How can companies mitigate the risk of modern slavery in their supply chains?

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#TRRisk
@RiskManagement
HOW CAN COMPANIES MITIGATE THE RISK OF MODERN SLAVERY?
Cindy Berman – Head of Modern Slavery Strategy
WHAT IS THE ETHICAL TRADING INITIATIVE?
WHAT DOES MEMBERSHIP INVOLVE?

- Commitment to the ETI Base Code
- Risk assessment to identify problems
- Review purchasing practices
- Capacity building with suppliers and others to address issues
- Participate in ETI activities
- Annual reporting
- Commitment to continuous improvement
THE ETI BASE CODE

- Employment is freely chosen
- Freedom of association & the right to collective bargaining
- Safe and hygienic working conditions
- No child labour
- Living wages are paid
- Working hours are not excessive
- No discrimination
- Regular employment
- No inhumane treatment
WHAT IS MODERN SLAVERY?

- Slavery
- Servitude
- Forced and compulsory labour
- Human trafficking
- Worst forms of child labour

All forms are prohibited under international law and are serious criminal offences in the UK. It is complex, evolving and can be hidden.
HOW MANY PEOPLE IN MODERN SLAVERY?

PREVALENCE
There were 5.4 victims of modern slavery for every thousand people in the world in 2016.

There were 5.9 adult victims of modern slavery for every 1,000 adults in the world and 4.4 child victims for every 1,000 children in the world.

METRICS
40 million people were victims of modern slavery. This includes:
- 25 million people in forced labour
- 15 million people in forced marriage

DEBT BONDAGE
Debt bondage affected half of all victims of forced labour imposed by private actors.

GENDER
Women and girls accounted for 71 per cent of modern slavery victims.

CHILDREN
One in four victims of modern slavery were children.

Source: https://www.alliance87.org/2017ge/modernslavery
WHERE?

Prevalence of modern slavery by region

Source: [https://www.alliance87.org/2017ge/modernslavery](https://www.alliance87.org/2017ge/modernslavery)
STATISTICS

Modern slavery and age of victim

Prevalence (per 1,000 persons) of modern slavery, by age and category

- All modern slavery: 4.4
- Forced labour exploitation: 1.3
- Forced sexual exploitation: 0.4
- State-imposed forced labour: 0.7
- Forced marriage: 2.5

Source: https://www.alliance87.org/2017ge/modernslavery

Sector of forced labour exploitation

(a) Sectoral distribution of victims of forced labour exploitation
(b) Sex distribution of victims of forced labour exploitation, by sector of economic activity

- Most common sectors: Wholesale and trade, Personal services, Construction, Manufacturing
- Most common sex: Male

Source: https://www.alliance87.org/2017ge/modernslavery
MODERN SLAVERY IN THE UK

• 3,800 potential victims identified in the UK in 2016
• 19% increase in prosecutions 2014 > 2015
• National Crime Agency estimate tens of thousands of victims (2017)
• 1 in 8 NHS professionals report having been in contact with a patient they knew or suspected had been exploited in modern slavery.
• CIPS study shows that 34% of organisations are failing to outline the actions they are taking to combat slavery in their supply chains, while almost 4 in 10 (37%) of supply chain managers admit to not having read the government guidance on modern slavery.
• Serious criminal offences in law
ILO INDICATORS OF FORCED LABOUR

- Abuse of vulnerability
- Deception
- Restriction of movement
- Isolation
- Physical and sexual violence
- Intimidation and threats
- Retention of identity documents
- Withholding of wages
- Debt bondage
- Abusive working and living conditions
- Excessive overtime
ETI-HULT STUDY:
CORPORATE LEADERSHIP ON MODERN SLAVERY

• Who we surveyed and how
• What we found
• Key messages and insights
• What’s next
Companies that think there is a likelihood of modern slavery occurring in their supply chains.

Companies citing reputational risk resulting from public exposure to worker abuse found in the supply chain or company operations as the biggest driver for company action on modern slavery.

Companies are experiencing a greater level of interest and engagement from their customers on responsible sourcing issues.

Companies that see investors as a strong driver to address modern slavery.

Companies that recognize the abhorrent nature of modern slavery.
Companies have identified key risks in these areas and are focusing most of their attention on addressing these.

- Migrant workers
- Child labor
- Recruitment fees and debt bondage
- Agency workers and temporary labor
- Working hours and wages
- Subcontractors
Companies are beginning to see risks in these new areas as they start to map their supply chains.
KEY BARRIERS IDENTIFIED BY COMPANIES

- Supply chain complexity
- Resources to support supplier improvements and due diligence
- Commercial practices
- Cost and pricing issues
- Transparency dilemmas
WHO IS INVOLVED?

% of companies where this role is more actively engaged

- 50% CEOs
- 20% Chairman of the Board
- 20% COO
- 57% HR
- 44% Quality / technical
ETI HUMAN RIGHTS DUE DILIGENCE FRAMEWORK

01. Assess actual and potential human rights risks
- Review country risks
- Map supply chains and services and prioritise
- Identify risks to workers by sector, nature of work, type of worker, employment relationships and labour market dynamics
- Identify direct and indirect causes and impacts
- Review HR systems, contracting and recruitment
- Assess workers’ ability to access rights to freedom of association and collective bargaining
- Rank risks by severity and degree of responsibility
- Analyse the data, identify next actions and process

02. Identify leverage, responsibility and actions
- Assess scale and scope of corporate responsibility, including direct and indirect labour rights impacts
- Assess leverage with suppliers, agents and contractors
- Review sourcing strategies and purchasing practices
- Establish benchmarks and rules for monitoring improvements or termination with suppliers
- Review supplier capacity to manage labour risks
- Review policies and procedures to enable workers to access their right to organise and bargain collectively
- Identify opportunities for collaborative action
- Review corporate decision-making and accountability, policies and systems to manage risks

03. Mitigate risk and provide remedy for workers
- Take immediate steps to mitigate human rights abuses
- Provide remediation for workers (avoiding further harm)
- Identify and act on changes to working practices
- Enable workers to access their right to freedom of association and collective bargaining
- Provide training and capacity building on worker-management communication and negotiation
- Engage / collaborate with others (e.g. other companies, trade unions, government agencies, NGOs, experts, multi-stakeholder initiatives)
- Establish / revise grievance and remediation systems

04. Monitor, review, report and improve
- Track mitigation and remediation actions
- Review decision-making, responsibility and accountability (especially at senior levels)
- Review information sources and systems – ensure evidence is credible, verifiable and relevant
- Analyse evidence, learn lessons, prioritise next actions and long-term prevention
- Communicate internally and with business partners on human rights due diligence
- Report publicly on steps taken to respect human rights and prevent modern slavery
- Build partnerships and collaborative action
The legal framework

Michael Quayle – Freshfields Bruckhaus Deringer LLP
What is the legal definition of modern slavery?

**Palermo Protocol** – “trafficking in persons”

<table>
<thead>
<tr>
<th>Act</th>
<th>Means</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>Threat or use of force</td>
<td>Exploitation, including:</td>
</tr>
<tr>
<td>Transportation</td>
<td>Coercion</td>
<td>• Prostitution of others</td>
</tr>
<tr>
<td>Transfer</td>
<td>Abduction</td>
<td>• Sexual exploitation</td>
</tr>
<tr>
<td>Harbouring</td>
<td>Fraud</td>
<td>• Forced labour</td>
</tr>
<tr>
<td>Receipt of persons</td>
<td>Deception</td>
<td>• Slavery or similar practices</td>
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<td></td>
<td>Abuse of power or vulnerability</td>
<td>• Servitude</td>
</tr>
<tr>
<td></td>
<td>Giving or receiving payments or benefits</td>
<td>• Removal of organs</td>
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**ILO** – “forced labour”

“…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 voluntarily.”

**ILO indicators of forced labour**

- Abuse of vulnerability
- Deception
- Restriction of movement
- Isolation
- Physical and sexual violence
- Intimidation and threats
- Retention of identity documents
- Withholding of wages
- Debt bondage
- Abusive working and living conditions
- Excessive overtime
The UN Guiding Principles

The Guiding Principles on Business and Human Rights (adopted June 2011)

• Voluntary guidelines aimed at governments and companies to address human rights abuses in the business context

• Guides businesses to
  1. conduct due diligence of business operations and supply chains worldwide
  2. take steps to mitigate any impact on human rights linked to business operations, including the exercise of leverage over business partners
  3. establish processes for on-going monitoring and compliance
“Hard-edged” legislation

- California Transparency in Supply Chains Act (2010)
- UK Modern Slavery Act (2015)
- French Duty of Vigilance Law (2017)
- Australian Modern slavery reporting requirement
- Dutch Child Labour Due Diligence Law
- UN GA Call to Action
- A UN Treaty on Business and Human Rights?
Exposed: Child labour behind smart phone and electric car batteries  Modern slavery in Britain

40 million slaves in the world, finds new report

We need action, not slogans, to tackle slavery in supply chains

Consequences of failure to manage the risk

Michael Quayle – Freshfields Bruckhaus Deringer LLP
What kinds of impact can a modern slavery issue have on a business?

- Reputational and commercial risks
- Reporting requirements
- Litigation and quasi-litigation risk
Litigation and quasi-litigation risk

• The human rights agenda has an increasing influence on traditional tort-based claims

• The role of parent companies is being exploited by the claimant bar

• The OECD National Contact Point system for “policing” compliance with the UN Guiding Principles is growing in importance
How do we identify the risk of human trafficking and slavery?
Enhanced Due Diligence on customers and third parties

Ongoing screening of customers and third parties

Educating your workforce
It is a covert crime that occurs in an environment of deception, corruption and lack of transparency.

It is challenging to get accurate data on it, in particular relevant actionable data in a corporate environment.

We’ve had to think about this problem in new ways. We prioritised as area of focus some 4 years ago. We have also signed a partnership with Liberty Asia who provides leads to our researchers.

As a result, we have over 100,000 people and organisations in our database linked to exploitation of children, forced and slave labour, human rights violation, human trafficking, illegal immigration, illegal restraint and kidnapping, labour rights violation, sexual exploitation.
REMEDY AND MITIGATION

ASOS BRAND

The Ethical Trade Team carried out 430 factory assessments during 2015/16. Where modern slavery risks are regional or industry-wide, we are working in collaboration with our suppliers, industry colleagues, and other key stakeholders on programmes to address and remediate them.

Examples of risks and particular areas of focus 2015/16 and ongoing:

FOCUS ON MIGRANT LABOUR IN MAURITIUS

We identified that the factories supplying our product in Mauritius employ the highest number of migrant workers in our supply chain. Over 53% of those working in Mauritian garment factories are migrant workers recruited from Bangladesh, India, Sri Lanka or Madagascar. Migrant workers frequently pay fees to recruitment agencies prior to gaining

FOCUS ON UNAUTHORISED SUB-CONTRACTING IN TURKEY

Any audit programme can only provide a snap-shot of conditions in a factory. By committing to 100% unannounced audits and the publication of our factory list we are aiming to maximise the effectiveness of the audit programme. However, there is a risk of illegal sub-contracting, where a supplier uses an unauthorised manufacturing site that has not been approved or covered by ASOS ethical audits. Some of the ways we are reducing this risk is by consolidating our supply chain, strengthening our terms

FOCUS ON THE UK FAST FORWARD PROGRAMME

ASOS became a founding member in 2014 of Fast Forward, a new initiative involving other major UK retailers, aimed at addressing UK specific supply chain issues.

The Fast Forward programme focuses on prevention of worker exploitation and mistreatment of workers in UK supply chains, in particular identifying risks of modern slavery. Factories are required to demonstrate good practice in their supply chain and we are working with them to ensure compliance.

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TRANSPARENCY
GOVERNANCE

Supply chain due diligence developments
The foundation of our human rights strategy is robust policies and monitoring processes. In 2016, we developed our due diligence further to ensure we have the right processes in place to manage risks in our supply chains.

Policy
In 2016, we reviewed and updated our supplier RSCOP which is aligned with revisions to the ETI Base Code. Download our RSCOP.

Management and governance
John Lewis and Waitrose have teams of ethical trading experts who, under a Partnership-wide policy, set direction, monitor due diligence processes, drive beyond compliance work and lead stakeholder engagement.

Waitrose has 20 technical managers who are newly accountable for ethical compliance in their product areas. This charge broadens the responsibilities of compliance to those closest to suppliers and allows the ethical trading experts to focus on beyond compliance programmes addressing more systemic issues in supply chains.
John Lewis has a sourcing office in India which manages the ethical trade compliance programme on-the-ground for its Indian suppliers and some Waitrose non-food products.
We have also appointed a Corporate Social Responsibility lead in our procurement function, who is driving our strategy development for Goods Not For Resale (GNFR). These are the products and services we buy and use as a business. We are particularly focusing on labour providers.

Given the priority the business places on human rights, our Partnership and Divisional corporate responsibility committees have dedicated a significant proportion of their agenda in 2016/17 to ethical trade and labour standards to provide effective oversight and challenge to the business.

Risk assessment
We assess human rights risk in our supply chain using independent risk data such as the Maplecroft global risk tools, the United Nations Guiding Principles (UNGPs) and International Trade Union Confederation (ITUC) Annual Survey. In 2016/17 we have deepened our understanding of risks in specific supply chains. For example, our understanding of European fresh produce supply chains through our work with the Wilberforce Institute (see page 7), in the Dominican Republic through our work with Fairtrade (see page 9), through our employment practice programme in the UK furniture supply base (see page 7), through our worker-manager dialogue pilot in China (see page 9) and our health and safety programme in India (see page 7).

Supplier approval and monitoring
Waitrose and John Lewis have clear processes in place for supplier approval and monitoring to assess how they are implementing the RSCOP and ensure they are meeting our standards. Continuous improvement is key and factories work through improvement plans to address non-conformances and agree corrective actions. However, identifying systemic issues such as modern slavery requires deeper engagement with our supply chains than auditing alone.

We continue to review our due diligence process. For example, in 2016 John Lewis adopted new requirements through the Better Work Programme for four high-risk countries that we source from Cambodia, Vietnam, Indonesia and Bangladesh. It is a comprehensive programme looking to improve the working conditions and competitiveness of the clothing industry. It brings together all levels of the garment and footwear industry as well as the International Labour Organization and International Finance Corporation.

Waitrose has extended due diligence beyond tier one to some of its fresh produce growers, by introducing human rights questions into the Waitrose Farm Assessment.

Internal training
Each year, all John Lewis supplier-going Partners must complete mandatory responsible sourcing e-learning. In 2016 over 400 Partners completed the training and the course makes specific reference to the Modern Slavery Act. In addition, 70 partners in our Central Procurement Department have successfully completed Corporate Ethical Procurement and Supply certification.

Waitrose
25%
Final packing and production sites in high-risk countries
388
Independent ethical audits assessed in 2016/17

John Lewis
590
Audits assessed in 2016/17
80%
Factories assessed that meet minimum standards
SOURCING

DEFINITIONS

Stock
This is the supply chain that creates our consumer products, i.e. the branded stock we sell to customers.

Non-stock
Our non-stock supply chain is everything else we purchase – whether that be services or consumables, e.g. stationery, cleaning services, etc.

Direct
This means we have a relationship with the assembly factory.

Indirect
This means we work with agents and/or suppliers who may help with a range of things, e.g. quality control, product development, translations or factory sourcing. We still ultimately own the factory relationship and we don’t delegate any of our corporate responsibility to the agent.

PENTLAND MODEL

Panel print
Embroidery

Assembly factory
Materials & components
Chemicals & dyes
Raw materials, farming & agriculture

Homeworkers
Subcontractors (out or own)

Non-stock suppliers

Distribution and retail

Pentland Brands

Key
- Tier 1
- Tier 2
- Tier 3
- Tier 4
TACKLING CHILD LABOUR

LABOUR
TAKING ACTION TO UPHOLD LABOUR RIGHTS AND IMPROVE INDUSTRY STANDARDS.

From living wages in the UK to the elimination of child labour in India, we are committed to ensuring that what is good for business is good for society.

PRINCIPLE 3 | PRINCIPLE 4 | PRINCIPLE 5 | PRINCIPLE 6

BUSINESSES SHOULD UPHOLD THE EFFECTIVE ABOLITION OF CHILD LABOUR.

We were the first to raise awareness of child labour in the Indian sandstone sector in 2005. Since then we’ve been actively working to eliminate child labour in the sector in India. The implementation of the ETI Base Code in our own supply chain helped to ensure that no children are involved; however, recent research, funded by Marshalls, confirmed that 38% of children in the
IndustriALL signs global framework agreement with ASOS

“This agreement provides mechanisms and standards to empower our unions to safeguard workers’ rights across ASOS’ global supply chain. The GFA deepens our relationship with ASOS, and is an important step for supply chain industrial labour relations”

July 2017
E-LEARNING

Understanding and Identifying Modern Slavery

Modern slavery is an umbrella term used to describe an array of related criminal practices, including, among others:

- Human trafficking
- Forced and compulsory labour
- Bonded labour
- Sexual or criminal exploitation

These practices will be explored in more depth on the next page.

Key Points

- Slavery is a relationship, not a thing. If a person acts as a slave owner — using threatened or actual violence to exercise control over another person — the relationship is likely slavery.
- Slavery in India’s brick kilns, on UK farms and on Thai fishing vessels are very different, yet they are all contemporary forms of slavery.
- Modern slavery is dynamic and evolving and new forms of slavery continue to emerge.

Click Next to continue.
FURTHER INFORMATION

- e-learning
- open and bespoke training
- guidance and resources

www.ethicaltrade.org
Q&A