



## **Forced Labour, Human Trafficking & The FTSE 100**

A review of company disclosure and recommendations for investor engagement

Rathbone Greenbank Investments  
Dedicated to ethical and sustainable investment





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October 2015

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### **Acknowledgements**

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All images provided by STOP THE TRAFFIK and Us (United Society).

***“Everyone is talking about the crime of human trafficking. The UK’s Modern Slavery Act requires businesses to wake up to the fact that trafficking is everywhere and it’s not all about the sex trade. Think hard before investing. Check out what risks companies really have in this area and what they are reporting on. That’s why Forced Labour, Human Trafficking & The FTSE 100 is such a valuable tool – an extraordinary resource for everyone who cares about good business, ethics and human rights.”***

**Steve Chalke**

UN. GIFT Special Adviser on Community Action Against Human Trafficking

***“Modern slavery is a scourge that grossly undermines the inherent and God-given dignity of the human, and we must work urgently to eradicate it from our world. This report highlights that in our globalised economy, any business can be exposed to slavery through its supply chain. Companies that have conducted audits have been shocked to discover that they have been unwitting beneficiaries of slave labour. The transparency in supply chains measure in the Modern Slavery Act is a call to action that I urge British business to seize.”***

**Justin Welby**

Archbishop of Canterbury

***“Transparency in the supply chain and measures that prevent modern slavery and exploitation in business will help to change cultures to ensure that human dignity is protected in the workplace. The measurement of business success cannot be limited to profit margins. It has to be how we treat our fellow human being. The FTSE 100, having taken a clear position of respecting and protecting all workers linked to their supply chains, demonstrates how attitudes can change to create a better society, particularly for the poor and vulnerable who depend on their employers.”***

**Vincent Nichols**

Cardinal Archbishop of Westminster

***“Trafficking abuses people for financial gain. It surfaces in legitimate economies in the supply chain that brings to the end consumer low priced food and commodities. This report challenges us to reject complicity in modern day slavery and speak loudly for a world where all can work in safety and with dignity.”***

**Ms Janette O’Neill**

CEO/General Secretary of Us (United Society)

# Preface

Modern slavery is one of the predominant human rights issues of our time.<sup>1</sup> Human trafficking, though a largely hidden crime, is believed to affect 2.4 million people at any given moment.<sup>2</sup> An estimated 21 million people are trapped within forced labour,<sup>3</sup> generating illicit profits thought to be around US\$150.2 billion per year.<sup>4</sup> Since 14.2 million of those working under conditions of forced labour are in the private economy - primarily in agriculture, construction, domestic work, manufacturing, mining and utilities -<sup>5</sup> it has become increasingly clear from both government and civil society perspectives that business must play an integral role in the fight against this global crime. Responsibilities to engage with such issues were, up until recent years, not considered to be of immediate concern to the corporate world. However, increasingly complex and multi-tiered globalised supply chains, spanning multiple countries, now represent a potential site of risk for every multinational company.

The relationship between business and human rights has evolved rapidly over recent years, with companies themselves seeking collaboration with various stakeholders to mitigate the risks of human rights violations present within their organisations, and to take steps to remedy transgressions.<sup>6</sup> Widely-endorsed benchmark principles such as the UN Guiding Principles on Business and Human Rights, coupled with national legislation such as the recently passed UK Modern Slavery Act, are helping to convert intention into action. Responsibilities placed on businesses in the area of human rights and responsible practice will increase in the coming years, with pressures likely to come from investors as well as regulators and lobby groups. Despite the good intentions however, there is general consensus from many corporate leaders that companies lack the knowledge of both the specific human rights risks that they face, and the remedies that are needed to combat them.<sup>7</sup>

As shareholders of a company, investors have the power and incentive to influence company behaviours, and can have considerable influence over the way in which a company addresses and mitigates its risks in the area of human trafficking and forced labour. This report provides investors with a selection of representative industry examples and case studies that will enable them to be more conversant with, and have greater understanding of, the nature of human trafficking and forced labour risks in various sectors. Advice and guidance is given to investors and businesses on how these risks can be addressed and companies can meet their corporate responsibilities.





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## Project Partners



**Finance Against Trafficking (FAT)** is working to raise awareness, equip and resource companies to help them effectively address all areas of their business that can be affected by people trafficking and manage the risk and threats to their businesses, supply chains and reputation. It is run by business for business, made up of volunteers from a variety of business sectors. FAT is affiliated to **Stop the Traffik (STT)**, which is an organization working across the world, pioneering community prevention against people trafficking, working locally, nationally and internationally. STT has a strong track record of successfully engaging and working with all stakeholders from communities, to business, governments and the United Nations, where STT support and advise the UN GIFT (Global Initiative to Fight Trafficking) program.



**Us** (formerly USPG) is an Anglican mission agency that works in partnership with churches around the world. Since their foundation in 1701 they have worked alongside local communities to improve health, put children in school, tackle discrimination, nurture leaders, give a voice to women and support responses to a wide variety of locally identified challenges. Us is a member of a number of coalitions that advocate for social justice in relation to areas which include climate and the environment and violence against women. While their programme partners are predominantly Anglican, Us works ecumenically and with other faith communities for the benefit of all people, regardless of ethnicity, gender or sexuality.

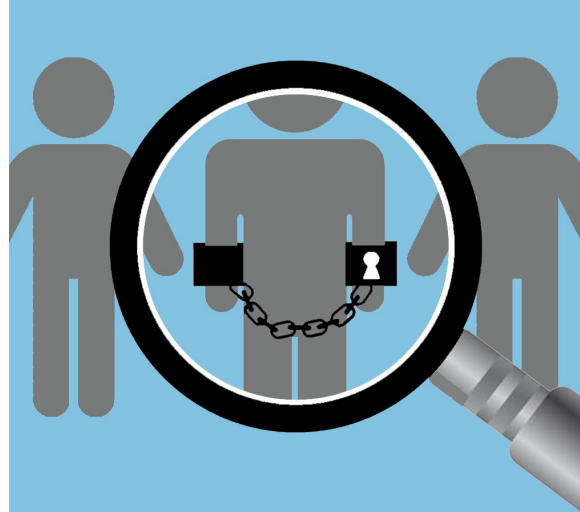


The **Ecumenical Council for Corporate Responsibility (ECCR)** is a church-based investor coalition and membership organisation, has been established over 25 years and leads and collaborates with others in advocacy and awareness-raising on issues of business, human rights and environmental stewardship. It is a charity and coalition that connects faith individuals and groups to learn more about key corporate responsibility issues and empowers them to take joint action that fits with their particular situation. ECCR has over 80 corporate members, including church finance and investment bodies, national denominations, religious orders, and regional/local church bodies. Its history and primary relationships are with the Christian Churches, but it is open to work with people of faith from all religious backgrounds.

### Rathbone Greenbank Investments Dedicated to ethical and sustainable investment

**Rathbone Greenbank Investments (RGI)** provide personalised and professional investment management services for investors who want to ensure their investments take full account of their environmental, social and ethical concerns. RG works with private individuals, trusts, charities, pension funds, and their professional advisers and manages only ethical and responsible investment portfolios. Understanding and interpreting environmental, social and ethical issues is integral to the RG business. RG works with over 1,200 clients across the UK and manages over £680 million in assets. The RG team has been at the forefront of ethical and responsible investment since 1992, and launched one of the UK's first tailored ethical portfolio services.

# Executive Summary



The risk of human trafficking and forced labour being associated with listed companies has now become material, for both the companies and their investors. The introduction of the Modern Slavery Act in the UK addresses the issue and explicitly requires directors to disclose the action they are taking to mitigate human trafficking and forced labour risks within the supply chains of their companies.

FTSE 100 companies can play a significant role in confronting this crime, both in the UK and globally.<sup>8</sup> With a combined value of £1,700 billion,<sup>9</sup> FTSE 100 companies represent approximately 80% of the market cap of all listed UK companies.<sup>10</sup> Further, unit trusts, insurance companies, financial institutions and pension funds collectively hold close to 30% (£500 billion) of the FTSE 100 companies.<sup>11</sup> It is clear that they too have a vital role to play.

Through a series of illustrative examples, this report examines the nature of forced labour and human trafficking risks for FTSE 100 companies and their investors in selected sectors. It makes recommendations for risk mitigation and highlights examples of good practice.<sup>12</sup>

Forced labour and human trafficking can occur in business operations in a variety of ways:

- **Directly** - by employing a trafficked or exploited person within the business or through a subcontractor or recruitment agency;
- **Indirectly** - through illegal subcontracting occurring within supply chain or through use of products or materials which have been produced by people under conditions of forced labour;

- **By association** - where trafficking occurs within the local area as the result of a company's operations, or as a secondary consequence of a company's actions.

Some companies have begun to address these risks by identifying and acknowledging them in their corporate disclosure, collaborating with various stakeholders to deal with the issues in a holistic way, and supporting initiatives that seek to deal with root causes and address situations that arise. However, companies should go further with regards to both action and disclosure to respond effectively to current legislation and manage the risks in this area.

## The role of investors: why it is important for Investors that companies are effectively dealing with human trafficking and forced labour

- In light of new legislation which focuses on 'modern slavery', companies are now at risk not only from reduced consumer confidence but also legal challenges, both of which could have significant financial implications;
- Investors can encourage companies to be aware of the growing issue of human trafficking, how it is likely to affect companies and how to put in place adequate measures - which go beyond a 'tick-box' exercise - that will mitigate risk;
- Investors probing specific mitigation processes that companies have (or do not have) in place can be a very effective way of determining commitment to anti-human trafficking activities and bringing positive changes within company operations.



In performing this study we looked at the exposure of FTSE 100 companies from two different angles, to compare and contrast responses. Firstly, we selected a sub-set of companies based on the inherent and systemic risks of modern slavery which exist within their industry, in order to examine how companies within a discrete sector are responding to essentially the same risk. Apparel and travel and leisure are two such distinct industries within the FTSE 100.

Secondly, we chose to explore company responses to risks posed by exposure to a significantly prominent commodity across the value chain - namely gold and seafood - incorporating different companies in different sectors. This helps to understand how companies with different understandings and perceptions of the problem and their responsibility can respond to the risk in questions.

- **Textiles and Apparel:** 8 companies, £78billion market cap, 4.6% of the FTSE 100;
- **Seafood:** 4 companies, £31billion market cap, 1.8% of the FTSE 100;
- **Gold:** 13 companies, £343billion market cap, 20.3% of the FTSE 100;
- **Travel and Leisure:** 8 companies, £83billion market cap, 4.9% of the FTSE 100.<sup>13</sup>

Coverage is approximately 30% of the FTSE 100.<sup>14</sup>

### What does good reporting and disclosure with regard to supply chain risks look like?

From our research, it was clear that no industry or sector stood out as a 'best practice' leader, and the efforts of individual companies varied greatly. A small number of companies demonstrated close

attention to human rights issues in their supply chains as part of their overall business practices. These companies included information such as:

- A clear statement acknowledging how the company's supply chain and operations may be affected by forced labour and human trafficking;
- Evidence of Board accountability and a company-wide approach: The use of Key Performance Indicators (KPIs), actions and policies designed to mitigate or remedy transgressions, e.g. thorough codes of conduct, auditing practice, training for staff and worker grievance procedures;
- Evidence of collaboration with other stakeholders who are well-placed to deal with human rights issues and can inform and support companies committed to dealing effectively with the problems;
- Additional voluntary disclosure which evidences a pro-active approach to tackling risks.

### What does poor reporting and disclosure on supply chain risks look like?

- Lack of information: Some companies made no mention of either forced labour or human trafficking as a potential risk nor detailed any actions or measures that would deal with it;
- Reliance on inadequate policies and processes in reporting: many of the companies mention human rights policies and their compliance with these policies, but often only in terms of equal opportunity or freedom of association. There is little disclosure or evaluation of human rights risks in their supply chains;

- Selective reporting: we found examples of businesses reporting on one aspect of their supply chain, whilst remaining silent on other aspects. For instance a company may have paid close attention to just one out of a number of potentially high-risk commodities used to manufacture its products. Such instances show inconsistency and a lack of overall transparency in reporting which makes it difficult to assess the credibility of their disclosure.

### What did we find? A summary of key risks, reporting weaknesses and potential actions

A detailed analysis of key human trafficking and forced labour risks, potential outcomes, reporting weaknesses and possible actions are included in the main body of the report. A summary is provided in Table 1.

The weaknesses that we found in relation to the reporting of human trafficking and forced labour risks included:

- For the companies in the textiles industry, no information was provided on how inclusion of forced labour prohibition within Codes of Conduct is being implemented;
- For companies sourcing seafood there was minimal disclosure of the risks and there was a comprehensive lack of company information on the issues;
- For companies with gold in their supply chain, whilst forced labour was mentioned in company policies, there was no specific mention of human trafficking risks. There was no mention of the risks within gold supply chains in banking sustainability reports;
- For companies in the travel & leisure industry, there was no mention of the risks that staff may not recognise trafficking operations on company premises nor the potential for third party agencies to exploit migrant workers.

We found that risks that are prevalent on an industry-wide level tend to be dealt with in a more transparent way by companies within the industries (though this varies from company to company), with some information given on action that is being taken to address the risk. On the other hand, specific risks which can affect a company, for example a commodity to which the company has exposure, tend not to be addressed clearly within reporting, if at all.

Reasons for this variation may include: a varying sense of responsibility between companies exposed to an industry-wide risk and those exposed to a specific risk that may or may not affect their company; a varying sense of support, knowledge or initiatives available to the different types of risk; a varying sense of materiality of the risk, in terms, for example, of reputational damage, which companies exposed to industry-wide risk feel more acutely.

Our findings highlighted the need for:

- improved sharing of information by companies;
- greater collaboration between stakeholders within sectors and
- improved disclosure of risk mitigation activities by companies.

### Thinking ahead: a sustainable approach

Many companies deal with the issue of human trafficking re-actively, responding to incidents as they occur. By implementing effective policies and management systems and having a pro-active approach to labour exploitation and workers' rights in general, companies will be contributing to supply chain sustainability, mitigating risk and avoiding potential liabilities and reputational damage. Moreover, studies have shown that companies that have 'high sustainability' models reap financial rewards and outperform 'traditional' companies that have little sustainability integrated into their models.<sup>15</sup>

**TABLE 1: Summary of Key Risks, Reporting Weaknesses & Potential Actions by Industry and Commodity** (HT = Human Trafficking, FL = Forced Labour)

Industry/commodity	Risks	Potential Outcomes	Reporting Weaknesses	Highlights	Possible Actions
<b>Textile &amp; Apparel</b> (8 companies)	<ul style="list-style-type: none"> <li>Multi-tiered &amp; fragmented supply chains;</li> <li>Short turn round times for orders;</li> <li>High volume, low margin.</li> </ul>	<ul style="list-style-type: none"> <li>Workers in lower tiers vulnerable to exploitation.</li> </ul>	<ul style="list-style-type: none"> <li>No information on how inclusion of FL prohibition within Codes of Conduct is being implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Sector leaders acknowledge problem of HT &amp; FL and implement good practice throughout company;</li> <li>Vital importance of solid &amp; sustainable relationship with suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Participate in initiatives available to help companies understand &amp; address HT &amp; FL;</li> <li>Find opportunities to learn from sector leaders in 'best practice'.</li> </ul>
<b>Seafood</b> (4 companies)	<ul style="list-style-type: none"> <li>Hazardous &amp; highly competitive;</li> <li>Remote/inaccessible capture/production sites very difficult to monitor.</li> </ul>	<ul style="list-style-type: none"> <li>Susceptible to severe human rights abuses;</li> <li>HT &amp; endemic FL.</li> </ul>	<ul style="list-style-type: none"> <li>No mention of risks in company disclosure &amp; literature;</li> <li>Lack of company information HT &amp; FL issues.</li> </ul>	<p>Need to improve:</p> <ul style="list-style-type: none"> <li>communication of challenges in sector;</li> <li>how companies are addressing challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Improve reporting of risks and how they are being addressed;</li> <li>Collaborate with initiatives that are available &amp; active – Project Issara/ETI/RASS.</li> </ul>
<b>Gold</b> (13 companies)	<ul style="list-style-type: none"> <li>FL a particular problem in informal, small scale/artisanal mining;</li> <li>High risk of 'dirty' gold entering bullion &amp; jewellery supply chains;</li> <li>Social issues in predominantly male mining communities.</li> </ul>	<ul style="list-style-type: none"> <li>Informal nature of artisanal &amp; small scale mining → difficult to control FL;</li> <li>Secondary consequence of male dominated mining communities → sexual exploitation.</li> </ul>	<ul style="list-style-type: none"> <li>FL mentioned in company policies but no specific mention of HT;</li> <li>No mention of gold supply chains in banking sustainability reports.</li> </ul>	<ul style="list-style-type: none"> <li>Companies that use gold or other raw materials and minerals should acknowledge in their reporting the high risk of FL in the extraction &amp; production process.</li> </ul>	<ul style="list-style-type: none"> <li>Participate in initiatives available to help companies understand &amp; address HT &amp; FL;</li> <li>Work with supply chain certifications – RJC, ARM, Fairtrade – are available.</li> </ul>
<b>Travel and Leisure</b> (7 companies)	<ul style="list-style-type: none"> <li>Hotels &amp; airlines frequently used by traffickers to transport &amp; harbour victims;</li> <li>Hospitality sector has high reliance on seasonal &amp; temporary workers.</li> </ul>	<ul style="list-style-type: none"> <li>Staff may not recognise trafficking operations on company premises;</li> <li>Potential for third party agencies to exploit migrant workers.</li> </ul>	<ul style="list-style-type: none"> <li>Most companies are not acknowledging that employees in their own workforce may be vulnerable to workers' rights violations and, at worst, HT.</li> </ul>	<ul style="list-style-type: none"> <li>Majority of companies within this sector are acknowledging HT as high risk to company &amp; of concern to shareholders;</li> <li>Holding company reports unlikely to provide sufficient information for its sub-companies given specific needs of different types of businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Learn about how larger hotel chains &amp; airlines are taking proactive steps to train staff and sometimes clients in identifying signs of HT;</li> <li>Participate in initiatives – ITP, The Code, Staff Wanted – which are available to help companies understand &amp; address HT &amp; FL.</li> </ul>





## RECOMMENDATIONS

Focus areas for investors on corporate governance in relation to human trafficking and forced labour together with corresponding actions by companies are given below:

### Governance

#### Focus areas for Investors

An individual board member is accountable for CSR and Human Rights.

Human Rights issues are included in the development of Standard Operating Procedures (SOPs) and Key Performance Indicators (KPIs).

The company Code of Conduct specifically addresses human rights and provides clear guidance for all employees, suppliers and partners.

The company actively works with suppliers and partners to raise standards of compliance with its CSR and human rights policies.

The performance against the company's CSR and human rights policies is continuously measured and the risk of non-compliance by the company, its suppliers and partners, is reviewed at board level.

The company complies with the disclosure requirements of the Modern Slavery Act 2015 and clearly indicates the risk of human trafficking and forced labour within primary disclosure documents.

There is quantitative and qualitative evidence of staff training and auditing together with their outcomes and impact.

Progress being made through collaborative initiatives is clearly and regularly reported.

There should be active reporting mechanisms to protect workers' rights which are accessible, transparent and fully understood by workers.

### Company Operations

#### Action list for Companies

Appoint a board member accountable for CSR and Human Rights.

Align strategy, KPIs and operational business model to minimize the risk of trafficking and forced labour.

Review current procedures within buying, procurement, human resources and the wider company to identify practices which may inadvertently encourage exploitation.

Ensure that the Code of Conduct and Human Rights Policy specifically addresses human rights and provides clear guidance for all employees, suppliers and partners. Ensure that organisational Codes of Conduct are instituted as standard practice.

Build strong supplier relationships and communicate policies throughout supply chains. Train all suppliers and staff on how to identify and report forced labour and human trafficking.

Identify and map areas within the company's operations and supply chain which have an increased risk of human trafficking and forced labour. Develop and implement an action plan to mitigate these risks.

Adopt a comprehensive reporting framework and encourage a pro-active approach to disclosure.

Cooperate with other stakeholders to manage forced labour and human trafficking risks. Where appropriate, collaborate with other companies, suppliers and the communities from which the company sources.

Effective grievance mechanisms should be in place to protect workers' rights. These should be accessible, transparent and fully understood by all workers. Workers and trade unions should be consulted and supported in right to freedom of association and collective bargaining.

## Suggested questions for investors

At the end of this report, we have made recommendations on questions that can be asked directly of companies by shareholders, pension fund investors or investment managers to ascertain the extent to which companies are addressing issues about forced labour, slavery, human trafficking, and the worst forms of child labour.

There will also be shareholders whose investments in companies are held by others on their behalf. A different set of questions have been prepared to ask of investment managers or pension funds in relation to the companies in which they invest shareholders' money. This will encourage them to do more in this respect.



## Methodology

All information in this report has been prepared using publicly available resources. The process of selection and analysis of companies took the following form:

1. Industries and specific commodities which were considered particularly 'high-risk' from human trafficking and forced labour were selected to illustrate various pertinent issues;
2. FTSE 100 companies operating within these industries or whose supply chains involve inclusion of these commodities were selected and primary and secondary disclosure materials were taken from their websites and analysed;
3. During the review of information and documents, we looked for the following elements:
  - clear reference to human rights, human trafficking and forced labour;
  - indication of human trafficking and forced labour as posing a risk to the company;
  - actions and policies designed to mitigate that risk;
  - collaboration with wider stakeholders who have an interest in the problem; and
  - any indication - through disclosure - that understanding human rights issues is considered an imperative throughout the company.

## Disclaimer

This report was commissioned by the project partners, all of whom reviewed and provided comments on the analysis. The inclusion of company examples of good practice in this publication is intended for learning purposes only, and does not constitute an endorsement or otherwise of the individual companies.

## Legal Framework



### Forced Labour, Human Trafficking and Exploitation: Defining the Terms

#### Human Trafficking

This report defines human trafficking in accordance with Article 3 of the 2000 United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, commonly known as the Palermo Protocol. It contains the first internationally recognized definition of human trafficking:

*“Trafficking in persons” shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs’.*<sup>16</sup>

This can be broken down into three elements:

**‘Activities’:** These include each phase of the trafficking cycle, namely recruitment, transportation, transfer, harbouring or receipt of a person;

**‘Means’:** This can include the threat or use of force, deception, abduction, coercion, fraud, threats, and abuse of power or of a position of vulnerability;

**‘Purpose’:** This is exploitation, including forced labour, slavery and servitude.

This approach and definition has been broadly adopted by the Modern Slavery Act 2015, which defines the offence of human trafficking as the arrangement or facilitation of the travel of another person (adult or child) with a view to exploiting that person, or taking them into a situation of exploitation. This constitutes human trafficking regardless of whether the person consents to the travel or not.<sup>17</sup>

#### Forced Labour

Article 4.2 of the European Convention on Human Rights states that ‘no one shall be required to perform forced or compulsory labour<sup>18</sup> and in prosecutions under this article reference has been made to the International Labour Organization (ILO) Forced Labour Convention 1930 No. 29, definition of forced labour as:

*all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself [sic] voluntarily.*<sup>19</sup>

The indicators of forced labour overlap with those of human trafficking and include restriction of movement, retention of identity documents, debt bondage, abusive working and living conditions and excessive overtime.<sup>20</sup>



## Modern Slavery

Unlike human trafficking and forced labour, the term 'Modern Slavery' has no agreed definition in International Law. It is used in the new UK legislation as an overarching term to bring together various elements of law and define human trafficking, exploitation and forced labour in a single piece of legislation.

A person is deemed to have committed an offence under the Modern Slavery Act 2015 if:

- a) the person holds another person in slavery or servitude (as defined by Article 4 of the Human Rights Convention) and the circumstances are such that the person knows or ought to know that the other person is held in slavery or servitude, or
- b) the person requires another person to perform forced or compulsory labour and the circumstances are such that the person knows or ought to know that the other person is being required to perform forced or compulsory labour. In determining this, regard may be given to the vulnerability of the victim and their circumstances ie are they being exploited?<sup>21</sup>

**It is important for UK companies to note that an offence under this act occurs if a person knows, or ought to know, that they are holding a victim in circumstances that constitute slavery, servitude, forced or compulsory labour, no matter where this occurs globally.**

## Why global supply chains are at risk of human trafficking

Sections within this report focus on human trafficking and forced labour in two representative industries and the supply chains of two 'high-risk' commodities. However, risk factors for human trafficking exist within global supply chains across *all* sectors where often vulnerable people are targeted. Production of goods and services has become increasingly fragmented as a result of globalisation, which increases efficiency and competitiveness for a firm, but also results in a lack of full oversight or control of lead firms themselves over many parts of their supply chains. Forced labour is likely to be most prevalent where sourcing or other processes occur in countries with inadequate regulation or weak enforcement. High-risk industries include those which involve raw materials and employ methods which are arduous and hazardous. Industries which rely upon a low-skilled and temporary workforce with fluctuating seasonal work also carry a higher risk of exploitation, as do those which rely on migrant workers. Industries which are based on competitive pricing are vulnerable to forced labour as pressure on costs down the chain increases chances that forced labour will be used to minimise costs. The more complex the supply chain, the greater the number of contractors, suppliers and subcontracts. Increased use of 'middle-men' significantly increases the risk of exploitative practices such as human trafficking. Conflict zones also provide fertile ground for forced labour and human trafficking.<sup>22</sup>

## Beyond risk management: the benefits of addressing human trafficking and forced labour in supply chains

There are a number of beneficial outcomes for businesses that commit to confronting human trafficking and forced labour risks within their sphere of operations, which include:

- 1 **Reputation and brand value:** Action against trafficking and forced labour can enhance brand value and company reputation amongst key stakeholders: customers, investors, partners, suppliers and employees;
- 2 **Strong investor relations:** Responsible investors will be more supportive if a company is seen to be taking a clear stance on pertinent human rights issues such as human trafficking;
- 3 **Compliance with emerging regulations and obligations:** Companies will be upholding their responsibilities in line with the Modern Slavery Act (MSA) and responsibilities such as those set out within the United Nations Guiding Principles (UNGPs), mitigating possible legal and reputational risks in the future;
- 4 **Engagement with communities can yield great benefits:** Lack of business engagement with communities affected by a company's operations can come at a cost.<sup>23</sup> Dealing with human trafficking and forced labour means working with multiple stakeholders including the community in a way that creates a 'preferred-employer' status. Greater trust creates stability which is a long term investment;
- 5 **Strengthening the company's organization:** Creating a stable, skilled and motivated workforce (as well as supplier base) by addressing human trafficking and labour issues ensures sustainability through strong human capital;
- 6 **Supply chain resilience:** Disruption in the supply chain can delay production or delivery of products, which can derail sales and deflate profit. The company that expertly manages risks in the supply chain will avoid some disruptions all together and can bounce back quickly from others that are inevitable.

## Investor Influence

Interest in responsible business practice is increasing, as are the business benefits for companies who choose to make these practices central to their operations. Investors can play an important role in supporting companies' progress in these areas. Companies which embed human rights in their operations provide higher quality investment opportunities and improved investor returns.

## The United Nations Guiding Principles on Business & Human Rights

### What are the UNGPs?

A global standard of benchmark principles for preventing and addressing adverse human rights impacts that are linked to business activity, which were endorsed by the UN Human Rights Council in 2011. They encompass three pillars of responsibility that should be maintained:

- the state's duty to **protect** human rights by enacting and enforcing policies and interacting with business to address human rights issues;
- the corporate responsibility to **respect** human rights by considering and acting upon both the direct and the broader impacts that companies have on human rights through their own activities;
- access to **remedy** for victims of human rights abuses related to corporate activity.<sup>24</sup>

### What is their significance?

Despite being non-binding, the Principles have become widely accepted and used as a springboard for both domestic law making and guidance setting for best practice regarding the relationship between business and human rights.

### From Principle to Practice: Reporting

The 'UNGP Reporting Framework' is a comprehensive tool which can be used by businesses to produce 'meaningful' reporting on a company's human rights risks and impacts, as well as actions taken to address these risks and the effectiveness of any subsequent communication. The Framework provides a set of 'overarching' and 'supporting' questions 'to which any company should strive to have answers in order to know and show that it is properly meeting its responsibility to respect human rights in practice'.<sup>25</sup>

### How will this help companies address forced labour and human trafficking?

By striving to answer its questions adequately and with meaningful information, companies can assess expectations made of them and how it is they need to respond in terms of policies and action. Proper engagement with the Reporting Framework not only enables businesses to comply with the basic regulations of the UK Companies Act, but also allows them to aim for the best possible mitigation strategies in relation to human rights abuses within their operations, and provides stakeholders with the assurance that this category of risk is being managed effectively.



## GOOD PRACTICE SPOTLIGHT

## Unilever

### Using a comprehensive reporting framework

Unilever has become one of the first companies to produce a 'Human Rights Report' which comprehensively follows the UNGP Reporting Framework. The report outlines what the company believes to be its most salient human rights risks (as well as the process by which it came to that decision), identifies the issues that affect its supply chains, and details what has been done - and what remains to be done - in order to manage those risks. Unilever hopes 'to embed the promotion of human rights into every function, every role and every corner of the organisation'.<sup>28</sup>

In relation to specific risks that are found within operations, Unilever acknowledges that 'efforts to bring sustainable solutions to these issues are work in progress, but we believe sharing information now is the right decision for our business as we learn to exercise transparency in action and engage in open dialogue as essential aspects of finding solutions'.<sup>29</sup> The company has identified the risk of human trafficking and forced labour as high due to the commodities it deals with. The company identifies problems that it has had with migrant workers employed under forced labour conditions, and outlines the steps that are being taken to address the issue. Despite Unilever's important admission that 'there is much more to do',<sup>30</sup> the report has set a new precedent for openness and transparency concerning the practices of such a large corporation.<sup>31</sup>



## The UK National Action Plan

In September 2013, the UK government published its National Action Plan for implementation of the UN Guiding Principles on Human Rights and Business. The Plan 'embodies [the UK's] commitment to protect human rights by helping UK companies understand and manage human rights. It sends a clear message of our expectation about business behaviour, both in the UK and overseas.'<sup>26</sup> This signals an important recognition that government now plays a role in ensuring that businesses respect human rights and take responsibility for them within its operations.

*The UNGP Reporting Framework and guidance can be found at [www.unreporting.org](http://www.unreporting.org).<sup>27</sup>*

*UK National Action Plan: 'Good Business: Implementing the UN Guiding Principles on Business and Human Right' is available at [www.gov.uk](http://www.gov.uk).*

## The Modern Slavery Act 2015 and New Requirements for Disclosure

### What is the Modern Slavery Act?

The Act was passed into Law on 26 March 2015 and is designed to tackle modern slavery in the UK.

### What does it mean for business?

Section 54 focuses on supply chain transparency and holds businesses accountable for their supply chains. Companies are required to report on what they are doing to ensure that their supply chains are free from human trafficking, forced labour, and other forms of human exploitation.

### Which companies will it apply to?

It applies to 'commercial organisations' operating in the UK that are suppliers of goods or services and which have a turnover of more than £36 million. It therefore applies to approximately 12,000 UK firms including all of the FTSE 100 companies.<sup>32</sup>

## What will companies have to do?

Companies will have to produce a 'slavery and human trafficking statement' for each financial year. They will have to disclose steps that they have taken to ensure that their supply chains are slavery free, or a statement disclosing that no such steps have been taken. The statement may include but is not limited to:

- 1 Organisational structure, its business and its supply chains;
- 2 Policies in relation to slavery and human trafficking;
- 3 Due diligence processes in relation to slavery and human trafficking in business and supply chains;
- 4 Identifying parts of the business and supply chain where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- 5 Effectiveness in ensuring that slavery and human trafficking is not taking place in the business or supply chains, measured against such performance indicators as are considered appropriate;
- 6 Training about slavery and human trafficking available to its staff.

The statement will have to be approved by the company's board of directors, signed off by a director (or equivalent) and must be published on the company's website with a link to this statement displayed in a prominent place on the website.

The Modern Slavery Act marks a significant step in the move towards transparency in business and its supply chains. Companies must now be clear about what they are doing in relation to human trafficking in order both to comply with the law, and to hold onto their 'social licence' to operate.

## Additional Requirements

In addition to the Modern Slavery Act, companies continue to have responsibilities under the Companies Act 2006 and EU Directive 2014/95/EU. For more detailed information on the EU Directive and The Companies Act, see **Appendix 2**.





# Industry and Commodity Examples

## Industry and Commodity Examples: Risks, Mitigation, Disclosure and Recommendations

There is a considerable drive to make business more accountable for human rights, whether through legislative or non-legislative measures. There is also increasing awareness of human trafficking as a pressing concern. This report analyses four different illustrative examples, examining - according to their own disclosure - actions that businesses are taking to address the risk of human trafficking, and what more they could be doing in order to address these issues in a more comprehensive and effective way.

### 1 Industry Example: Textiles and Apparel

**Commodity/Product:** Clothing

**FTSE 100 Industry Sectors:** Food & Drug Retailers (for focus on clothing lines), General Retailers, Personal Goods

**No. of companies analysed:** 8

**Market Capitalisation:** £78bn (4.6% of the FTSE 100)<sup>33</sup>

#### Context

Forced labour and 'sweatshop' conditions remain prevalent within the garment industry, and large brands are often linked in media reports to these violations through their supply chains. It is well known that many textile and garment workers are subject to working conditions that violate internationally and nationally approved standards.<sup>34</sup> For example, according to the US State Department, cotton is one of the goods most commonly produced using forced and child labour.<sup>35</sup> In Uzbekistan (the world's fifth largest source of cotton), it is estimated that over one million people - including children sometimes as young as

ten - are forced to help with the harvesting of cotton.<sup>36</sup> The Sumangali Scheme in Tamil Nadu, India (see below) and incidents such as the Rana Plaza disaster in Bangladesh,<sup>37</sup> all attest to the fact that the garment industry has critical work to do in addressing its complicity in these human rights violations which occur at every stage of the process- from picking the cotton to assembling the garments.<sup>38</sup> In addition, the current demands for 'Fast Fashion' have extended the risk of human trafficking and forced labour along the entire length of the supply chain - from cotton harvesting, spinning and dyeing to garment assembly - some parts of which are undertaken in the UK.

The workforce in the textile and apparel industry is highly vulnerable, and is made up primarily of children, adolescents and women, along with a smaller number of men, many of whom are drawn from marginalized rural areas and deprived urban



areas.<sup>39</sup> Apparel manufacturing is a labour-intensive, low capital sector, characterised by low levels of unionisation.<sup>40</sup> It relies on migrant labour, labour outsourcing, and a large amount of subcontracting - characteristics that provide fertile ground for exploitation. Downward pressures on prices and lead times for buyers, as well as contracts which offer little thought to the level of factory capacity required to produce the

volume ordered, put immense pressures on the production factories. As a consequence of this, a country such as Bangladesh has a plethora of 'shadow factories', subject to neither regulation nor oversight.<sup>41</sup> In order to make a profit, corners are often cut on wages and safety. Forced labour in the garment industry is most acute in Argentina, China, India, Jordan, Malaysia and Thailand.<sup>42</sup>

## CASE STUDY

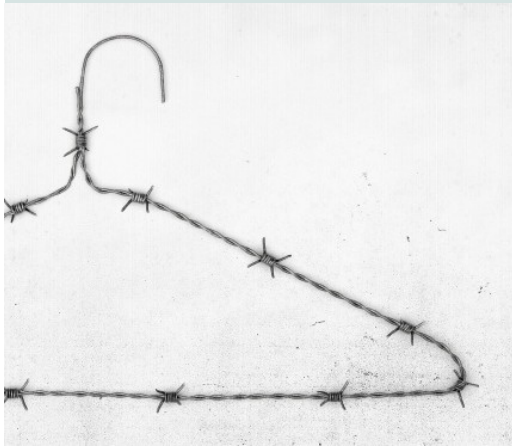
### Trafficking within the spinning and weaving process: The 'Sumangali Scheme'

Tamil Nadu is central to India's garment industry, supplying many global brands and retailers, and is home to some 1,600 mills with a workforce of more than 400,000 - 60% of which comprise of girls and young women.<sup>43</sup> Within Tamil Nadu's 'Sumangali Scheme', young female workers (generally from poor surrounding villages) are employed as 'apprentices' in spinning mills for three years. The promise is made of monthly stipends to their families, good accommodation, and a lump sum at the end of their employment. Research has revealed that although conditions differ from site to site, the overall reality is very different from that promised to the young women. Hazardous working conditions, high wage deductions, compulsory overtime and the absence of written employment contracts are endemic throughout the scheme, amounting to conditions of forced labour.<sup>44</sup> In some factories, workers are expected to work 60 hours per week, are prohibited from leaving the premises in which they stay unless granted permission, and are rarely allowed to contact family. Reports of abuse and harassment, as well as threatened suicides have also been made.<sup>45</sup> The majority of workers who begin work under the scheme are under 18, with reports of some girls as young as 12.<sup>46</sup> Despite many initiatives by global brands over the past few years and increased awareness of the issues, exploitative conditions remain within the spinning industry. The monitoring processes of the buying companies generally do not extend to the early production phases such as spinning, weaving and dyeing. Yarn may be sold to garment manufacturers who themselves export garments from countries such as China and Bangladesh, and clarity about which mills the yarn is sourced from is hampered as, according to a report by Centre for Research on Multinational Corporations (SOMO) 'there is no such thing as supply chain transparency' in this part of the chain.<sup>47</sup> Brands need to make a greater commitment to understanding their supply chain linkages and risks, particularly when suppliers are located in countries such as India, China and Bangladesh. They must also ascertain whether the yarn that is used in the garments they sell comes from a scheme such as Sumangali.

## CASE STUDY

### Exploitation within garment production: 'Fast Fashion'

'Fast fashion' is the term given by retailers to the practice of moving clothing designs from the catwalk to the shop floor, where garments need to be produced quickly and inexpensively. Short fashion seasons mean short turnaround times and an emphasis on quick, labour-intensive work. This work often leads to subcontracting to achieve targets, with subcontracting being one of the main ways in which a supply chain is exposed to informality and exploitation.<sup>48</sup> UK factories are still used by brands to reduce lead times and improve supply chain responsiveness, but research shows that working conditions and labour practices in many of the factories are poor.<sup>49</sup> Excessive working hours, payment below the National Minimum Wage, workers without contracts, and indications that factories are subcontracting



to unregistered firms to meet high volume demands have been reported. Such conditions were discovered within a large UK sourcing hub in Leicester and the East Midlands. Reports put the average wage at £3 per hour for 75-90% jobs in the sector, with workers coming primarily from migrant communities whose lack of language skills and sometimes undocumented residency situations made them vulnerable to unscrupulous agencies and exploitative conditions. Although intimations of possible forced labour are anecdotal, it is clear that working conditions are below statutory minimum standards. Without oversight from a licensing authority such as the Gangmasters Licensing Authority (GLA)<sup>50</sup> within the retail sector, there are areas in which further violations can occur undetected.

#### Forced labour and human trafficking disclosure in clothing companies

Reporting in this sector varies widely. Most companies mention forced labour within separate codes of conduct displayed on their websites, with some including this within primary disclosure. One company - the only one not to have a separate corporate responsibility/sustainability report - mentions only 'child labour' on a small section of its website, with overall detail of any human rights issues being extremely sparse. 'Human trafficking' specifically is alluded to by one company, which prohibits 'illegal employment schemes which could include human trafficking,' and deems labour rights as a 'key potential impact area' in its operations.

#### Initiatives and collaborative schemes signed up to

Half of the companies studied reference the International Labour Organisation, with one being signatory of the UN Global Compact. Five of the companies are either members of the Ethical Trading Initiative (ETI), or state that their Code of Conduct is aligned to it, with two companies being active members, and one classed as a 'leader'. Uzbek cotton is drawn upon as an issue by several companies, with two having signed the Responsible Sourcing Network's Cotton Pledge, which puts pressure on the Uzbekistan government to take action against the endemic forced labour practices that are occurring in the country's cotton industry. One company has joined the Better Work programme for Cambodia - a partnership with the ILO and the International Finance Corporation, which involves stakeholder engagement to improve factories and relationships between workers and employers.

### Action taken to mitigate risk of forced labour and human trafficking by retailers

There is a good focus by some companies on developing solid and sustainable relationships with suppliers, acknowledging this as key to addressing potential human rights abuses in the supply chain. Only two companies state prohibition of unauthorised subcontracting within their operations. Two of the retailers flag the importance of ethical practices within all functions of the organisation, and have teams working closely with the buyers and merchandisers - a crucial way of ensuring that purchasing practices are not contributing to human rights abuses through unrealistic targets and pressures on suppliers. One retailer places primary importance on collaboration with NGOs, trade organisations, suppliers and factories, communities, and even other brands who may be competitors, acknowledging different stakeholder leverage - all necessary to tackle this complex problem. Homeworkers are referred to in the policies of two retailers, with one addressing this risk within its primary disclosure, stating that any homeworkers that are outsourced must be declared to the company with information on whether they are employed by the main factory or by third-party agents. This is so they can be mapped and located in recognition of them also being part of the supply chain.<sup>51</sup> This company has in place a programme, identifying homeworkers as a vulnerable group, and providing them with protections and support.

### Action from supermarkets regarding own brand clothing

Despite there being relatively limited information from supermarkets on how their clothing ranges comply with ethical standards, some initiatives exist. One supermarket now sources cotton for its school uniforms from the Better Cotton Initiative.<sup>52</sup> The clothing line of another supermarket directly addresses labour issues on its own separate website, which includes a video explaining long term relationships that the company has built with factories, and highlights the significant presence of technical and ethical experts within the areas where factories operate. This brand is part of a project called Benefits for Business and Workers, which builds the capability of garment factories to provide higher quality, better paid and safer jobs to workers whilst also improving factory efficiency and productivity.<sup>53</sup> This is also the only company to mention Sumangali. As part of a 'Sumangali Project', two of the supermarket's ethical specialists are based in India to track and monitor Sumangali and other such exploitative practices. This information is not within the main reports of the parent company. The supermarkets have a particular focus on ethical auditing and as such are all members of the Supplier Ethical Data Exchange (Sedex), which provides a sharing platform of audits as well as comprehensive audit guidelines focussed on multiple aspects of labour guidelines. All of the supermarkets are sponsors of Stronger Together – a multi-stakeholder initiative which provides training and guidance on reducing human trafficking and exploitation, with a focus on tackling hidden third party exploitation.



### A focus on the recruitment process

Exploitative and abusive recruitment practices ‘including debt bondage, isolation, surveillance, withholding of money, violence, and of denunciation to authorities’ by unscrupulous agencies is common within labour-intensive industries that rely heavily on migrant labour.<sup>54</sup> These particular agencies will ‘often take advantage of migrant workers’ lack of education, language skills, and information to deceive them and prevent them from leaving their employment.’<sup>55</sup> It is through this coercive or deceptive recruitment that trafficking occurs. The Arcadia Group has developed supplier guidelines which focus on the recruitment practices of suppliers with a specific focus on migrant employment, to cover fully these risks within their policy. The ‘Migrant Workers Guidelines’ provide guidelines for: selection of recruitment agencies; recruitment of workers; the employment contracts and exactly what they should contain; policies during employment and contract completion. If implemented effectively these policies can help mitigate against human trafficking by vetting recruitment agencies and their subcontracts, prohibiting fees from recruitment to transport that could lead to bonded labour (even down to transport costs) and prohibiting recruiting agencies or labour brokers from being involved in the employment contract.<sup>56</sup>

### How companies are doing overall

There exists considerable variation in efforts and transparency within the industry. Some companies are leading, recognising that tackling issues such as forced labour require the efforts of all parts of the company to act together, as well as collaboration with external organisations and even their ‘competitors’ within the field. Many of the schemes and initiatives which are being spoken of address salient issues, though the information is often only found in hard-to-reach areas on different parts of the website, rather than in the primary disclosure reports.

Since the apparel industry has seen the most exposure in relation to its connection with human rights violations, there has been a lot of opportunity for retailers in this sector to collaborate with a variety of stakeholders to seek solutions. Some companies appear to be neither members of organisations nor aligning themselves with ILO conventions. This suggests a lack of collaboration and isolation which is concerning given the importance of a multi-stakeholder approach to tackling forced labour and human trafficking.



## RECOMMENDATIONS

### Garment Retailers

- Cooperation with stakeholders and organisations:** companies need to work with local civil society actors to understand the culture and the risks, especially when operating in complex industries such as the textile industry in India and Bangladesh. Engagement with workers and local communities is essential to knowing how to improve worker conditions in local contexts. Working with NGOs and other collaborative initiatives enables shared knowledge and varied expertise to support companies in combatting this multifaceted issue. Though comprehensive audits are essential, collaborations with NGOs are to be welcomed, and these efforts must be bolstered by strategies that address the fundamental issues that cause exploitation within the factories in the first instance.
- Address business practices more widely: Consider the impact of the company's business model on the level of risk around human trafficking and forced labour. Does it support or mitigate the risk? Develop KPIs that drive a reduction in the risk.** Assess how lead times and order predictability are affecting labour conditions, as well as whether factories or sites used have enough production capacity for the order. Aim for long-term order forecasting and good supplier relationships which reduce volatility and as a result, reduce vulnerability for the workforce. Be aware of the labour supply chain, as well as the product supply chain, and focus on recruitment practices within policy and action.
- Build strong supplier relationships:** relationships with suppliers need to be strong and long term so that trust can be built and there can be collaboration in addressing violations. If inadequate conditions are identified at a site, work must be done with the factory or supplier to work on improvement, rather than pulling out immediately
- Cooperation with other buyers:** working with other brands and buyers to identify common risks and mitigation strategies increases leverage. Joint action between industry leaders is necessary for substantial change.
- Disclosure:** Supermarkets which supply clothing should provide more information regarding these aspects of their business. Where companies 'consult stakeholders', it would be good practice to be transparent about which stakeholders these are, and to be specific about the issues they are working on. Important issues such as how companies are addressing poor working conditions should also be evident in the main Sustainability or Corporate Responsibility reports for ease of access. Some companies only mention forced labour as part of the Code of Conduct, but it is recommended that companies highlight this as a risk within their primary disclosure and outline clearly what they are doing to prevent it, rather than merely stating that it is prohibited. Since the risk of human rights violations is key to this sector, it is recommended that companies develop KPIs around this issue and incorporate these in to their Annual Reports.





## 2 High-risk Commodity: Seafood

**Commodity/Product:** Fish

**FTSE 100 Industry Sectors:** Food & Drug Retailers/  
General Retailers

**No. of companies analysed:** 4

**Market Capitalisation:** £31bn (1.8% of the FTSE 100)<sup>57</sup>

### Context

While the fisheries sector is undoubtedly a force for economic good, providing employment to over 58 million people worldwide,<sup>58</sup> many studies have revealed that human trafficking and forced labour is endemic on board fishing vessels, rafts, fishing platforms, in port, or in fish processing plants.<sup>59</sup> The industry is highly competitive and relies upon low-cost migrant workers that make up the majority of labourers, and abuse of these workers has been well documented. Employment relationships are based on casual agreements, labour brokers, and situations in which workers are highly dependent on their employers.<sup>60</sup> It is common practice for workers to have to surrender their passports and identity documents, and with a lack of training and language skills, poor enforcement standards, an isolated workplace and often treacherous journeys at sea over long periods of time, the result is a vulnerable workforce who are often deceived and coerced on board fishing vessels, finding themselves in situations of debt bondage and persistent threat.<sup>61</sup> Beatings and even loss of life have been known to occur on board the boats: according to the International Labour Organisation, 'Fishing workers are among the most exploited when compared with other migrant sectors [...] Being forced to work is not uncommon on fishing boats.'<sup>62</sup> Forced labour abuses have been particularly well documented in Thailand, Russia, Turkey, South Korea and West Africa, and cases have even been found off the coasts of Ireland and Scotland.<sup>63</sup>

### Trafficked migrants in the Thailand fisheries industry

In 2014 the US State Department's Office to Monitor and Combat Trafficking in Persons downgraded Thailand to Tier 3 in its Trafficking in Persons (TIP) Report.<sup>64</sup> The TIP report stated that the Thai government had demonstrated insufficient efforts to address trafficking, particularly as a result of its systematic failure to 'investigate, prosecute, and convict ship owners and captains for extracting forced labor from migrant workers, or officials who may be complicit in these crimes.'<sup>65</sup>

The Environmental Justice Foundation (EJF) conducted a study confirming the presence of slavery as an 'integral part' of Thailand's export-oriented fisheries sector.<sup>66</sup> Their research emphasizes the continued heavy reliance on trafficked or forced labour in the industry and highlights the fact that this situation has been an area of high concern to governments, international organisations and NGOs for some years. In 2014 The Guardian newspaper published a series of articles focussed on the situation of endemic slave labour in the production of seafood in Thailand. The coverage highlighted the existence of supply chain links to UK supermarkets and confirmed that the supermarket industry as a whole is well aware of this issue and has been for some time.<sup>67</sup> One large American corporation has recently had a lawsuit filed against it for 'making false claims about illegal conduct in [its] supply chain'<sup>68</sup> by purchasing farmed prawns from Thailand under the knowledge that they are produced by people under conditions of slave labour.



### Tackling Trafficking in Thailand: Project Issara

Project Issara is a public-private sector initiative launched in Thailand in 2014 to address human trafficking (with a focus on forced labour) within the country's export industry. This involves on-the-ground research into human trafficking, working with supermarkets to help eliminate it from their supply chains, and providing provision of a victim support fund for those found to have been trafficked into forced labour. A multi-lingual 'migrant hotline' number is in place and 1,578 calls were received in 2014.<sup>69</sup> This intelligence gathering, both through the hotline and from Issara's field research, assists in the identification of vulnerable supply chains and how best to overcome the problem. For participant companies this project theoretically provides greater visibility into their supply chains, a reduction in the risk of trafficking and labour violations (solutions are devised in collaboration with suppliers), and develops a pro-active stance on human trafficking which adds to brand value, with the knowledge that workers have good working conditions. All but one of the FTSE 100 supermarkets have joined Project Issara.

#### Forced labour and human trafficking disclosure of food retailers in the FTSE 100

Research for this report identified four food retailers from the FTSE 100 that source seafood from Thailand. Only one company highlighted Thailand as a 'high-risk area' (though no more detail of the specific risk was given). None of the companies provide a comprehensive list of countries from which they source their seafood, although several of them mention that all of their own-brand products are labelled so consumers can identify the country of origin.

#### Action taken to specifically mitigate forced labour and human trafficking within seafood supply chains

The company that identified Thailand as 'high-risk' stated that it was completing audits in the country using Sedex<sup>70</sup>. All of the food retailers except one are part of a collaborative project designed to investigate and tackle the issue in Thailand (See Good Practice Spotlight below), though this is not mentioned in any disclosure and is only known through knowledge of the project itself.

#### Wider action taken within company practices that will help mitigate risk of exploitation of workers

All of the food retailers seek to strengthen relationships with suppliers. One supermarket details the workshops, conferences and training sessions which are held for suppliers as well as acknowledging the importance of working



with trade unions to improve working conditions. Another supermarket recognises that it is necessary to not only focus on audits but to help suppliers 'deal with volatility and uncertainty'.

#### How companies are doing overall in terms of action and transparency

All of the FTSE 100 food retailers recognise the importance of long-term strong supplier relationships with some explicitly noting how their own practices can influence labour conditions further down the chain. While companies are going into detail about collaboration projects, there is still a lack of detail into specific risks in terms of working practices, laws and human rights issues in various areas in which they have supply chains.

## CASE STUDY

### Slave Fisherman in the Thai Seafood industry

In June 2014 The Guardian reported the story of Myint Thein, a 29 year old Burmese fisherman who was deceived into paying a middleman to smuggle him across the border into Thailand, only to discover he had been sold and enslaved to a boat captain.<sup>71</sup>



Myint Thein has been forced to work 20-hour days for the past two years as a slave and has endured beatings from his Thai captain. He explains ‘when I realised what had happened, I told them I wanted to go back [...] But they wouldn’t let me go. When I tried to escape, they beat me and smashed all my teeth.’

The fishing boat that Myint Thein is crewing on catches inedible and infant species of fish known as “trash fish” that are ground into fishmeal for Thailand’s farmed prawn industry. The supply chain connects the slave labour to the fishmeal that is used to feed prawns that are sold to UK and US retailers, making it likely that Myint Thein’s exploitation results in a product that is purchased by shoppers in the UK.

Many of the slaves like Myint Thein told the Guardian they were being fed only one plate of rice a day, and that those too ill to work were sometimes thrown overboard. Many of these fishing ships stay out at sea for years at a time and trade slaves from one boat to another. The supply chain links these slaves to many international supermarket chains.



## RECOMMENDATIONS

### Food Retailers

**Collaboration:** Retailers in high-risk areas should collaborate as much as possible with organisations which have a focus on researching the pertinent issues, investigating how the issue of forced labour in the fishery sector can be tackled, and with those offering support regarding supply chain management, such as the Ethical Trading Initiative (ETI) and Seafish (Risk Assessment for Sourcing Seafood (RASS))

**Disclosure:** Food retailers should acknowledge the high risk of forced labour and trafficking which is prevalent within the fisheries sector, specifically within high-risk countries. Whilst the majority of supermarkets within the FTSE 100 are taking part in Project Issara, this goes unmentioned in their disclosure documents. It is important for investors to know what progress is being made by supermarkets with regards to this project. In cases where regulation of the industry is problematic, increased disclosure could include company reporting on the extent to which human rights are being protected by their suppliers, and disclosing any steps they have taken to prevent human rights abuses from occurring.





### 3 High-risk Commodity: Gold

**Commodity/Product:** Gold

**FTSE 100 Industry Sectors:** Mining, Banks, Personal Goods

**No. of Companies analysed:** 13

**Market Capitalisation:** £343bn (20.3% of the FTSE 100)<sup>72</sup>

#### Context

It is estimated that over seven million people in construction, manufacturing, mining and utilities industries are currently trapped in situations of forced labour with many cases reported in small-scale mining and in other low-skilled occupations within the mining sector.<sup>73</sup> Profits generated from forced labour used within these sectors collectively reach approximately \$34 billion annually.<sup>74</sup>

The extractive industry is especially susceptible to human trafficking and forced labour as it usually occurs in remote or rural areas in which there is already a considerable degree of vulnerability due to poverty. The industry usually relies on low cost labour, often supplied by migrants who are themselves acquired by labour brokers. Additionally, the creation of male migratory patterns fuels demand for sex workers who are also known to be at risk of being trafficked.<sup>75</sup> Although there is a regulated formal mining sector run by large companies, trafficking risks are high in artisanal and small-scale mines, where a greater degree of informality and weak governmental structures increase the risk of human rights violations.

Gold is known to be one of the goods most heavily reliant upon child and forced labour for its production.<sup>76</sup> According to the International Programme on the

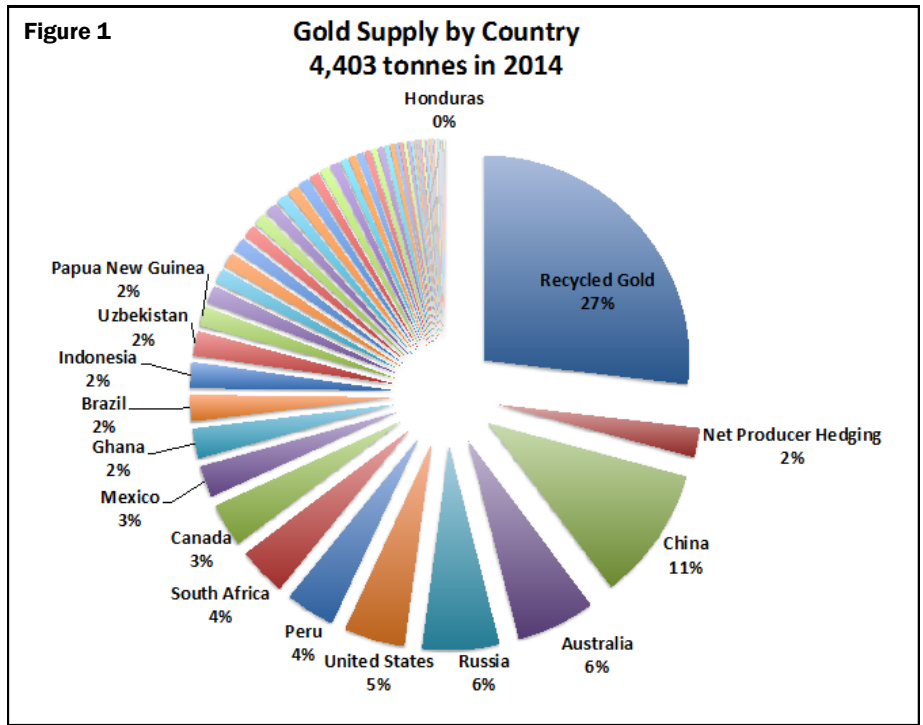
Elimination of Child Labour (IPEC), tens of thousands of children are found in the small scale gold mines of Africa, Asia and South America, with maybe as many as 65,000 children involved in mining in Peru, Bolivia and Ecuador alone, and equally large numbers in countries of western and central Africa.<sup>77</sup> The extraction phase of the mining process is where the worst forms of exploitation can take place and the risk of trafficking is highest. Children are at risk of explosions, rock falls, tunnel collapse, dust and toxic gas, and many children in small-scale or informal mining often do not have the necessary equipment or preparation to ensure a minimum level of safety. Gold miners face the added risk of mercury poisoning as the toxic chemical is used in the extraction phase to separate the gold from the ore. Mining work employing children is generally seen as one of the worst forms of child labour due to its posing a great risk to the health and wellbeing of the child - it falls into the category of that stated in the ILO Convention No.182 as 'work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.'<sup>78</sup>

There is a risk that gold from artisanal mines or from illegal mines can be laundered and mixed with gold from legal, well-run sources before being exported, potentially linking it to the supply chains of many large companies. In 2014 world gold supplies totalled approximately 4,400 tonnes (Figure 1).<sup>79</sup>

Countries in South America make a significant contribution to world gold supplies. Research into the production of gold in countries in South America, however, shows that the proportion of illegally mined gold out of total gold production is high:

Country	Percentage of gold coming from illegal mines <sup>80</sup>
Colombia	87%
Bolivia	40%
Brazil	30%

Peru is the largest producer of gold in South America, and the fifth largest producer in the world, yet it is estimated that 20% of its 171 tonnes of gold production comes from illegal mines.<sup>81</sup>



Data source: World Gold Council



**GOOD PRACTICE SPOTLIGHT**

**Anglo American**

**Collaboration and embedded Human Rights approach**

Anglo American aims to 'embed [its Human Rights] Policy into [its] corporate culture and practices',<sup>82</sup> with accountability of this policy lying with the Group Chief Executive. The company works with Shift - an independent non-profit centre of expertise on the UN Guiding Principles on Business and Human Rights - which provides tailored advice and workshops to a small number of dedicated companies in its Business Learning Program, advising them on the effective implementation of the UNGPs. Other collaborations with Anglo American include: the International Council on Mining & Metals, which improves sustainable development performance in the mining and metals industry; Business Action for Africa- a network of businesses that focus on good practice on the African continent which supports communities; and The Danish Institute of Human Rights.

The company uses its Socio-Economic Assessment Toolbox (SEAT) to identify and manage the impacts of its operations with a focus on host and associated communities. It considers human rights within all aspects of its business operations from procurement and contracts- which are considered and inspected for risks before being signed off - to continuously monitoring contractor performance and providing awareness-raising and training to contractors and workers alike.

The company clearly states its commitment to transparency in business practice and supports this by fulfilling an annual Communication on Progress (COP) for the United Nations Global Compact, in which it has now reached Advanced Level – signifying that it goes beyond minimum requirements and includes information on the company's implementation of advanced criteria and best practices. It also reports to the Voluntary Principles on Security and Human Rights (VPSHR), which are human rights guidelines designed specifically for the extractive sector.



## Trafficked workers in gold mines in Peru

Despite some efforts made by the Peruvian government in recent years to eliminate trafficking, Peru remains a 'source, destination and transit country for men, women and children subjected to forced labour and sex trafficking.'<sup>83</sup> An in-depth study of human trafficking and forced labour risks in illegal gold mining in Peru was undertaken by Verité, culminating in the publication in 2013 of a report detailing the different kinds of human trafficking that can occur in and around illegal mining sites in Peru. Much of the trafficking is for male child labour, with many underage males being trafficked to mining sites from other regions of Peru. Many Peruvians working in artisanal gold mines experience restricted movement, debt bondage, withholding of wages, deceptive recruitment and threats – all of which amount to forced labour.<sup>84</sup> Women and underage girls are being trafficked and forced into prostitution at brothels in and around the mining camps, and much of the female trafficking trade is carried out by informal or family networks. Other women working at mining sites, such as cooks, are also vulnerable to sexual exploitation.<sup>85</sup> According to the 2015 Trafficking in Persons Report, women and girls who are taken to mining sites even if by choice often remain indebted due to high transportation costs and are trapped in the remote mining sites.<sup>86</sup>

## Merging of legally and illegally mined gold in the supply chain

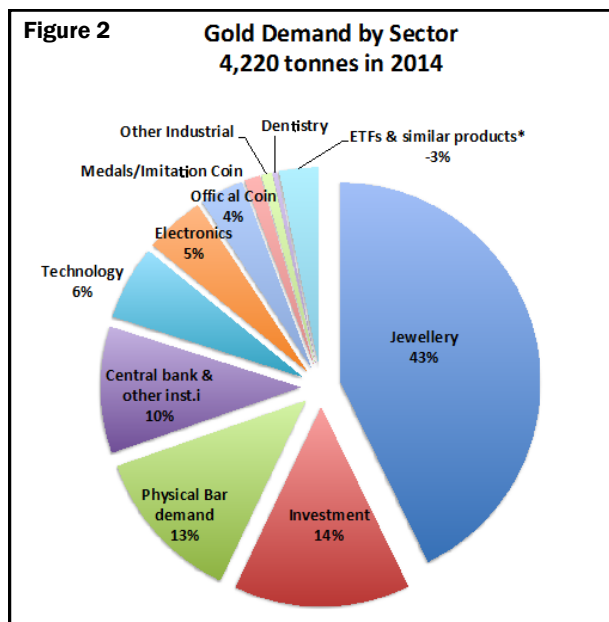
Despite extensive research showing that exploitation appears rife in the mines of Peru, the issue is 'to a large extent ignored by the major international companies using [gold] to make and sell jewellery worldwide.'<sup>87</sup> After the gold has been mined it can only legally be sold if an official receipt is shown – something that only the formal mines can provide. For this reason fake receipts are often made instead and sold for a profit.<sup>88</sup>

## Types of companies whose supply chains could be affected

There is no suggestion that large formal mining companies in Peru are knowingly using trafficked labourers. However, there will always be the risk that when a large company closes a mine, the newly unemployed miners may end up being trafficked to work in illegal mines. There is also the indirect involvement of miners from the formal mining sector contributing to the demand for prostitution in nearby areas, which increases the likelihood of women and girls being trafficked.

In 2014, 43% of gold was used in jewellery (See Figure 2), with a combined demand from various forms of investment of 37%.<sup>89</sup> Electronics and technology were the third biggest

sector consuming 11% of global gold supply. Verité's study states that 'as of 2000 approximately 20-25% of the world's gold was held as bullion by central banks, which held about 30,000 tons of bullion.'<sup>90</sup>



Data source: World Gold Council

## Human Rights and/or trafficking-related disclosure in the mining companies

Three of the mining companies mentioned the International Labour Organisation (ILO), and four stated that they are signatories of the United Nations Global Compact. There were several mentions of links with regional NGOs for community-based projects but none specifically tackling human trafficking or forced labour in mining regions. None of the mining companies specifically used the word 'trafficking' in their reports but all seven companies mentioned their commitment to monitoring for forced, bonded and child labour. One gold mining company stated that the issue of artisanal mining is one of its most challenging areas of sustainability and reported that it had an approach to managing the issue of illegal mining that sought to encourage individuals into alternative forms of work. Another gold mining company reported that it runs projects to help find alternative livelihoods for illegal miners, although the project it mentions is in Mali rather than Peru. Another mining company stated that it is a founder member of the Responsible Jewellery Council (RJC), and that the Council's certification process aims to ensure that jewellery products have been sourced ethically.

## Human Rights and/or trafficking-related disclosure in the banking companies

Of the five banks researched, none mentioned the gold supply chain in their annual reports or sustainability reports. A search through their websites for information about the risk of gold that is implicated in human trafficking making its way into their supply chain uncovered one bank that had produced a 'Mining and Metal Positioning Statement.' This statement contains a policy stating that the bank assesses client capability to manage risks in mining operations that could have potentially adverse environmental and social impacts. It also states that, where applicable, they also try to follow industry

best practice related to mining, mentioning, among others, The Responsible Jewellery Council and the International Council on Mining and Metals.

## Human Rights and/or trafficking-related disclosure in the luxury fashion company

One luxury fashion brand was identified in the FTSE 100 that was retailing designer gold watches. The company has extensive and commendable policies to address supply chain risks in cotton, leather and PVC, however they do not mention gold, or state where the gold used in their watches is sourced from, anywhere in their reporting.



### GOOD PRACTICE SPOTLIGHT

### Tiffany & Co.

#### Material Traceability

Luxury jewellery retailer Tiffany & Co. places great emphasis on the sourcing of raw materials in both its business and its reporting. The company is a founding member of the Initiative for Responsible Mining Assurance, which is working on a third-party multi-stakeholder certification-based standard for mines. The Tiffany & Co. Foundation also provides strategic grants to develop appropriate standards for artisanal mines.

The company details the risk posed by 'conflict diamonds' in which diamonds are mined with proceeds used to finance conflict and war, which involve human rights abuses and exploitation. In 2014 the company claimed to have received 100% of its rough diamonds either directly from a known mine or from a supplier with multiple known mines. The company cuts and polishes the diamonds in-house, mostly in the location from which they are sourced, with strict policies on fair wages for employees and a focus on developing a skilled workforce with sustainable incomes which benefit the community as a whole.

Although Tiffany & Co. sources its metals directly from the United States in order to minimise risks in the supply chain, it is looking to work with responsibly-managed artisanal mines.

In 2014 Tiffany & Co. traced 99% of raw precious metals procured by its manufacturing facilities either directly to a mine or recycler, identifying the specific mines from which its silver, gold and platinum were sourced. 63% of its raw metals directly purchased were traceable to the mine, 36% recycled, and 1% only traceable to supplier. The company is transparent about the difficulty of tracing other materials such as gemstones, due to severe supply chain fragmentation, but states its intention to work with partners to improve this.

Whilst Tiffany & Co.'s corporate responsibility focus appears to be strongest on the environmental impact of extraction, the transparency of the company in regards to the mines it sources from, as well as the continued efforts made towards supply chain transparency, exemplifies good practice for companies who want to address the human rights violations with which they could be connected through their use of raw materials.<sup>91</sup>



## RECOMMENDATIONS

### Gold

- **Follow Corporate Social Responsibility Initiatives** – these include the London Bullion Market Association’s (LBMA) ‘Responsible Gold Guidance Program’ No Dirty Gold’s ‘Golden Rules’ pledge, the Responsible Jewelry Council’s (RJC) Chain of Custody (CoC) Certification for precious metals, and the Alliance for Responsible Mining’s (ARM) ‘Standard Zero’;
- **Change purchasing percentages** – increase the total amount of gold purchased from Fairtrade or Fairly-mined gold sources;
- **Change suppliers** - avoid intermediaries and source gold straight from mines with clearly demonstrable compliance with labour laws, or source gold directly from refineries with CSR programs that track where their gold comes from to ensure workers’ rights;
- **Closely monitor supply chains** - make sure that illegally produced gold does not make it into the supply chain by: implementing tracking systems; establishing clear standards related to illegally produced gold in the company’s supply chain; carrying out risk assessments according to the gold-producing country or region; conducting regular audits to determine the risk of sourcing gold from a variety of different suppliers.
- **Disclosure** - companies that use gold or other raw metals and minerals should acknowledge in their reporting the high risk of forced labour associated in their extraction and production.



## 4 Industry Example: Travel and Leisure

**Services:** Hotels, aeroplanes, cruise ships  
**FTSE 100 Industry Sectors:** Travel & Leisure  
**No. of Companies analysed:** 7  
**Market Capitalisation:** £83bn (4.9% of the FTSE 100)<sup>92</sup>

### Context

Travel and leisure is one of the world's largest economic industries, supporting 277 million jobs worldwide and contributing \$2.4 trillion to world GDP and employment.<sup>93</sup> Whilst the hotel industry has not found itself in the spotlight for forced labour and human trafficking to the same extent as some other sectors, there are ways in which it can be heavily implicated. Sex trafficking is an extremely hidden crime, making numbers hard to come by, but with estimated figures thought to be similar to those of forced labour victims trafficked worldwide, there is no doubt that hotels and airlines are being used to facilitate this transnational crime.<sup>94</sup> Moreover, it is thought that there is a significant increase in trafficking for sexual exploitation and labour exploitation during large sporting events, such as the Olympics and World Cup.<sup>95</sup> The huge influx of tourists increases demand for sexual services, as well as a large and sudden spike in the need for accommodation and staffing, resulting in a workforce made up of agency staff and temporary employees, increasing use of possible unscrupulous labour providers.<sup>96</sup> The travel and leisure industry is the best positioned to spot trafficking, should it deem it in its interests to do so.

The hospitality industry in the UK employs over 2.44 million people, and over 1.2 million are indirectly employed.<sup>97</sup> The sector relies significantly on temporary workers, particularly in the areas that experience high peaks in seasonal tourism, to allow for worker flexibility. The majority of work is now done through agency labour, rather than directly employed staff. The hotel

and hospitality sector employs a large number of regular and irregular migrants, as well as seasonal and temporary agency staff.<sup>98</sup> A report from the Migration Association Committee expressed strong concerns that 'serious exploitation' is occurring within the UK industry due to the combination of reliance on these workers, and the lack of a unified enforcement body such as the Gangmasters Licensing Authority (which regulates labour providers for the agricultural and food sectors).<sup>99</sup> Indeed many studies in recent years have investigated the link between migrant workers, vulnerability to excessive hours, compulsory overtime, extreme debt bondage and control of documentation.<sup>100</sup>

### Forced labour and human trafficking related disclosure in tourism companies

FTSE 100 hotel companies make basic statements that their policies prohibit the use of forced or compulsory labour, with two mentioning human trafficking specifically within primary disclosure. In a materiality assessment (or 'key issues matrix') of stakeholder issues, one hotel group has plotted human trafficking in the 'high business impact/medium stakeholder impact' box. Similarly, one cruise company has produced a matrix which displays human rights issues in relation to the level of concern they raise for shareholders as well as the risk they pose for the company in terms of current or potential impact. Forced and compulsory labour, as well as freedom of association are plotted as 'high concern, high risk' issues. This group has a specific paragraph dedicated to 'Child Labour and Human Trafficking'. Another group which owns a chain of hotels makes no mention of specific issues of forced labour and only states that staff are trained regularly in human rights policies.



### Collaboration and Engagement

The Code: 'The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism'

The Code is 'an industry-driven responsible tourism initiative with a mission to provide awareness, tools and support to the tourism industry in order to prevent the sexual exploitation of children.'<sup>101</sup>

Companies which sign up to the initiative commit to taking six steps to prevent child sex tourism: Establish procedures and policies; train employees; include a clause in contracts stating zero tolerance policy; provide information to travellers; support, collaborate with and engage stakeholders; report annually on the implementation.



The TUI Group were given 'Top Member' status in 2014, having engaged with the Code in its protection of children in tourism with policies, processes and training. In order to raise the awareness of employees, an e-learning tool was developed by ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) with the support of TUI. Tour representatives, retail shop staff and employees of the tour operator TUI Deutschland were actively encouraged to take part in the e-learning programme. Apart from advertisements in TUI brochures and booking documents and an information sheet in hotel folders, the video *Don't look away* was shown on TUI's in-flight programme, and the flyer 'Small souls, big risks' was published in 2011. The brochure was presented and distributed to TUI customers in many destinations including Thailand, Sri Lanka and Kenya during the information event. In autumn 2010, a new contact point had already been established at the Federal Bureau of Criminal Investigation – actively communicated by TUI – to offer guests, employees and the public the opportunity to report suspect situations and encounters.

#### Action taken to address issues of forced labour and human trafficking within hotels

The industry has stepped up its focus on human trafficking in recent years, evidenced by the emergence of coordinated initiatives.<sup>102</sup> One group reports its participation in the International Tourism Partnership's Human Trafficking Working Group and is signatory to the joint statement created by the group. The company has recently implemented a 'global standard' in which all individual hotels have adopted and displayed a Human Rights Policy

at property level. One company has a Compliance Management System, ensuring a robust monitoring of compliance throughout its supply chain, and is a member of the United Nations World Tourism Organization Global Code of Ethics. Others have focussed on their own reporting, with one company's report complying with the Global Reporting Initiative.



### Action taken to address issues of forced labour and human trafficking within airline/cruise industry

All of the four airlines included in the FTSE 100 (three of which are owned by one holding company) mentioned the use of ILO standards as a basis for their own human rights standards. Two of the airlines identified human trafficking specifically and stated collaboration with law enforcement on the issue. One in particular has provided guidance to flight and cabin crew to support UK Border Agency initiatives and claims that 'awareness of [human trafficking] is now part of normal cabin crew training'. One large company, however, puts emphasis on ethical practice within global supply chains and works closely with Sedex to ensure responsible sourcing practices. This company has acknowledged a specific number of suppliers of customer

or company products that are manufactured in higher risk locations with a higher dependency on insecure labour and is working on a joint project with Sedex to identify increased levels of supply chain risk. Another company is deemed 'fully compliant' with the Maritime Labor Convention which sets standards on conditions of employment and social security protection. Three of the companies report in line with the Global Reporting Initiative.<sup>103</sup>

### How are companies doing overall?

Hotels and airline groups are providing statements affirming their intolerance of forced labour, but generally are as yet not acknowledging the high risk of trafficking occurring within their facilities. Recognition by the hotel sector as having a high-risk workforce due to use of temporary agency staff is not articulated within reporting.



## GOOD PRACTICE SPOTLIGHT

## Carlson Rezidor Hotel Group

### Engagement

In terms of combatting human trafficking within the hotel industry, the Carlson Rezidor Hotel Group is a leader in the field. In 2013 it became the first company to receive the Presidential Award for Extraordinary Efforts to Combat Trafficking in Persons. Carlson joined 'End Child Prostitution, Child Pornography, and Trafficking of Children for Sexual Purposes' (ECPAT) in 2004 and was the first global hotel company to sign the ECPAT Code of Conduct. A founding member of the 'Global Business Coalition Against Trafficking' (gBAT), Carlson provides extensive training and training-of-trainers in this area, the delivery of which is mandatory in all of its hotels worldwide. Carlson is aware that large events such as the Olympics, the Super Bowl, or World Cup bring an increased risk of human trafficking. Consequently, it proactively reaches out to its hotels in close proximity to such events to ensure hotel employee training is up to date and asks that refresher courses be offered prior to events. Carlson has worked with the U.S. Department of Transportation, the International Tourism Partnership, and many others to put an end to human trafficking. The American Bar Association (ABA) consulted with Carlson and in February 2014 passed a resolution adopting the ABA Model Business and Supplier Policies on Labor Trafficking and Child Labor. Carlson's global anti-trafficking efforts were recently highlighted by the U.S. Global Leadership Council's 'Innovations in Smart Power' report as an example of how the private sector and civil society can partner with government and NGOs to help advance the global good.<sup>104</sup>

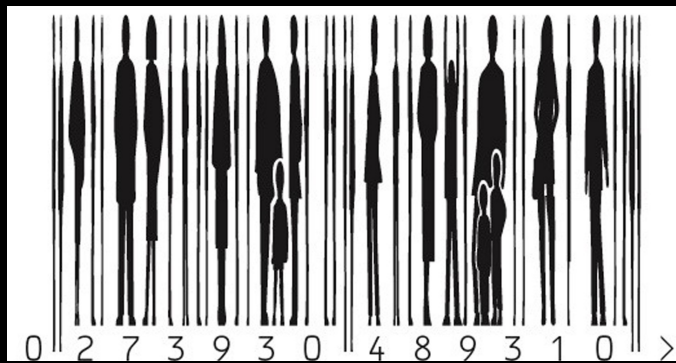


## RECOMMENDATIONS

### Travel and Leisure

- **Staff engagement:** Engage staff in issues related to human trafficking and provide training in recognition and strategies for response to suspected cases;
- **Identify risk:** Hotels should identify, understand and respond to elements of their operations which carry a high risk of human trafficking, eg. Use of migrant and temporary labour; risk of operating in an area with a large amount of sex tourism;
- **Collaboration:** Companies should join initiatives that focus on combatting human trafficking in the travel sector, such as the International Tourism Partnership, The Code, the Staff Wanted Initiative and the Institute of Hotel Security Management;<sup>105</sup>
- **Disclosure:** A materiality index which plots human trafficking and forced labour, specifically in terms of stakeholder issue and business impact, is a good step in measuring its importance on the list of corporate social responsibility issues that need to be tackled. Specific details about how staff are being trained in the recognition and mitigation of forced labour and human trafficking, as well as details of checks on recruitment agencies are all necessary. Hotels and airlines must acknowledge the risk of their facilities being used for the purposes of human trafficking and accordingly offer training to all staff on how to recognise and respond to the issue. A description of procedures for how human rights commitments are being upheld is necessary for transparency, as are details of preventative measures and responses. Where a holding company owns several hotel chains or airlines, it is good practice to have an overarching policy addressing risks across all of the sub-businesses, whilst each individual company has their own method to address the risks that are pertinent to them. Contrarily, it is *not* sufficient for a holding company simply to provide a blanket report for its sub-companies, given the complexities and specific needs of different types of businesses.

**PEOPLE SHOULDN'T  
BE BOUGHT AND SOLD.**



**TABLE 2: Summary of Risks, Reporting Weaknesses & Potential Actions by Industry and Commodity** (HT = Human Trafficking, FL = Forced Labour)

Industry/commodity	Risks	Outcomes	Reporting Weaknesses	Highlights	Actions
<b>Textile &amp; Apparel</b> (8 companies)	<ul style="list-style-type: none"> <li>• Poor regulation &amp; oversight in multi-tiered &amp; fragmented supply chains.</li> <li>• Human rights violations from cotton picking to garment assembly.</li> <li>• Short turn around times for orders.</li> <li>• High volume, low margin.</li> </ul>	<ul style="list-style-type: none"> <li>• Workers in lower tiers vulnerable to exploitation.</li> <li>• Some brands have poor understanding of supply chain linkages and risks.</li> </ul>	<ul style="list-style-type: none"> <li>• No information on how inclusion of FL prohibition within Codes of Conduct is being implemented.</li> <li>• Information often only found in hard-to-reach areas of website rather than in primary disclosure reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Sector leaders acknowledge problem of HT &amp; FL and implement good practice throughout company.</li> <li>• Vital importance of solid &amp; sustainable relationship with suppliers.</li> <li>• Some companies make no disclosure of stakeholder initiatives nor alignment with ILO conventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess how lead times and unpredictability of ordering impact on factory capacity &amp; labour conditions.</li> <li>• Clearly communicate risks &amp; steps being taken to reduce risks in primary disclosure.</li> <li>• Range of initiatives are available to help companies understand &amp; address HT &amp; FL.</li> <li>• Take opportunities to learn from sector leaders in 'best practice'.</li> </ul>
<b>Seafood</b> (4 companies)	<ul style="list-style-type: none"> <li>• Hazardous &amp; highly competitive.</li> <li>• Remote/inaccessible capture/production sites very difficult to monitor.</li> <li>• Employment relationships (often based on casual agreements, labour brokers &amp; high levels of dependency of employees on employers).</li> </ul>	<ul style="list-style-type: none"> <li>• Poor enforcement of labour rights &amp; standards.</li> <li>• Deception, coercion and debt bondage of vulnerable workers.</li> <li>• Susceptibility to wide range of severe human rights abuses.</li> <li>• HT &amp; endemic FL.</li> </ul>	<ul style="list-style-type: none"> <li>• No mention of risks in company disclosure documents &amp; supporting literature.</li> <li>• No mention of companies participating with initiatives in disclosure documents.</li> <li>• Investors &amp; others lacking company information.</li> </ul>	<p>Need to significantly improve:</p> <ul style="list-style-type: none"> <li>• communication of risks and challenges in sector.</li> <li>• how companies are addressing challenges.</li> <li>• overall availability of information.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve reporting of risks and how they are being addressed.</li> <li>• Participate in collaborative initiatives such as Project Issara/ETI/RASS.</li> </ul>

**TABLE 2 (cont'd): Summary of Risks, Reporting Weaknesses & Potential Actions by Industry and Commodity** (HT = Human Trafficking, FL = Forced Labour)

Industry/commodity	Risks	Outcomes	Reporting Weaknesses	Highlights	Actions
<b>Gold</b> (13 companies)	<ul style="list-style-type: none"> <li>Primary production in remote and rural areas.</li> <li>FL/child labour particular problems in informal, small scale/artisanal mining.</li> <li>High risk of 'dirty' gold entering bullion &amp; jewellery supply chains.</li> <li>Social issues in predominantly male mining communities.</li> </ul>	<ul style="list-style-type: none"> <li>Informal nature of artisanal &amp; small scale mining → difficult to control FL.</li> <li>Health &amp; wellbeing of many thousands of children compromised by mining processes.</li> <li>Secondary consequence of male dominated mining communities → trafficking of women → sexual exploitation.</li> <li>Female trafficking often through informal and family networks.</li> </ul>	<ul style="list-style-type: none"> <li>FL mentioned in company policies but no specific mention of HT.</li> <li>No mention of gold supply chains in banking sustainability reports.</li> </ul>	<ul style="list-style-type: none"> <li>All seven companies stated their commitment to monitoring for forced, bonded and child labour.</li> <li>Companies that use gold or other raw materials and minerals should acknowledge in their reporting the high risk of FL in the extraction &amp; production process.</li> </ul>	<ul style="list-style-type: none"> <li>Range of initiatives are available to help companies understand &amp; address HT &amp; FL. Eg. London Bullion Market Association's (LBMA) 'Responsible Gold Guidance Programme'.</li> <li>Supply chain certifications – Responsible Jewellery Council (RJC), Alliance for Responsible Mining (ARM), Fairtrade Gold and Precious Metals – are available.</li> </ul>
<b>Travel and Leisure</b> (7 companies)	<ul style="list-style-type: none"> <li>Hotels &amp; airlines frequently used by traffickers to transport &amp; harbour victims.</li> <li>Hospitality sector has high reliance on seasonal &amp; temporary workers.</li> <li>Increased risks when operating in areas where sex tourism is prevalent.</li> <li>Lack of unified enforcement body.</li> </ul>	<ul style="list-style-type: none"> <li>Staff may not recognise trafficking operations on company premises.</li> <li>Potential for third party agencies to exploit migrant workers.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting is very mixed.</li> <li>Some companies are acknowledging HT as high risk to company &amp; of concern to shareholders.</li> <li>Most companies are not acknowledging that employees in their own workforce may be vulnerable to workers' rights violations and, at worst, HT.</li> </ul>	<ul style="list-style-type: none"> <li>Holding company report unlikely to provide sufficient 'sub-company' information to provide insight into specific needs of different types of businesses.</li> <li>No mention of higher risks due to use of temporary agency staff.</li> </ul>	<ul style="list-style-type: none"> <li>Follow industry leaders - take proactive steps to train staff and sometimes clients in identifying signs of HT.</li> <li>Take opportunities to learn from sector leaders in 'best practice' on reporting eg. materiality index.</li> <li>Initiatives – International Tourism Partnership (ITP), The Code, Staff Wanted, Global Reporting Initiative - are available to help companies understand, address &amp; report on HT &amp; FL.</li> </ul>



# Recommendations

## Best Practice for Company Governance

The guide below provides a:

- a) **best practice framework for implementation within governance structure;**
- b) **suggested areas of scrutiny for investors.**

- An individual board member has responsibility for Corporate Social Responsibility (CSR) - including the approach to Human Rights taken by the company and its suppliers and partners;

- Human Rights issues are included in the development of Standard Operating Procedures (SOPs), policies and practices and the setting of the company's Key Performance Indicators (KPIs) to ensure that the KPIs do not inadvertently encourage or support potential human rights abuses.

*e.g. The supply chain function is incentivised to qualify reputable manufactures for inclusion on the Approved Vendor List (AVL) whilst the KPIs of the procurement function may incentivise orders to be placed with approved vendors on the basis of unreasonable price, volume or schedule requirements compared with norms. This may encourage vendors to use low paid workers, excessive hours or illegal subcontracting.*

- The company's Code of Conduct specifically addresses human rights and provides clear guidance for all employees, suppliers and partners to abide by. Policies should specifically address:

- ◇ forced labour;
- ◇ working conditions, hours and pay;
- ◇ recruitment practices and
- ◇ rights of association.

The company should ensure the above principles are effectively cascaded through its entire supply chain;

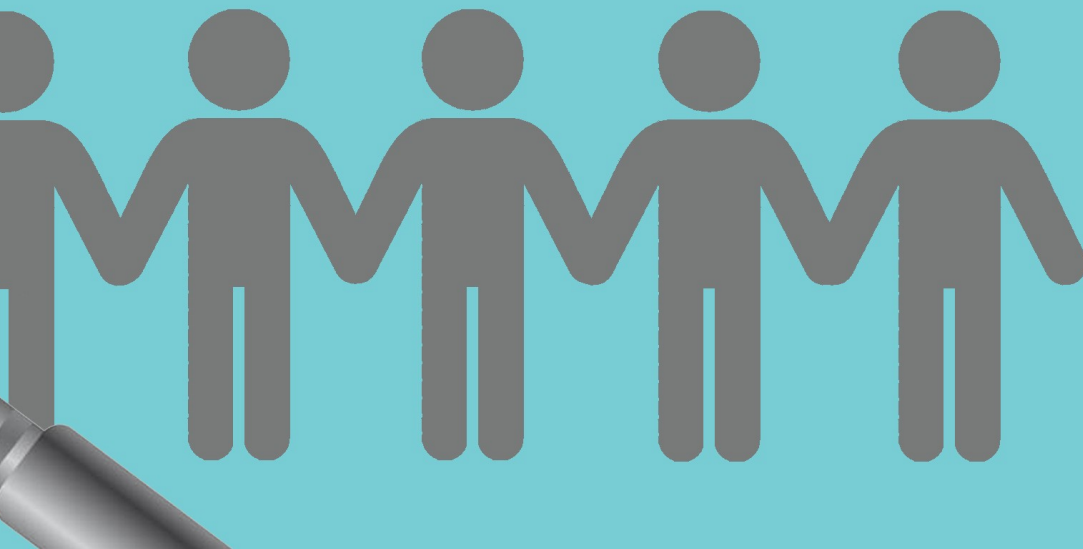
- The company actively works with suppliers and partners to raise standards of compliance with its CSR and human rights policies through:

- ◇ auditing;
- ◇ training and
- ◇ aligned purchasing and operating practices.

Their approach in this area is clearly articulated and disclosed in a centralised way within primary disclosure - preferably its Annual Report;

- All employees, suppliers and partners are provided with training to ensure they possess a high level of awareness, knowledge and engagement with human rights issues. There are active reporting mechanisms to protect workers' rights which are accessible, transparent and fully understood by workers;
- Performance against the company's CSR and human rights policies is continuously measured and the risk of non-compliance by the company, its suppliers and partners, is regularly reviewed at board level, with policies updated based on these reviews. Performance and non-compliance risks are also incorporated into the company's KPIs and reported in the Annual Report and the CSR Report;
- The company complies with the disclosure requirements of the Modern Slavery Act 2015 and clearly indicates the risk of human trafficking and forced labour within primary disclosure documents. There is quantitative evidence of staff training and auditing together with their outcomes and impact. The company pays particular attention to known areas of vulnerability within its operations as highlighted within this report;
- The company provides evidence that the adoption of best practice permeates the whole of the supply chain, not just its top tiers;
- Progress being made through collaborative initiatives is clearly and regularly reported.





## Best Practice for Company Operations

**The following suggestions function as guidelines for the implementation of operational best practice to mitigate the risk of human trafficking and forced labour within a company's operations.**

### Appoint board member responsible for Corporate Social Responsibility (CSR)

Boards are accumulating legal responsibility for an increasingly large range of CSR related issues including health and safety, environmental, anti-money laundering, anti-bribery and from October 2015 - through the enactment of the Modern Slavery Act - human trafficking. Addressing these wide ranging risks effectively requires an organisational response. Leading companies achieve this by creating accountability and transparency at board level.

### Align strategy, business model and KPIs

The strategy, structure and operations of the business should minimise the risk of trafficking and forced labour. There should be consistency of approach and performance measurement across all functions and aspects of the business, including:

- structure of the supply chain; quality and location of suppliers; approaches to auditing; training and reporting;
- procurement practices; contract terms and performance measurement; subcontracted scopes of work. The pricing, quality and lead times all need to support the supply chain strategy;
- human resources practice and the use of contract labour or agencies need to be consistent.

### Specifically address human rights within the company's Code of Conduct

and provide clear guidance for all employees, suppliers and partners and, where appropriate, include it in contracts. Policies should specifically address:

- forced labour;
- working conditions, hours and pay;
- recruitment practices and
- rights of association.



### Build strong supplier relationships

and communicate policies throughout supply chains. Train all suppliers and staff on how to identify and report forced labour and human trafficking.

### Map human trafficking and forced labour risks

within the company's operations and supply chains. Develop and implement an action plan to monitor and mitigate these risks.

### Adopt a comprehensive reporting framework

for example, the UNGP Reporting Framework or the Global Reporting Initiative and follow a pro-active approach to disclosure to meet, or ideally exceed, the requirements on the Modern Slavery Act.

*Through solid and detailed standards, a good framework will enable stakeholders - and indeed the company itself - to check the company's performance against the measurements set out. This in itself will provide a guide for the company as to what specifically they should be scrutinising in order to mitigate human trafficking and forced labour risks.*

### Cooperate with other stakeholders

to help understand and manage forced labour and human trafficking risks. Where appropriate, collaborate with other companies, suppliers and the communities from which the company sources. Engagement with workers and local community is essential to knowing how to improve worker conditions in local contexts. Companies should also work within the local communities to raise awareness of trafficking and forced labour.

### Protect worker rights

There should be adequate grievance mechanisms which are accessible, transparent and fully understood by workers. Representative worker interviews should be undertaken, the outcomes of which should be used as a basis for continuous improvement. The company should understand how the governance of countries in which they are operating may impede the human rights to freedom of association and collective bargaining. Policies should be developed to ensure that all factories involved in the supply chain respect workers' rights.

## Suggested Questions for Companies

The following questions can be directed at companies by shareholders, pension fund investors or investment managers:

- What steps are you taking to ensure *compliance* with the Modern Slavery Act?
- What actions have you taken to evaluate and address the *risks* of forced labour, slavery, human trafficking, and child labour within your product supply chains?
- What *policies* have you put in place to identify and eliminate risks of forced labour, slavery, human trafficking, and child labour within your supply chains, and what *actions* have you taken in relation to, or in the absence of, such policies?
- How will you ensure that *audits of suppliers* within your supply chains are conducted to investigate working conditions and labour practices and to verify whether suppliers have systems in place to identify risks of forced labour, slavery, human trafficking and child labour within their own supply chains?
- How will you *manage your suppliers* to ensure that the manufacture of products and the recruitment of labour is carried out in compliance with applicable legislation regarding forced labour, slavery, human trafficking, and child labour?
- What steps have you taken to establish and maintain *internal accountability* standards and procedures for employees or contractors that fail to meet company standards regarding forced labour, slavery, human trafficking, and child labour?
- What *training* have you provided to your employees and personnel with direct responsibility for supply chain management regarding forced labour, slavery, human trafficking, and child labour?
- How will you ensure that *labour recruitment practices* comply with corporate policies and/or efforts to eliminate practices that contribute to forced labour, slavery, human trafficking, and child labour?

- How will you ensure that *remediation* is provided to those who have been identified as victims of forced labour, slavery, human trafficking, and the worst forms of child labour within your supply chains?

## Suggested Questions for Fund Managers and Pension Fund Trustees

If your investments are held by investment managers or pension funds, you can ask the following questions to ascertain the extent to which they are raising concerns about forced labour, slavery, human trafficking, and the worst forms of child labour with the companies in which they invest your money. This will encourage them to do more in this respect.

- What are you doing to ensure that the company in which you are investing on my behalf is taking adequate measures to ensure that forced labour, slavery, human trafficking and child labour are not present within its supply chain?
- With how many companies have you raised concerns or asked questions about the risk of forced labour, slavery, human trafficking, and child labour either within their own operations and/or those of their suppliers?
- In what ways have you engaged with companies on the issue of modern slavery?
- How will you be monitoring companies' compliance with the Modern Slavery Act?
- In what ways have you engaged with national and international policy makers on business and human rights agendas?
- What industries and asset classes do you consider to be higher risk for the incidence of modern slavery?

# Appendices

## Further reading

### Useful links

Below is a selection of the many resources and initiatives available that focus on raising awareness of issues of forced labour and other human rights abuses within businesses:

### Organisations that focus on human rights within business

- **The Business and Human Rights Resource Centre:** focuses on the human rights policies of companies and uses their website to publish articles and related stories. [www.business-humanrights.org](http://www.business-humanrights.org)
- **Institute for Human Rights and Business:** The Institute is composed of experts from various business and human rights fields and aims to deepen understanding of the relationship between the two as well as shape policy and improve practice and accountability. [www.ihrb.org](http://www.ihrb.org)

### NGOs/organisations that help businesses improve their ethical practice

- **Ethical Trading Initiative:** a membership organisation which helps companies incorporate human rights policy within their supply chains with codes of practice and advice on implementation. Member companies are required to report openly and accurately on their ongoing performance. It advises key stakeholders on the protection of workers' rights worldwide; [www.ethicaltrade.org](http://www.ethicaltrade.org)
- **Stronger Together:** a multi-stakeholder initiative which provides training, resources and toolkits for use by employers, labour providers, workers and representatives that address forced labour, trafficking and exploitation within the workplace; [www.stronger2gether.org](http://www.stronger2gether.org)
- **The Supplier Ethical Data Exchange (Sedex):** a not-for-profit membership organisation who focus on ethical practice in global supply chains. Depending on membership type, companies who are members can view and run reports on suppliers' ethical data, share data with customers, and have access to guidance and risk assessment tools. [www.sedexglobal.com](http://www.sedexglobal.com)

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- <sup>101</sup> The Code. [www.thecode.org/about](http://www.thecode.org/about)
- <sup>102</sup> These include The International Tourism Partnership, Institute of Hotels Security Initiative, Airline Ambassadors International
- <sup>103</sup> The GRI is an organisation which helps businesses in their communication of sustainability and social responsibility issues. It provides a comprehensive framework to which business can adhere in order to cover all aspects of human rights issues within their disclosure. [www.globalreporting.org](http://www.globalreporting.org)
- <sup>104</sup> <http://www.usglc.org/innovations-campaign/the-report/>
- <sup>105</sup> The International Tourism Partnership has released 'Guidelines for Checking Recruitment Agencies', which will help hotels address risks posed by the use of labour brokers and intermediaries and help ensure protection against unscrupulous agencies. See <http://tourismpartnership.org/wp-content/themes/itp-child/assets/files/ITP-guidelines-for-checking-recruitment-agencies.pdf>

## Legislation

### Legislation and Regulation

*“Companies have a responsibility to respect human rights, which means to act with due diligence to avoid infringing on the rights of others”* - UN Global Compact on Corporate Responsibility and Human Rights Report, 2009

A new push for transparency and accountability in business operations and increased focus on strengthening non-financial reporting to address human rights issues has led to new reforms and regulations from governments and supra-national bodies.

In September 2013, the UK government published its National Action Plan for implementation of the UN Guiding Principles on Human Rights and Business, and an amendment to the Companies Act 2006 became effective in October 2014.

### The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 – Key Facts

This requires Directors of UK listed companies to prepare strategic reports that include reporting on their human rights performance *“to the extent necessary for an understanding of the development, performance or position of the company's business.”*

In June 2014, the FRC (Financial Reporting Council) issued guidance on the reporting of human rights issues, suggesting inclusion of the following items:

- a) the entity's policy in respect of the matter, together with a description of any measures taken to embed the commitment within the organisation;
- b) any process of due diligence through which the entity:
  - (i) assesses the actual or potential impacts arising from its own activities and through its business relationships;
  - (ii) integrates the findings from these assessments and takes action to prevent or mitigate adverse impacts;
  - (iii) tracks the effectiveness of its efforts; and
  - (iv) communicates its efforts externally, in particular to affected stakeholders; and
- c) the entity's participation in any processes intended to remediate any adverse effects that it has caused or to which it has contributed.

### EU Directive 2014

Further to this, an EU Directive was adopted in 2014 making non-financial reporting obligatory for listed companies and others with above 500 employees. It requires companies concerned to disclose the following in their management report: information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>



## Glossary

### Modern Slavery

The legal definition of slavery in international law is found in Article 1(1) of the 1926 Slavery Convention, which reads: 'Slavery is the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised'. Power is exercised in such a way as to deprive a person of individual liberty and then exploit them through the extraction of their work or service using coercion and control, which can occur through physical or psychological abuse. Contemporary slavery can take many forms including forced labour, debt bondage, child slavery, forced criminality, domestic servitude and forced marriage.

### Disclosure

All information released by a company for the purpose of informing shareholders or other stakeholders. For the purposes of the analysis presented in this report, disclosure has been categorised as follows:

<b>Primary Disclosure:</b>	Annual Report and Corporate Social Responsibility (CSR) Report
<b>Secondary Disclosure:</b>	Corporate Governance Documents e.g. Policies and Standards Documents and Webpage Content

### Selective Disclosure

Gaps in reporting content relating to human rights. For example, a company reports in detail in relation to one area of human rights whilst leaving significant gaps in their overall disclosure and transparency around other human rights issues.

### Corporate Responsibility Reporting / Sustainability Reports

Terms for company communication reports that provide information about a company's activities in relation to a number of sustainability measures such as economic, social, environmental and corporate governance issues, including human rights.

### Embedding Respect for Human Rights

The macro-level process of ensuring that a company's responsibility to respect human rights is driven across the organization, into its business values and culture. It requires that all personnel are: aware of the company's commitment to respect human rights; understand its implications for how they conduct their work; are trained, empowered and incentivized to act in ways that support that commitment; regard it as intrinsic to the core values of the workplace. Embedding is one continual process, generally driven from the top of the company.

### Direct/Indirect Association Risks

In situations where other parties are associated with human rights abuses, a company, through its commercial relationship with such parties, can be perceived to be responsible in whole or in part for these actions. This indirect involvement with human rights abuses means a company is at risk of being accused of complicity in human rights abuses regardless of its size, location or type of business or its strict legal or contractual responsibility. Good practice in corporate responsibility includes respecting human rights and avoiding complicity.

### Aligned KPIs

A set of consistent and complementary Key Performance Indicators (KPIs) for the business. In addition to the normal range of strategic and financial performance measures, companies should also include ethical performance measures that truly support, and are consistent with, the established KPIs. Companies should also be able to demonstrate how the full range of KPIs are used by the Board and employees to create focus and measure performance across the company.

### Materiality

Materiality is the measurement used by companies to determine what information a company will disclose in their primary reporting documents. What is considered a 'material' area can vary between investors and other stakeholders.



## Our Vision

Responsible business communities which are resilient to all forms of human exploitation.

## Our Mission

To promote ethical and sustainable business practices that eliminate forced labour and human trafficking from all supply chains, and work with pioneering businesses to promote the same in others.

## Our Values

We work together in a mutually supportive manner, across sectors and geographical boundaries, with integrity and objectivity.



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Finance Against Trafficking is affiliated to STOP THE TRAFFIK which is an organization working across the world, pioneering community prevention against people trafficking, working locally, nationally and internationally.

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