network (Marques, 2019), we show that institutional voids (Khanna & Palepu, 1997) offer a path for focal firms to refrain from improving supply network transparency and prevent exposure of non-compliance. We offer a dialogue between institutional voids and (the lack of) democratic transparency, as proposed by Fung (2013). This study scrutinizes how the lack of mature mandated transparency impact focal firms in the context of an exemplar of emerging economy (Brazil) and an exemplar of labor-intensive industrial sector (apparel) to discuss supply network transparency. In doing so, we offer a set of propositions summarized in Table 3.

Table 3

Supply network transparency undermined by inhospitable accessibility and blurred liability

Theoretical constructs	Propositions
Coercive forces, i.e. regulation *Regulatory void* *Information accessibility and availability*	*Proposition 1: Inhospitable accessibility (regulatory void) prevents society from assessing focal firm's supply network transparency.*
Labour market and contracting system voids *Information proportionality*	*Proposition 2: Blurred liability, based on voids in labour market and contracting systems, hinders information proportionality and supply network transparency.*
Normative forces, i.e. weak unionization and lack of professionalization *Labour market voids* *Conditions at the supplier*	*Proposition 2a: The labour market void weakens normative forces, undermining working conditions at suppliers and thus supply network transparency.*
Mimetic forces, i.e. competitors acting similarly *Contracting system voids* *Traceability*	*Proposition 2b: The contracting systems void stimulates mimetic purchasing behaviour that undermines traceability and thus supply network transparency.*
Regulatory, labour market and contracting system voids *Information actionability*	*Proposition 3: Institutional voids at regulation, labour market and contracting systems hinder information actionability and allow focal firms to sustain the lack of supply network transparency.*

Institutional voids alleviate firms' tensions to deal with supply network transparency in two key ways. First, key stakeholders from society that can pressure firms to comply with transparency are prevented from doing so because of the difficulties in searching, filtering, and downloading data related to working condition infringements, complaints, and lawsuits. We label this as inhospitable accessibility, complementing previous typology that did not consider this unintended consequence of a partial movement toward transparency (Albu & Flyverbom, 2019). Such an inhospitable system contrasts with the need for information availability and accessibility. These difficulties hinder societal pressure and alleviate the burden of transparency onto the focal firm. Therefore, we offer a first proposition:

> Proposition 1: Inhospitable accessibility (regulatory void) prevents society from assessing focal firm's supply network transparency.

The second way through which institutional voids alleviate tensions is through complementary voids in the labor market and contracting systems. These voids offer a way for focal firms to delay supply network transparency by engaging in outsourcing contacts that reduce their liability of poor working conditions, which we label as blurred liability, undermining supply network transparency. This path reflects lack of proportionality, as firms may offer reduced traceability despite high risks related to working conditions in a fragmented supply network. Thus, we offer a second proposition:

> Proposition 2: Blurred liability, based on voids in labor market and contracting systems, hinders information proportionality and supply network transparency.

Blurred liability is backed by two different voids. Firstly, normative forces are hindered by high informality that characterizes the labor market void. The burden of the protection paradigm leaves a large share of workers in the informality, preventing the development of a normative institutional context that would steam from strong unionization and professionalization of the sector (DiMaggio & Powell, 1983). Weak normative pressures allow firms to sustain the lack of supply network transparency while maintaining a large share of the workforce under informal arrangements.

> Proposition 2a: The labor market void weakens normative forces, undermining working conditions at suppliers and thus supply network transparency.

Secondly, despite enhanced legal control and liability over working conditions inside the focal firms' facilities, the Brazilian system leaves room for high supplier dependence and poor working conditions upstream in the supply network, with low liability for the focal firm. As a result, there is a nuanced interpretation of what constitutes liabilities in managing supply networks, alleviating the pressures to reduce noncompliance by focal firms. This sets the economic performance as prevalent over the peripheral demand for transparency. Ultimately, it stimulates mimetic purchasing behavior by focal firms, reducing traceability and hindering change toward supply network transparency:

> Proposition 2b: The contracting systems void stimulates mimetic purchasing behavior that undermines traceability and thus supply network transparency.

Our findings show that voids at the institutional level play a key role both in individual consumers and at firm-level decision-making of focal firms, in line with previous studies showing multi-level interactions affecting supply networks (Parmigiani & Rivera-Santos, 2015). Specifically, voids act as barriers for consumers and society to identify risks and infringements of focal firms and exert pressure. We show that the combination of inhospitable accessibility (regulatory void) and blurred liability (voids in labor market and contracting systems) allow focal firms to remain 'bellow the radar' of society, as stated in our third proposition:

> Proposition 3: Institutional voids at regulation, labor market, and contracting systems hinder information actionability and allow focal firms to sustain the lack of supply network transparency.

In Figure 2, we offer a conceptual model of supply network transparency undermined by coercive, normative, and mimetic forces resulting from institutional voids in regulation, labor market, and contracting systems.

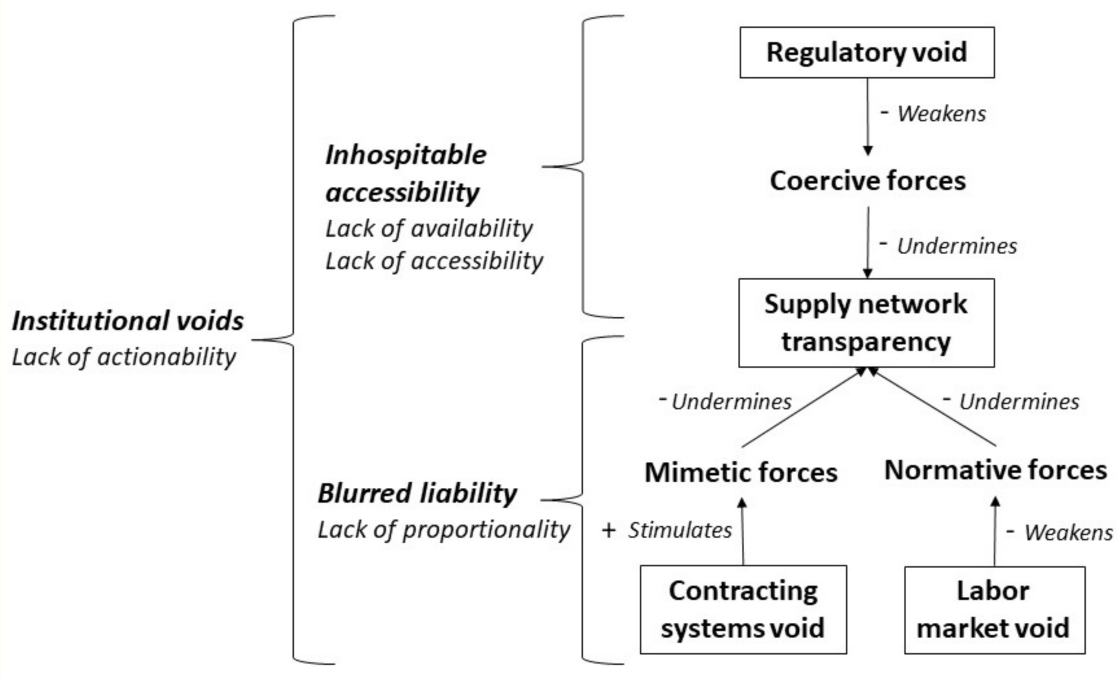

Figure 2. Supply network transparency undermined by inhospitable accessibility and blurred liability.

Contribution to policy making

Brazilian legislation lags behind international benchmarking in a number of ways. Whereas international regulation has incorporated a definition of modern slavery and expanded the breadth of focal firms' responsibilities to the extended supply network, in Brazil, legislation allows for high levels of opacity even for local supply chains, which should make control easier. The legislation grants room for informal work and poor conditions, as long as the extended supply network is characterized as outsourcing workforce (technically low supplier dependence) instead of direct management intervention that reflects high supplier dependence.

To fix the void we label as inhospitable accessibility, technology should be deployed. Technology such as 'big data' is already available for processing large amounts of data and build synthetic perspectives to allow society to understand concrete results of labor legislation and follow on-going suits and complaints. Technology can also help 'translating' law-specific language to lame terms, such as what are the most common problems, which firms are involved, what are the verdict and the penalties. Such modern approach could shed new light into the current state of working conditions in emerging economies and bring society closer to labor legislation, increasing levels of public awareness.

To fix blurred liability (the labor market void), we suggest legislation should call for supply network transparency on (a) the percentage of contracted volume against the total volume of each supplier; (b) the production requirements made to suppliers that reflect the extension of management intervention; (c) contract's duration (to map continuity); and (d) periodic inspections of labor conditions. In addition, first movers toward supply network transparency should be recognized, not punished, or legislation will perpetuate opacity.

Finally, we see an opportunity for advocacy focused on increasing liability and transparency, if we are to advance on this matter in Brazil. Interested stakeholders must act to balance forces at play in the Brazilian Congress. It is important to note that Brazil is poorly-ranked in competitiveness partially due to the lack of transparency regarding corporate ethical behavior. Therefore, we can posit that a raise in the bar of mandated transparency for the private sector would benefit our country's competitiveness in the global arena.

Limitations and future research

Alongside our contributions to theory and policy making, it is important to acknowledge some limitations in our study. Firstly, we share limitations common to most secondary data research (Calantone & Vickery, 2010). At the same time that bias is reduced when analyzing secondary data, there are limits to not hearing directly from those involved in the dynamics of supply network transparency. Despite the challenges of collecting primary data regarding sensitive issues, future studies could give voice to managers and other stakeholders involved in such decision-making process.

Secondly, we advance previous research on mandated transparency by answering the call to explore how firms are influenced by legislation in different countries (Stevenson & Cole, 2018), but we limit the analysis of emerging economies to one exemplar: Brazil. Future research could explore whether or not other emerging countries do share similar institutional voids, as well as try to map the influence of other types of voids (Khanna & Palepu, 1997). Most importantly, we call attention that such voids (alongside their impact) may actually occur at the country-sector level, rather than at a broader country level, and this could be an interesting avenue for further investigation.

Thirdly, we focus our analysis on the apparel sector and delve deeper into supply network transparency related to social perspective, more specifically to working conditions. Future studies could broaden the empirical analysis in terms both of industry sectors and types of information disclosure to encompass environmental issues in supply networks, covering the full frame by Marshall et al. (2016).

Most importantly, we call attention to the fact that so far research focused on supply network transparency has discussed opacity and decoupling between practices and communication mainly as a result of supplier misconduct (e.g., Asif, 2019; Villena & Gioia, 2018). Our study turns attention to how institutional voids can foster focal firm's strategic hypocrisy and selective disclosure thus leading to opacity in supply networks. Yet, our study is explorative and there lies a long road ahead of us in advancing research on how the interplay between institutional voids influence transparency supply network, as well as exemplar cases of firms (and sectors) that have managed to offer transparency despite the institutional voids.

Notes

1. Governmental database related to labor issues: https://scon.stj.jus.br/SCON/ (retrieved on January 29, 2019)

2. See http://compliancereview.com.br/legislacao-brasileira-canal-de-denuncias/ (retrieved on January 29, 2019. Currently, the website is down.)

3. In the beginning of 2019, the current government has extinguished the Ministry of Labor and transferred its responsibilities to the Minister of Economy, a decision that has been permanently questioned ever since.

4. Key lawsuits for this summary can be found in https://scon.stj.jus.br/SCON/ (retrieved on January 20, 2019) under the numbers: No 233497_2017_1523613600000; nº 286890_2017_1527242400000; No 113904_2018_1536919200000; No 100068_2018_1535104800000; No 38004_2013_1530266400000

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APPENDIX A

Table A1.

International benchmarking on mandated transparency.

	California Transparency in Supply Chains Act	Modern Slavery Act — UK	Modern Slavery Act — Australia	Dodd-Frank Act Section 1,502 — Conflict Minerals	European Union — Conflict Minerals Regulation	EU Directive Non-Financial Reporting Initiatives	French Law on Duty of Care
WHEN? (date of approval)	2010	2015	2018	2010	2017	2014	2017
WHY? (motivators)	**Pressure** applied by **consumers, investors, NGOs, and competitors** toward more **transparency** regarding modern slavery			To **prevent the fuelling of conflicts and abuses** from **minerals extraction and commerce**		To legislate what is expected in terms of **transparency**, as it engenders **confidence** among different **stakeholders**	The need for more **balanced and fairer globalization**, and for corporations to be held **accountable for their activities worldwide**
WHAT? (scope)	Requires the **disclosure of the efforts (or intentions)** to eradicate slavery	Besides demanding the disclosure of anti-slavery efforts, addresses the **offenses and penalties regarding the slavery practices**	Requires the **disclosure of the risks, the actions taken** to minimize the risks and the **assessment of their results**	Requires the **disclosure of the use** in a production or final product of **conflict minerals (tantalum, tin, tungsten and gold)**	Lays down **supply chain due diligence obligations** for importers of tin, tantalum, and tungsten, **their ores**, and gold	Lays down rules on **disclosure of non-financial and diversity information**	Requires a plan to **monitor the activity of the company and all subsidiaries** or companies it controls
WHO? (disclosers)	**Californian large retailers/manufacturers** (>U$100M), regarding their own businesses and **direct** supply chains	**Commercial organizations** (>£36M) operating **in the UK**, regarding their own businesses and **all of their** supply chains	Entities (>AU$100M) operating in **Australia**, regarding their own businesses and **all of their** supply chains, having **extra territorial application**	Companies using **conflict minerals originated from Democratic Republic of Congo and adjoining countries** in their manufacturing or contracted manufacturing processes	Companies that import conflict mineral into the EU, **no matter where these originate from**, having **extra territorial application** within the supply chain	Large **public-interest companies** with more than **500 employees**, total assets of more than **€20 million** and a sales revenue of more than **€40 million**	Any company employing at least **5,000 employees** (direct or in its **French** subsidiaries) or **10,000 employees** (direct, in its French subsidiaries or **abroad**)

Continues

Table A1 (continued)

WHERE? (location of disclosure)	On the company's **website**	On the company's **annual statement**	Both previous + on **a specific public platform**	Files reports with the **US Securities and Exchange Commission** and discloses it in the **company's website**	Annually report in the **internet** and internally on their **supply chain due diligence policies** and **practices for responsible sourcing**	In the company's **annual report**	It must be **publicly available**
HOW? (key requirements)	Disclosure must relate to five specific areas, although the **content and depth of the disclosure is not determined**	**Suggests possible information** to disclose, such as the company's policies and **due diligence** processes related to slavery	Establishes **mandatory criteria** and demands the **disclosure of due diligence** and **remediation** processes and **results**; offers **government guidance**; failure to comply **may be published**	Reports must describe its **due diligence efforts** through a **recognized framework** and must inform about the **origin of the minerals** used; reports must be **audited**	Companies must follow **OECD Guidance**, assessing the **risk in the supply chain**, implementing **risk management strategies**, and caring out **independent audit** of supply chain **due diligence**	Reports must include policies related to **environmental** and **social** responsibility (treatment of **employees**, **human rights**, **diversity**, **anti-corruption**), describing **policies** and **due diligence processes**. **No specific guideline** required	The plan must include **due diligence measures** to **identify and mitigate risks** and to prevent violations of human rights, human health and safety, and the environment. **Alert mechanisms** and **evaluation of effectiveness** must be included
SO WHAT? (in case of non-compliance)	**No penalties** for non-compliance	**No penalties** for non-compliance but the Secretary of State can apply for an injunction **to compel a company to publish a statement**	**No penalties** for non-compliance but entity must be asked to undertake **remedial action in relation to the requirements unfulfilled**	The Act is a **disclosure requirement** only and places **no ban or penalty** on the use of conflict minerals	Member states **may impose penalties** upon EU importers in the event of **persistent failure to comply with the obligations**	Reports will be **audited, but not verified** — and **no sanctions** are in place for companies that fail to comply; member states **may impose penalties upon failure to report** adequately	**Civil liability** of the author of infringement and the **obligation to repair the damages** that the execution of these obligations would have avoided
TYPOLOGY OF SUPPLY CHAIN INFORMATION (Marshall et al., 2016)	**Social information**	**Social information**	**Social information**	**Social information, membership, and provenance**	**Social information, membership, provenance**	**Social information, membership, environmental information, and provenance**	**Social information, membership, environmental information, and provenance**