

Small and Medium-sized Enterprises (SMEs)

Follow-up to 2021 Impact Report

December, 2022

What are SMEs?

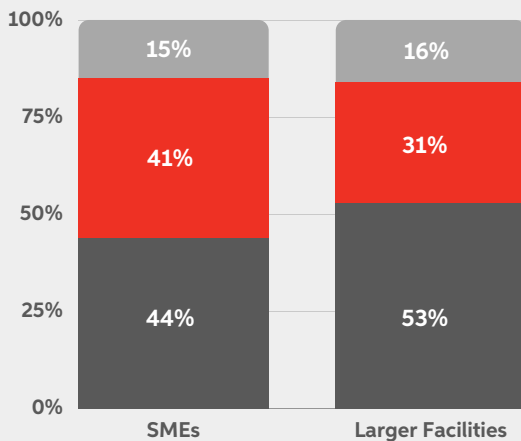


SMEs - small and medium sized enterprises - are facilities with less than 250 workers.*

Where are SMEs most commonly found to be non-compliant?

The majority of legal non-compliances found in verified assessments completed by SMEs related to three categories – health & safety, working hours, and wages & benefits. This trend is similar to the experience of larger facilities in 2021.

■ Health & Safety ■ Wages & Benefits ■ Working Hours



SMEs functioning in a globalised market have to comply with many human rights and labor rights regulations like the current and emerging policies below:

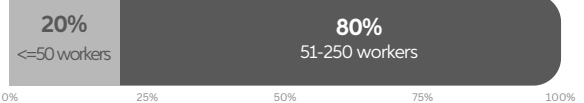
- [EU Corporate Sustainability Due Diligence Directive](#)
- [German Supply Chain Due Diligence Act](#)
- [Dutch Child Labor Due Diligence Law](#)
- [Norwegian Transparency Act](#)
- [UK Modern Slavery Act](#)
- [Uyghur Forced Labor Prevention Act \(USA\)](#)

SLCP verified data can play a role in supporting SMEs to meet the demands of current and upcoming legislations.

SMES AND SLCP

49% of all SLCP verified assessments in 2021 were completed by SMEs. As SMEs represent a large part of production in global supply chains, the applicability of SLCP in these facilities helps drive further social and labor data comparability.

Breakdown of the SLCP verified assessments completed by SMEs in 2021:



SMEs AND LEGAL NON-COMPLIANCES

92%

92% of all the verified assessments completed by SMEs included at least one legal non-compliance.

(Compared to 91% on the overall average)

9.2

An average of 9.2 legal non-compliances were found per verified assessments conducted by SMEs in 2021.

(This is higher than the 2021 total average: 8.5)

Adherence to international labor standards and law can help promote decent jobs and development in SMEs and contribute directly to the UN Sustainable Development Goal, SDG 8.3.



OBSTACLES TO LEGAL COMPLIANCE

(Based on OECD findings**)



The lack of knowledge of regulatory obligations and the difficulty in translating policy commitments into practice prevents SMEs from complying with labor laws.



SMEs also often lack access to resources needed to adopt business practices that can support the implementation of due diligence.

Through self-assessments, facility ownership of data, alignment with international labour law and standards, and facility training, SLCP supports facilities in understanding working conditions in their supply chains. SLCP's converged tool aims to help facilities in unlocking resources tied up in auditing so that they can be redirected to improvement programs.

→ For more insights, read the [2021 SLCP Impact Report](#).

*SME also includes micro-sized enterprises in accordance with the ITC/WTO and EU definitions

**OECD (2021). Background note on Regulatory Developments concerning Due Diligence for Responsible Business Conduct (RBC): The Role of Small and Medium Sized Enterprises (SMEs) <http://mneguidelines.oecd.org/PMRT-2021-background-note-SMEs-and-due-diligence.pdf>