

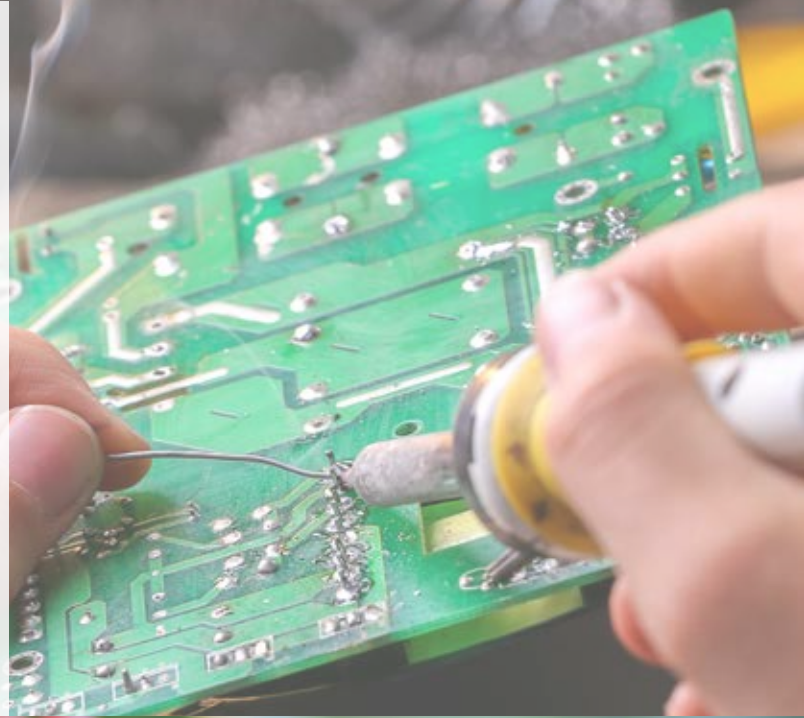


KNOW THE CHAIN

# THREE SECTORS, THREE YEARS LATER:

Progress and Gaps in the  
Fight Against Forced Labor

April 2019



*To positively impact workers' lives, it is imperative for all companies to **improve their efforts on responsible recruitment practices and to support workers to exercise their rights.***

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## EXECUTIVE SUMMARY

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Violations of the rights of workers persist in today's corporate supply chains. In articles published in the months ahead of the writing of this report, workers cited an array of problems including paying thousands of dollars to be hired for a factory job, receiving false promises by recruitment agencies of wages twice as high as the actual wages, having to work 12-24 hours of overtime per week just to earn enough to live off, and having their passports confiscated and having to pay a fee for their return.<sup>1</sup> An estimated 24.9 million people are victims of forced labor around the world, 16 million of whom are exploited in the private sector.<sup>2</sup>

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1 The Guardian (9 December 2018), "[NHS rubber gloves made in Malaysian factories linked with forced labour.](#)" Accessed 1 February 2019. The companies in question denied the allegations. The Telegraph (23 January 2019), Nicola Smith. "[Revealed: condom supplier to NHS and British high street accused of 'shameful' working conditions.](#)" Accessed 1 February 2019.

2 International Labour Organization (ILO), "[Forced labour, modern slavery and human trafficking.](#)" Accessed 22 January 2019.

In 2016, KnowTheChain evaluated 60 companies in three high-risk sectors—information and communications technology (ICT), food and beverage, and apparel and footwear—on their efforts to address forced labor in their supply chains. In 2018, this effort was repeated and expanded to 119 companies.<sup>3</sup> KnowTheChain views its role as both providing an evidence-based barometer for assessing corporate practice and as a resource to companies and investors for improved policy and action to address forced labor risks in global supply chains. This report is an opportunity to serve both of these objectives.

This report presents findings from KnowTheChain's benchmarks on the progress in corporate efforts to address forced labor in high-risk sectors (Section 2) and the most severe gaps in action that persist even among companies with more advanced supply chain labor practices (Section 3). Section 4 of this report offers recommendations for companies in any sector and at any stage of developing their policies and processes for addressing forced labor. The accompanying Excel tool in Appendix 1 offers guidance on how to get started and how to build on existing practices, and it provides good practice examples from three sectors. Section 5 calls on investors to act and provides questions for engagement with investee companies. Investors can also use Appendix 2 to learn about the benchmark scores (including on the critical themes of Recruitment and Worker Voice) of the 119 companies and Appendix 1 to point investee companies to good practice examples from peer companies.

**The average overall score across all 119 companies is low, at 33/100.** At the same time, it is encouraging that the majority of companies benchmarked in both 2016 and 2018 demonstrated improvements over time and that the improvements came from companies across all regions and sectors. However, as the average overall score indicates, all companies still have a long way to go.

After benchmarks in 2016 and 2018 KnowTheChain has collected data with which to compare corporate practice across industries, and over time.

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<sup>3</sup> KnowTheChain's 2018 benchmarks included 121 company assessments, but only 119 companies, as Amazon and Walmart were assessed in two different sector benchmarks. To determine average scores across sectors for the report, the two sets of scores for Amazon and Walmart were averaged. When calculating the average scores using only one of the companies' sector scores, or including each company twice, the average scores remained largely the same, with only minor score differences. See Appendix 2 to view Amazon's and Walmart's average scores, as well as sector-specific scores.

From this data KnowTheChain has identified areas where progress has been made but also where corporate practice continues to fall short on addressing forced labor:

- **Companies take little action to address exploitative recruitment practices.** Fewer than half of the 119 companies assessed (41%) prohibit worker-paid recruitment fees, and fewer than 10% disclose evidence that they have reimbursed recruitment-related fees to workers in their supply chains. This lack of action is concerning considering that more than half (51%) of the workers in situations of forced labor in the private sector experience debt bondage (i.e., workers are forced to work to repay a debt, which is often accumulated through exorbitant recruitment fees).<sup>4</sup>
- **Companies show limited efforts to support and enable supply chain workers to exercise their rights.** Only 13% of the companies disclose engaging with global or local trade unions to support freedom of association in their supply chains. Similarly, only 19% of the companies take steps to ensure that grievance mechanisms are communicated to workers in their supply chains.
- **Buyers score higher than their suppliers,**<sup>5</sup> even though most buyers require their suppliers to cascade their standards to the next tier. Both the benchmark data and conversations with company representatives show that, when buyers address risks in the second tier of their supply chains, they tend to monitor second-tier suppliers directly and request first-tier suppliers to source from pre-qualified second-tier suppliers, rather than enabling first-tier suppliers to take ownership of their supply chains.
- **Companies based in Asia score lower than those based in Europe and North America** across sectors and themes. Even though there are documented cases of forced labor in the Asia-Pacific region and most of the production, particularly in the ICT and apparel sectors, takes place in this region, this isn't reflected in additional due diligence and action by companies.

<sup>4</sup> ILO (2017), "[Global Estimates of Modern Slavery: Forced Labor and Forced Marriage](#)," pp. 10-11.

<sup>5</sup> For the purpose of this report, any benchmarked company that is buying from one or more benchmarked companies is considered a buyer, and any benchmarked company that is supplying one or more benchmarked companies is considered a supplier. Note that some companies are both a buyer and a supplier. For more details, see Section 3.

<sup>6</sup> US Department of Labor (2018), "[List of Goods Produced by Child Labor or Forced Labor](#)," p. 5.

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# INTRODUCTION

## Forced Labor Remains a Key Challenge in Corporate Supply Chains

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According to the International Labour Organization (ILO), an estimated 24.9 million people are victims of forced labor around the world, 16 million of whom are exploited in the private sector.<sup>7</sup>

The term *forced labor* refers to “situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers, or threats of denunciation to immigration authorities.”<sup>8</sup> Workers in the Asia-Pacific region are reportedly most at risk of forced labor, but the risk is prevalent globally.<sup>9</sup>

The findings of a Guardian investigation published at the end of 2018 reveal that forced labor remains alive and well in global supply chains. Migrant workers interviewed at two factories manufacturing rubber gloves in Malaysia alleged conditions of forced labor.

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<sup>7</sup> ILO, “Forced labor, modern slavery and human trafficking.” Accessed 22 January 2019.

<sup>8</sup> ILO, “What is forced labour, modern slavery and human trafficking.” Accessed 22 January 2019.

<sup>9</sup> ILO (2017), “Global Estimates of Modern Slavery: Forced Labor and Forced Marriage,” p. 10.

Bangladeshi migrant workers reported paying fees of over US\$4,000 for a factory job. Nepalese migrant workers said they paid recruitment fees of up to US\$1,700, and they spent months or years paying off debt as a result. Workers also reported restrictions imposed on their freedom of movement: their passports were withheld and not returned by the company.<sup>10</sup>

**“It’s been three months already and we have had no pay; it is very very hard,” a Nepalese worker said. “I can’t send the money back to my family who need it.” Another Nepalese worker reported: “When I wake up every morning I am filled with dread. I think: ‘How can I get through the next 12 hours of working? I don’t know if I can do it any more.’”**

- The Guardian

Exploitative recruitment practices, including exorbitant recruitment fees, such as those experienced by the workers above, continue to pose a huge risk to workers in supply chains. The ILO found that 51% of those in forced labor in the private sector experienced debt bondage, with the proportion increasing to more than 70% for those in the agriculture, manufacturing, or domestic work sectors. Additionally, most workers were subject to more than one form of coercion from their employers or recruiters. Workers most commonly had their wages withheld or were threatened with such (24%), followed by threats of violence (17%), and being subjected to acts of physical violence (16%).<sup>11</sup> Such conditions leave workers trapped in situations of forced labor, not least as most lack the means by which to report abuses.

<sup>10</sup> The Guardian, [“NHS rubber gloves made in Malaysian factories linked with forced labor.”](#)

<sup>11</sup> ILO (2017), [“Global Estimates of Modern Slavery: Forced Labor and Forced Marriage,”](#) pp. 10-11.



The US Department of Labor’s “List of Goods Produced with Child Labor and Forced Labor” calls out the following goods:<sup>12</sup>



Supply chains in the sectors benchmarked by KnowTheChain—information and communications technology (ICT), food and beverage, and apparel and footwear—collectively encompass 54% of the commodities at risk of forced labor, as listed by the US Department of Labor. As such, the benchmarks provide a reliable proxy for company action, or lack thereof, in addressing risks associated with commodities and products at high risk for of forced labor.

<sup>12</sup> US Department of Labor (2018), “[List of Goods Produced by Child Labor or Forced Labor.](#)”

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## PROGRESS OR PERSISTENT GAPS?

### Assessing Three Years of Corporate Efforts to Address Forced Labor

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KnowTheChain evaluated 119 companies across three sectors in 2018 (ICT, food and beverage, and apparel and footwear) on their efforts to address forced labor across their supply chains.

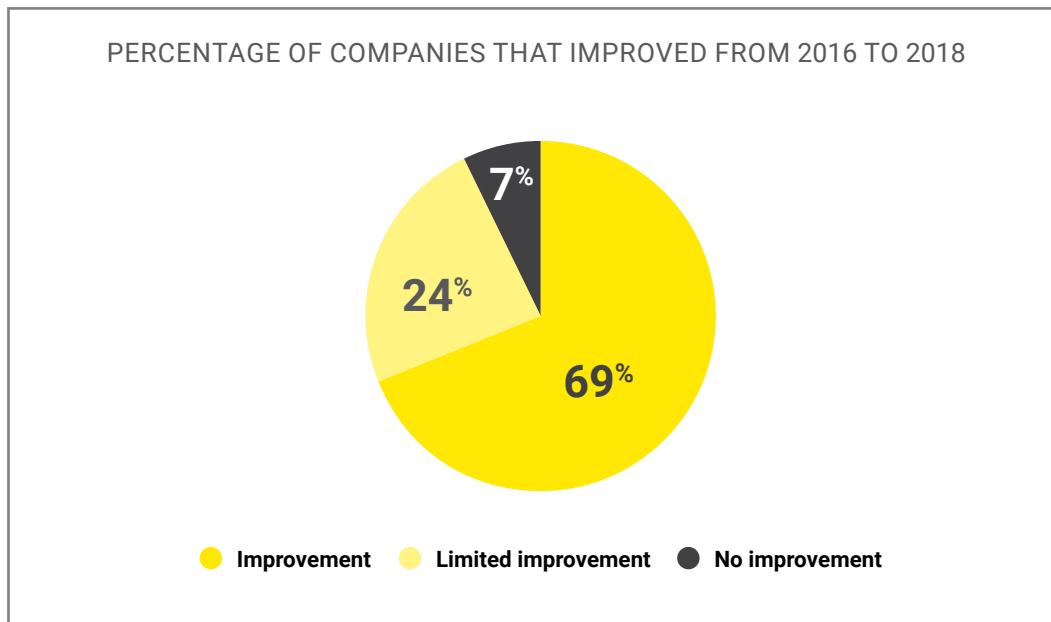
This followed a first round of benchmarks covering 60 companies in the three sectors in 2016. Fifty-seven of the companies were benchmarked for a second time in 2018,<sup>13</sup> allowing KnowTheChain to measure progress from 2016 to 2018.

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<sup>13</sup> Three companies were benchmarked in 2016 but excluded in 2018. IBM reduced the percentage of revenues derived from physical products and, therefore, no longer met the criteria for inclusion. Mead Johnson Nutrition was excluded, as it merged with Reckitt Benckiser and is no longer a publicly traded entity. Belle International was excluded, as the company was privatized.

## Positive Signs

From 2016 to 2018 more than 90% of the benchmarked companies (53 out of 57) improved their disclosure and benchmark performance.<sup>14</sup> While 24% of companies demonstrated only limited improvements (e.g., weak improvements on one to two indicators only), 69% demonstrated more solid improvements across multiple indicators and themes.



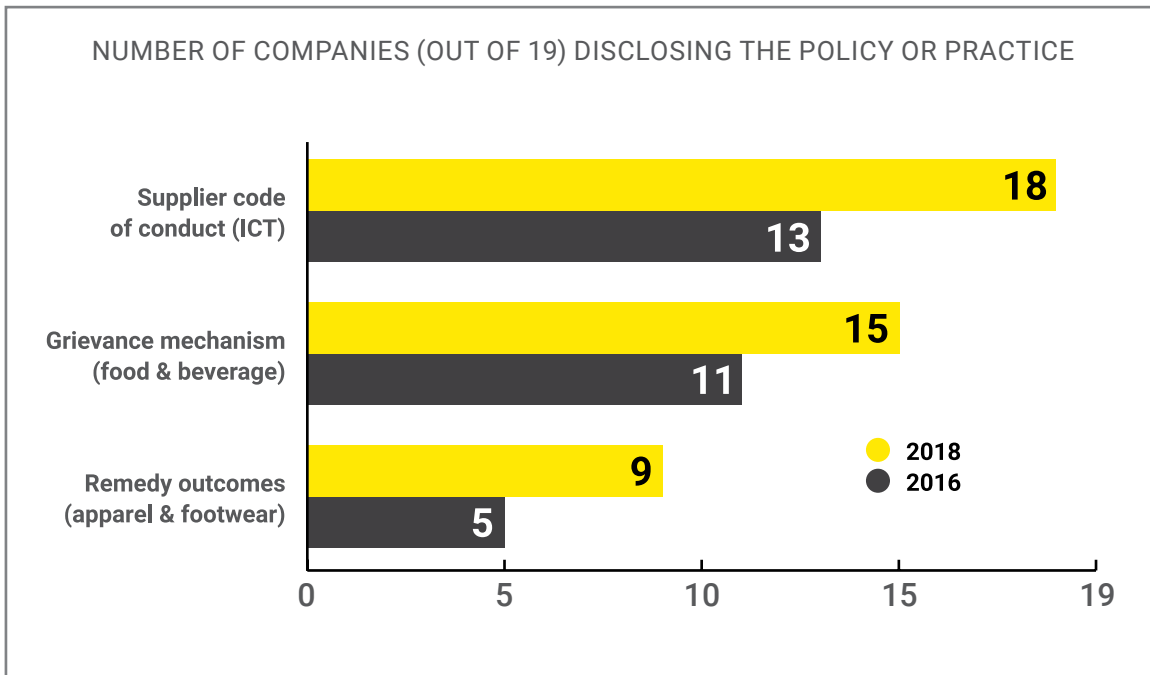
The strongest improvements could be identified in the apparel and footwear sector.<sup>15</sup> The apparel companies benchmarked in both years are primarily large brand names that have received media attention and civil society pressure on labor rights for decades. Contrary to companies in the other two sectors, the majority of these apparel companies have actively engaged with KnowTheChain since the beginning.<sup>16</sup>

<sup>14</sup> Note: Methodology changes make it harder to achieve the same score, meaning that companies which did not improve at all decreased their benchmark score by eight to ten points. Therefore, rather than directly comparing 2016 and 2018 scores, the analysis also included an indicator-by-indicator evaluation of improvements in reported policies and practices.

<sup>15</sup> KnowTheChain (2018), "[Apparel and Footwear Benchmark Report](#)," pp. 14-15. However, the least-strong improvements were made on the theme of Recruitment, which addresses forced labor most directly.

<sup>16</sup> KnowTheChain (29 August 2016), "[We've asked, many responded: How engaged are technology, food, and apparel companies on forced labor?](#)"

In all three sectors, companies demonstrated improvements across themes from 2016 to 2018—from increased disclosure of supplier codes of conduct to improved grievance mechanisms and remedy outcomes for workers in their supply chains.



While the quantity and quality of improvements varied, it is significant that improvements were not limited to higher-scoring companies or companies that face greater international pressure and scrutiny. Mid- and lower-scoring companies also demonstrated improvements, including those headquartered outside of Europe and North America, where transparency reporting requirements are not common.

It is encouraging that, across sectors, a number of companies that have a smaller market capitalization (relative to other benchmarked companies) score higher than their larger peers.<sup>17</sup> This demonstrates that size does not necessarily impact a company’s ability to invest in approaches to address forced labor in its supply chains.

<sup>17</sup> See KnowTheChain (2018), “[2018 Information & Communications Technology Benchmark](#),” p. 9. KnowTheChain (2018), “[2018 Food and Beverage Benchmark Report](#),” pp. 14-15. KnowTheChain (2018), “[2018 Apparel and Footwear Benchmark Report](#),” pp. 22-23.

Examples of companies that, in 2016, scored below the average for their sector and demonstrated improvements when assessed again in 2018 (including on the theme of Recruitment) include **Danone**, a French company producing dairy products, baby food, and medical nutrition products, and **Hitachi**, a Japanese electronic equipment company. [Danone](#) improved by disclosing stakeholder engagement on forced labor, a forced labor risk-assessment process and some outcomes thereof, a supplier code of conduct which prohibits worker-paid recruitment fees and requires suppliers to cascade the standard, and the expansion of its grievance mechanism to include human rights-related grievances. [Hitachi](#) improved by adopting and disclosing a supplier code of conduct which prohibits worker-paid recruitment fees and requires its first-tier suppliers to cascade its standards to lower tiers. It has also started to train its suppliers on modern slavery.

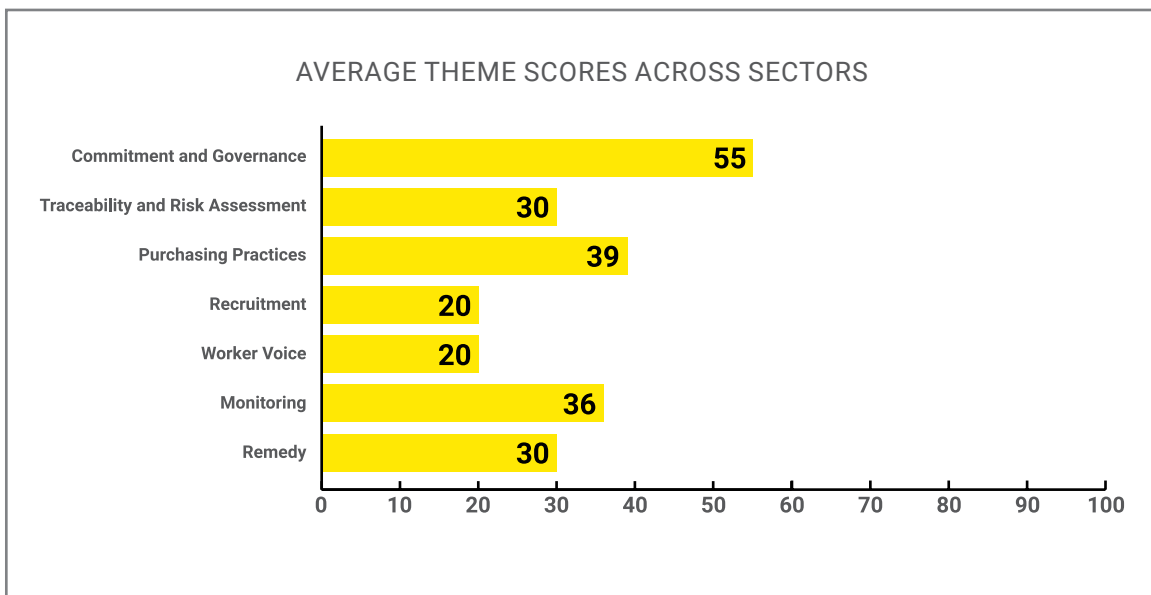
### Levels of Company Engagement

KnowTheChain communicated with benchmarked companies before and throughout the research process (during which companies were provided two months to submit additional information and then another two months to review the initial benchmark research) and after publication of the benchmarks.

It is positive that, in both benchmark years, the majority of benchmarked companies engaged with KnowTheChain (and that this trend continued despite the addition of 62 companies in 2018, many of which are smaller than those benchmarked in 2016). Across sectors, 77% of the companies (92 out of 119) engaged with KnowTheChain (typically via email or phone conversations) and 67% of the companies (80 out of 119) submitted additional disclosure on the [Business & Human Rights Resource Centre website](#). The additional information provided ranged from short statements (less than one page) to detailed information on individual indicators (nearly 50 pages).

## Persistent Gaps

The average overall score across all 119 companies is **33/100**, and policies and practices are limited across all themes. Even when companies report practices, their scope is often unclear, making it difficult to determine whether a company is undertaking a one-off project or whether it implemented a process across all sourcing countries. Commitment and Governance is the only theme where the average score is above 50/100, indicating that many companies are still in the early stages of their corporate efforts to address forced labor and are focused on developing standards, defining internal responsibilities, and training staff and suppliers on these standards.



Companies that did not improve from 2016 to 2018 include Brazil-based **JBS**, one of the world's largest meat processing companies, and three US-based companies: **Conagra**, a packaged foods company, the semiconductor company **Texas Instruments**, and semiconductor supplier **Broadcom**. These companies should take notice of their peers and improve their practices to ensure labor rights in their supply chains are respected.

*Of particular concern* is the case of the US-based semiconductor supplier **Broadcom**, which in 2018, redomiciled from Singapore to the USA. Broadcom was the only company to significantly decrease its score (33/100 to 6/100) from 2016 to 2018. This is largely due to the decrease in information the company had available on its efforts to address forced labor and human trafficking. For example, the company did not disclose a modern slavery statement, a human rights policy, or a sustainability report. It also withdrew its membership from the Responsible Business Alliance.<sup>18</sup> While an outlier, it is worrying that a company twice as large as the other 20 companies in the bottom half of the ICT benchmark has made the decision to initiate such a significant decrease in human and labor rights provisions.

Concerns that standards may weaken also arise when companies with weaker human rights due diligence systems attempt to buy peers with a stronger track record on respecting human rights, as in the case of **Broadcom** attempting to buy **Qualcomm** or **Kraft Heinz** attempting to acquire **Unilever**.<sup>19</sup>

Beyond these individual examples, there are areas across the three sectors that are essential to systemic change, yet where improvements have been insufficient. These include:

- Recruitment (i.e., addressing exploitative practices in the recruitment process and beyond)
- Worker Voice (i.e., enabling and supporting workers to exercise their rights)
- Supply Chain Due Diligence Beyond the First Tier
- Supply Chain Labor Due Diligence Efforts of Asia-based Companies

## Recruitment

Many low-wage migrant workers lack opportunities for decent employment in their countries of origin. This can lead to a willingness to take risks or accept exploitation when seeking work abroad. Once in the country of destination, migrants' vulnerability is further compounded by the lack of language, knowledge of local customs and regulations, and support networks. Exploitative recruitment practices, such as requiring workers to pay off excessive recruitment fees and to hand over their passports, are often deeply entrenched in countries of both origin and destination. The subsequent debt and lack of access to work permits or travel documents can mean that workers' vulnerability to further exploitation during employment is increased.

<sup>18</sup> The research for the ICT benchmark was conducted through January 2018. See also Appendix 2.

<sup>19</sup> Reuters Business News (12 March 2018), "[President Trump halts Broadcom takeover of Qualcomm](#)." Accessed 21 January 2019. Financial Times (27 February 2018), "[Unilever chief admits Kraft Heinz bid forced compromises](#)." Accessed 21 January 2019.

Therefore, it is concerning that fewer than half of the 119 companies assessed (41%) prohibit worker-paid recruitment fees, and fewer than 10% disclose evidence of implementation, namely evidence that they have reimbursed recruitment-related fees to workers in their supply chains.

## **Worker Voice**

Worker Voice (i.e., enabling workers to understand and fully exercise their rights) is critical for vulnerable workers such as migrant workers, who may not be familiar with their rights and unable to exercise them. In practice, companies can improve labor rights practices by supporting an enabling environment for independent unions and worker associations. Increasing worker agency is a key component to ending forced labor. While tools such as audits can provide insight at a single point in time, workers are the stakeholders who best understand the often-changing conditions on the ground and, crucially, have the strongest interest in ensuring their rights are respected. Workers are essential in building solutions that are sustainable and address the root causes of forced labor.

Recruitment and Worker Voice are the lowest scoring themes across the sectors. Yet these are the two areas assessed by the benchmark that have the most direct impact on workers' lives.

While more than half of the companies disclose the availability of grievance mechanisms (64% of companies), only 12% of companies demonstrate that workers in their supply chains use available grievance mechanisms, which indicates that workers are aware of and trust such devices. Similarly, only 13% of the companies disclose engaging with global or local trade unions to support freedom of association in their supply chains.

## **Taking Steps to Ensure Due Diligence in the Second Tier**

Human and labor rights abuses often occur in lower tiers of supply chains. Therefore, it is positive that the majority of companies require, or at least encourage, their first-tier suppliers to cascade labor standards to lower tiers.



However, few demonstrate how they ensure this in practice. Out of the 119 benchmarked companies, KnowTheChain identified 32 buyers who bought from at least one benchmarked supplier, and 52 suppliers who sold to at least one benchmarked buyer. The buyers, which are mostly North American and European brand names, score significantly higher than the average, but they fail to ensure that their practices are cascaded to their first-tier suppliers, which typically score very low.

It is encouraging that there is an increase in good practice examples to address forced labor risks at second-tier suppliers, yet the benchmark data and conversations show that buyers typically focus on directly monitoring and training their second-tier suppliers (that they selected). Yet they often only started to build the capacity of their first-tier suppliers to self-manage their supply chains, and often struggle to do so effectively.

### **Supply Chain Labor Due Diligence Efforts of Asia-based Companies**

Asia-based companies, on average, score significantly lower than companies headquartered in Europe and North America.<sup>20</sup> Transparency reporting requirements are not common in Asia. This is worrying as Asia, and in particular, China, are key markets, both in terms of manufacturing and consumption. According to Euromonitor, China is expected to become the world's largest apparel market in 2019 and Japan will remain the fourth-largest apparel market.<sup>21</sup> Asian consumers are increasingly attracted not only to Western brands, but also to fashion brands from South Korea, China, and Japan.<sup>22</sup> Experts also see potential for luxury fashion brands with products marked as "made in Asia."<sup>23</sup> This growth needs to be accompanied by strong systems to protect the rights of those working in the supply chains of Asia-based companies. Both Asia-based companies and their European and North American buyers need to play a part in the solution.

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20 See section 3.4. As the benchmarks included the largest companies globally, only a few companies headquartered in Africa and Latin America were represented in the selected sectors.

21 Brand Management Agency (18 December 2017), "[China to Become the World's Largest Apparel Market in 2019.](#)" Accessed 29 January 2019. McKinsey & Company (Nov 2018), "[The State of Fashion 2019.](#)"

22 Reuters (26 April 2016), Astrid Wendlandt, Joyce Lee. "[Cool Asian fashion brands challenge Western labels.](#)" Accessed 29 January 2019.

23 The New York Times (19 November 2018), Elizabeth Paton. "[Luxury Brands See Opportunity in 'Made in Asia'.](#)" Accessed 29 January 2019.

KnowTheChain's benchmarks include an analysis of publicly available forced labor allegations as well as company responses to the allegations. KnowTheChain awarded some credit for participation in multi-stakeholder and industry initiatives, which either focus on addressing forced labor or address specific indicators in the framework, such as freedom of association. Further, such initiatives must be transparent about their membership requirements (such as the Leadership Group for Responsible Recruitment) and/or provide public information on the performance of their members (such as the Fair Labor Association's accreditation reports).

However, the benchmarks still largely focus on evaluating corporate disclosure, and as such, the benchmarks should be read alongside other materials to provide a full picture of forced labor risks within a company's supply chain. The human rights non-governmental organization and consultancy Shift notes that "reporting provides a window, rather than a mirror, into company performance."<sup>24</sup> While corporate reporting is an imperfect measure for conditions on the ground, a company that is transparent about the suppliers it sources from, that provides examples of how it engages with workers in its supply chains, and that discloses examples of how it ensured that remedy was provided to workers in its supply chains, signals to stakeholders that it strives to respect labor rights. It also enables stakeholders to scrutinize the company and hold it accountable to its stated standards.



24 Shift (2018), "[Human Rights Reporting in France](#)."

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# PROTECTING VULNERABLE WORKERS

## Where Is Action Most Limited, Yet Most Needed?

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Millions of people across the world working in corporate supply chains are from vulnerable groups. Migrant workers, student interns, female workers, or others who are economically vulnerable are susceptible to exploitative working conditions.

This section explores the four areas to which attention must most be paid to ensure the rights of vulnerable workers are respected, yet where companies have taken little action. The areas are: addressing exploitative recruitment practices, enabling and supporting workers to exercise their rights, ensuring due diligence in lower tiers of the supply chain, and ensuring progress to respect workers' rights among Asia-based companies. The section also includes good practice examples; additional examples can be found in the Excel tool in Appendix 1.

## 3.1. Addressing Exploitative Recruitment Practices

Many sectors, including those benchmarked by KnowTheChain, rely heavily on migrant workers. Eleven percent of all migrant workers are in the agricultural sector.<sup>25</sup> In Malaysia, a hub for electronics manufacturing,<sup>26</sup> three to four million migrant workers are employed, representing 20-30% of the Malaysian workforce.<sup>27</sup>

Recruitment and employment agencies<sup>28</sup> may exploit migrant workers, and other vulnerable groups, by charging exorbitant recruitment-related fees for jobs, transportation, or accommodation, leaving workers in situations of debt. Furthermore, employers or labor agencies may confiscate workers' passports, restricting their freedom of movement. Migrant workers are particularly vulnerable to these means of exploitation, as they may fear deportation due to their legal status—preventing them from raising their concerns—or they may have limited local knowledge of or ability to exercise their labor rights. Such factors may be compounded by a lack of clarity about who their employer is. Multiple agencies may be involved in the employment of workers within one factory, creating further barriers to workers' ability to exercise their rights.<sup>29</sup>

### Migration Remains a Global Trend

Migrants are a significant part of the workforce in global supply chains, and companies must pay attention to their vulnerability to exploitation.

It is estimated that there are 150 million migrant workers in the world;<sup>30</sup> in recent years, the number of migrants in the world has grown faster than the world's population.<sup>31</sup> Migration is influenced by factors like increasingly limited economic prospects, inequality, violence, environmental change, and conflict leading to displacement.<sup>32</sup> Given the volatility of these driving factors, it is estimated that international migration will likely continue.<sup>33</sup>

The [Dhaka Principles for migration with dignity](#) provide a framework for understanding and addressing the challenges faced by migrant workers and those who recruit and employ them.

25 ILO (2015), "[ILO Global Estimates on Migrant Workers](#)," p. xiii.

26 The Atlantic (28 June 2018), Ariel Ramchandani. "[Forced Labor Is the Backbone of the World's Electronics Industry](#)." Accessed 31 January 2019. The electronics industry accounts for 36% of Malaysia's exports and a quarter of its employment.

27 ILO (2017), "[Triangle in ASEAN Quarterly Briefing Note: Malaysia \(July to September 2017\)](#)."

28 Recruitment agencies are responsible for the recruiting and hiring process, whereas employment agencies are responsible for managing the employment of workers (where this is outsourced by companies).

29 Interfaith Center on Corporate Responsibility (2017), "[Best Practice Guidance on Ethical Recruitment of Migrant Workers](#)." Verité, "[Responsible Sourcing Tool \(Industry: Electronics and Electrical\)](#)." Accessed 7 January 2019.

Exploitative and unethical recruitment practices are an issue in supply chains across sectors. It is, therefore, concerning that companies consistently score low on the theme of Recruitment in all six benchmarks conducted across the three sectors in 2016 and in 2018.

KnowTheChain assesses whether companies have policies and processes to address exploitative recruitment practices and work toward ethical recruitment in their supply chains, including but not limited to whether companies:

- prohibit worker-paid recruitment fees,
- provide evidence that such fees have been reimbursed if found to have been paid,
- prohibit the confiscation of workers' passports, and
- support ethical recruitment, for example, by supporting the development of ethical recruitment schemes, sharing due diligence findings on recruitment issues with peers, or engaging policy makers to improve standards for recruitment agencies.

Such actions have significant potential to drive improved practice and reduce worker vulnerability to exploitation.

## Recruitment Fees

Recruitment fees can leave workers indebted to recruitment agencies before they have even begun working, leaving them trapped in debt and vulnerable to further exploitation. The issue is prevalent throughout global supply chains and is not limited to any one sector. For example, migrant workers were charged up to US\$6,000 for factory work in Taiwan, leaving them with debt amounting to “at least one full year of disposable income” based on the monthly wage they would receive.<sup>34</sup>

While there are costs associated with worker recruitment, the fees charged to migrant workers are often exponentially higher than the actual cost of recruitment. Workers typically pay more for recruitment than their employers would have, as they are not only charged the recruitment-related costs (i.e., costs for services of recruitment and/or employment agencies plus costs for documentation, work visa, transport, or medical expenses), but also additional and often unspecified

30 ILO (2015), p. xi.

31 United Nations (2017) “[International Migration Report 2017: Highlights](#),” p. 5.

32 International Organization for Migration (2017), “[World Migration Report 2018](#),” p. 13.

33 International Organization for Migration (2017), p. 2.

34 Interfaith Center on Corporate Responsibility (2017), pp. 24 and 14.

“fees.”<sup>35</sup> In addition to promoting better outcomes for workers, pursuing more ethical recruitment practices provides benefits to companies, including worker retention, productivity increases, and improved budgeting and planning.<sup>36</sup>



**“No worker should have to pay for a job. However, only 41% of 119 large global companies in three high-risk sectors prohibit worker-paid recruitment fees.”**

Forty-nine of the 119 companies (41%) disclose policies that prohibit worker-paid recruitment fees.<sup>37</sup> Such provisions may either be included in a company’s supplier code of conduct or in a stand-alone policy addressing migrant worker or recruitment issues; most companies opt for the former.<sup>38</sup> The data show clear differences between sectors on addressing worker-paid fees. The ICT sector has the largest number of companies with policies in place that address recruitment fees. This is largely due to the companies’ membership in the [Responsible Business Alliance](#). It requires its members to adopt its supplier code of conduct, which comprises provisions addressing recruitment fees, including the [Employer Pays Principle](#). The number of companies that have adopted no-fee policies in the food and beverage sector is relatively low, even though migrant workers are no less at risk than in other sectors

35 Institute for Human Rights and Business (November 2017), “[Responsible Recruitment: Remediating Worker-Paid Recruitment Fees](#),” p. 6.

36 Institute for Human Rights and Business (February 2018), “[IHRB Briefing: Recruitment Fees](#).”

37 Thirty-eight of these policies (32%) include the Employer Pays Principle, specifying that the employer must be responsible for bearing such costs and/or require fees to be reimbursed to workers.

38 Four percent of all benchmarked companies disclose stand-alone policies on migrant workers’ rights.

and despite initiatives such as the Consumer Goods Forum, which recognizes the issue and addresses it in its [Priority Industry Principles](#) on forced labor. The apparel and footwear sector is also behind in its approach to recruitment fees compared to the ICT sector. However, it is notable that in October 2018, more than 120 companies that are members of the American Apparel & Footwear Association and the Fair Labor Association (12 of which are benchmarked by KnowTheChain) signed a commitment to responsible recruitment, which included a pledge to incorporate responsible recruitment into their standards by the end of 2019.<sup>39</sup> It is positive that the policy-level commitment includes a clear timeframe, which allows stakeholders to hold companies accountable.

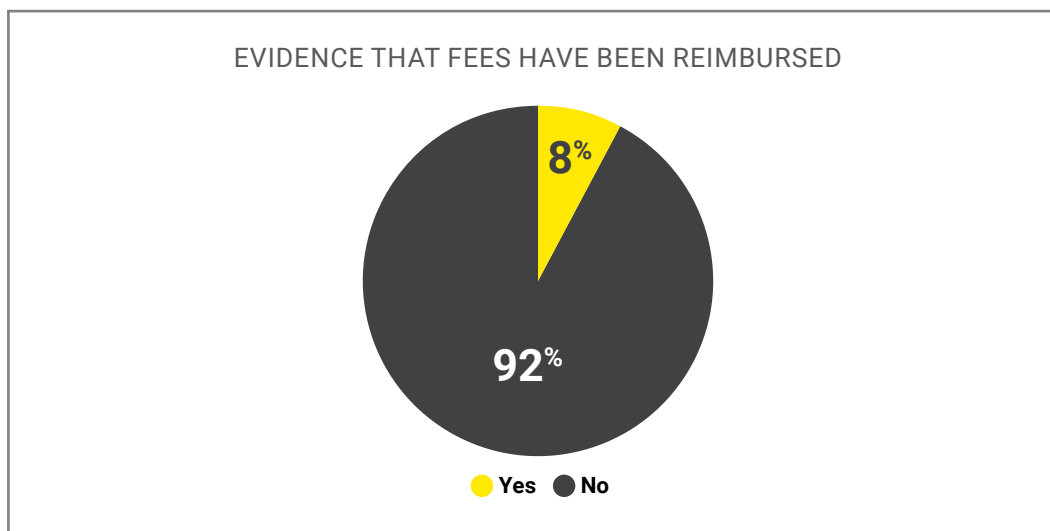
**“Only a small number of companies with policies that prohibit fees have disclosed evidence showing that fees have been reimbursed to workers. This disconnect can be seen in all sectors but is most notable in the ICT sector.”**

The data reveal a disparity between policy and practice. The majority of companies that prohibit fees also specify that, if workers have paid fees, the fees must be reimbursed to the workers by their employer (as this constitutes a breach of their policy). However, only a small number of companies with policies that prohibit fees have disclosed evidence showing that fees have been reimbursed to workers. This disconnect can be seen in all sectors but is most notable in the ICT sector: 22 companies disclose a policy that requires fees to be reimbursed, but only five companies disclose data or provide examples of the return of fees, demonstrating how their policies are implemented in practice.

It is alarming that only 8% of all benchmarked companies (9 out of 119) disclose evidence that they have reimbursed recruitment-related fees to workers in their supply chains. **Apple**, for example, discloses that, in 2017, fees of more than US\$1.9 million were reimbursed to more than 1,500 foreign contract workers and that the reimbursement was confirmed by independent auditors. **Lululemon** discloses an example of a fee reimbursement related to the recruitment process. Upon discovering that a supplier was not reimbursing airfare costs to workers, as had been agreed in their contracts,

<sup>39</sup> American Apparel & Footwear Association (22 October 2018), “[123 Apparel and Footwear Companies Sign New ‘AAFA/FLA Apparel & Footwear Industry Commitment to Responsible Recruitment’](#).” Accessed 7 January 2019. Companies who sign the Commitment to Responsible Recruitment agree to do the following: Incorporate the Commitment to Responsible Recruitment into their company social compliance standards, such as their code of conduct, before December 31, 2019, and periodically report on their actions to embed elements of the Commitment to Responsible Recruitment in their company policies and processes through their sustainability reporting and/or modern slavery legal disclosures.

the company partnered with another brand to engage with its suppliers and ensure that costs were reimbursed to workers.



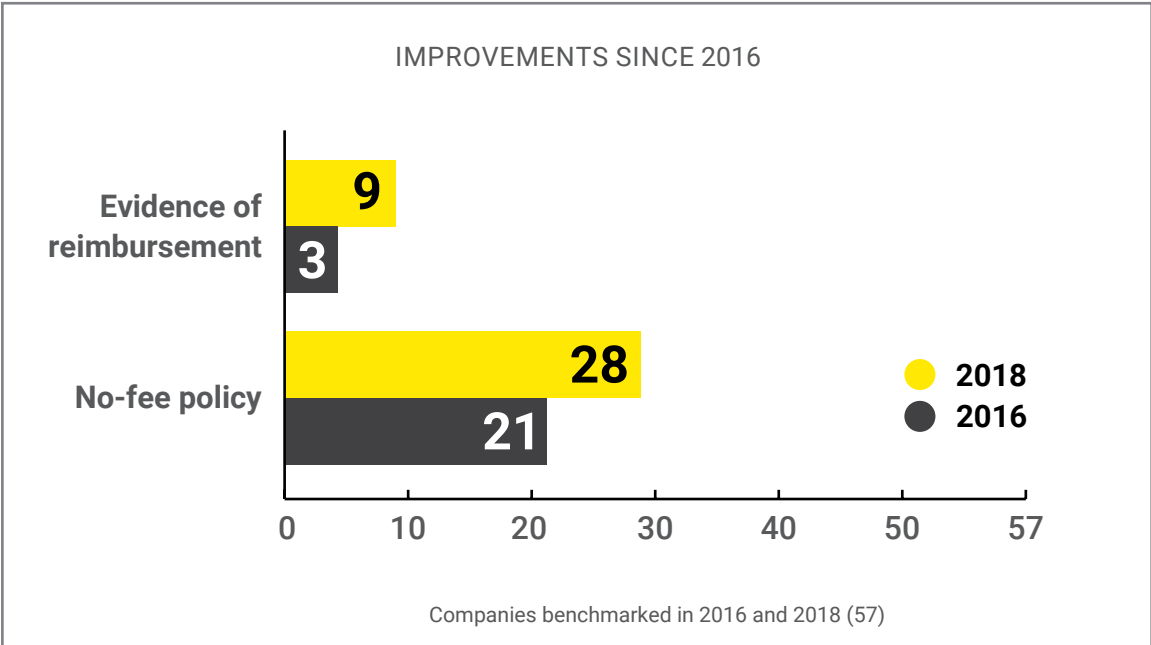
Recruitment fees can leave workers in debt bondage, meaning workers are forced to work for little or no pay until the debt is repaid. Therefore, repaying fees to workers is crucial to ensure they escape exploitation. Further, requiring suppliers to repay the recruitment fees that workers pay signals to suppliers the importance their buyer places on the no-fee policy. That said, companies may wish to consider financially supporting suppliers, particularly in cases where the costs of recruitment have not yet been accounted for in contracts and pricing.

It is encouraging that there are improvements in companies' approaches to addressing recruitment fees across all the benchmarked sectors. Among the companies benchmarked in both 2016 and 2018, the number of companies disclosing a policy prohibiting worker-paid recruitment fees increased from 21 to 28, and the number of companies that disclose evidence of fees being reimbursed to workers in their supply chains increased from three to nine. While this number is still very small, it shows that global companies are paying increasing attention to the issue. Notably, **Taiwan Semiconductor Manufacturing Company** is the first Asian company across the benchmarks to disclose such evidence; the company reports that it ensured recruitment fees of \$5.5 million New Taiwan Dollars (approximately US\$185,000) were reimbursed to 360 migrant workers in its supply chains.



### Passport Retention

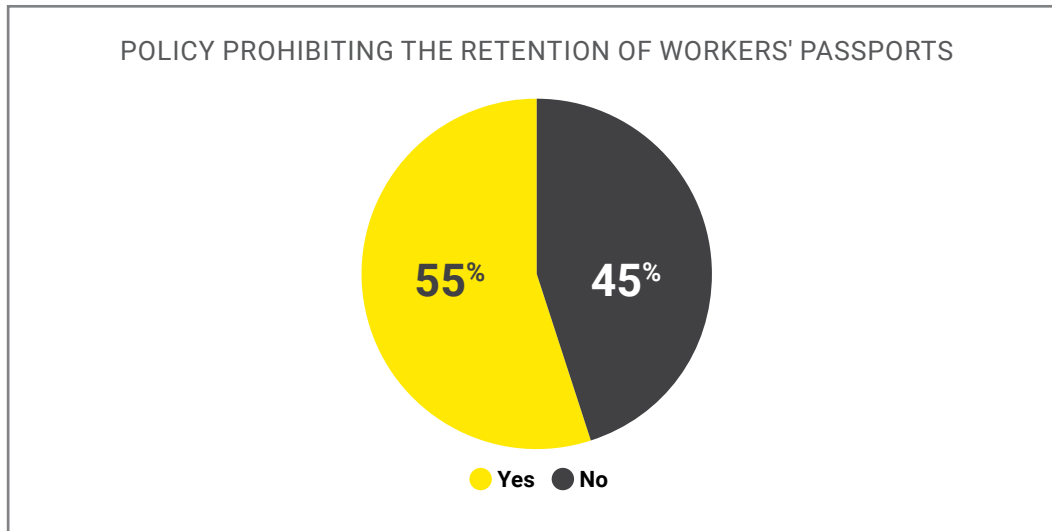
The practice of passport retention is used to restrict workers’ freedom of movement. Passports may be confiscated by labor agencies or by employers, including suppliers to global brands. For example, Ravin, a Nepalese worker in Malaysia, had his passport confiscated and withheld by his agency when he began employment at an electronics company. When he requested the return of his passport, the agency told him it would cost him the equivalent of US\$1,082 to retrieve it. As a result, he was unable to leave to visit his family in Nepal in the seven years that he worked for the company.<sup>40</sup>



It is more common for companies across all sectors to prohibit the retention of passports than to prohibit worker-paid recruitment fees. A total of 65 out of 119 companies disclose policies that prohibit the withholding of workers’ passports in their supply chains, with little distinction between sectors. While significant, this represents little more than half of all benchmarked companies (55%).

Disclosure on this issue tends to be limited to policies. Some companies report instances where workers in their supply chains had their passports confiscated, in which case the companies ensured

that their suppliers returned the passports to the workers. For example, **Unilever** discloses that it worked with suppliers in Saudi Arabia and Malaysia to guarantee passports were returned to migrant workers. The company ensured that it would be communicated to workers that passport storage would be voluntary and for safe-keeping only, and a new agreement warranted that a passport would be returned to its owner within 24 hours of requesting it.

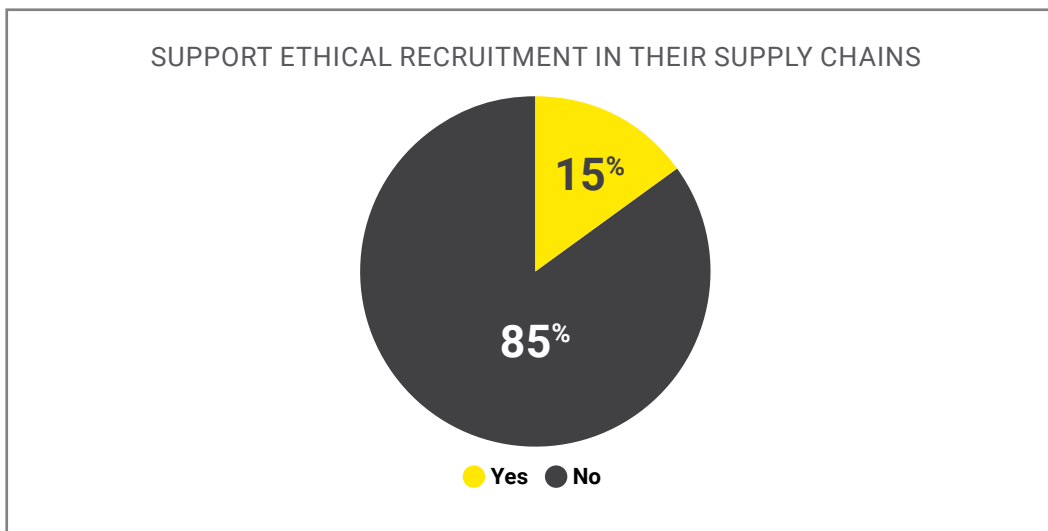


### Ethical Recruitment

Only 15% of the companies (18 out of 119) across sectors disclose how they support ethical recruitment in their supply chains. KnowTheChain's ethical recruitment indicator captures any steps a company has taken toward ethical recruitment that go beyond audits. For example, it could entail having in place a screening and selection process for recruitment agencies used in the company's supply chains, supporting the development of ethical recruitment schemes,<sup>41</sup> or engaging policy makers to improve standards for recruitment agencies.

40 Verité (2014), "[Forced Labor in the Production of Electronic Goods in Malaysia](#)," p. 123.

To improve ethical recruitment, some companies disclose working with collaborations such as the [Responsible Labor Initiative](#) (a multi-industry, multi-stakeholder initiative of the Responsible Business Alliance, which focuses on protecting the rights of workers in global supply chains) and the [Leadership Group for Responsible Recruitment](#), a cross-sectoral initiative which requires members to map supply chains for recruitment risk, offers guidance and training for hiring managers on the Employer Pays Principle, shares tools and guidance, and promotes the Employer Pays Principle among its peers.



Other companies disclose that they provide guidance and training on ethical recruitment for suppliers or work to trace the journeys of migrant workers in their supply chains. **Intel**, for example, reports an initiative which requires key suppliers to map the journeys of their migrant workers and assess those journeys for risks. Similarly, **Adidas** discloses that, through its partnership with the Mekong Club's Apparel and Footwear Working Group, it is developing a migrant corridor mapping tool in collaboration with other brands, comprising data on migration corridors and recruitment fees in their supply chains. **Tesco** discloses that it is part of the Ethical Trading Initiative's Working Group for Italian Tomatoes and is piloting a program to certify labor providers and improve recruitment practices. It reports that two of its key suppliers of canned tomatoes are members of the group, and that the focus of the group includes responsible recruitment, remediation, and due diligence.

Additional good practice examples on the theme of Recruitment can be found in the Excel tool in Appendix 1.

<sup>41</sup> [IRIS](#) is an example of an ethical recruitment scheme, led by the International Organization for Migration. IRIS is a voluntary certification plan for international labor recruiters. Participating recruiters are assessed against the IRIS standards through a compliance and monitoring mechanism.

## 3.2. Enabling and Supporting Workers to Exercise Their Rights

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Worker Voice is among the lowest scoring themes of all six benchmarks in the last three years, marking a notable gap in corporate efforts to support and respect the rights of workers in their supply chains.

### **What Do We Mean by Worker Voice?**

To ensure that labor rights in supply chains are respected, it is critical that worker participation and engagement be at the core of a company's strategy. Workers need to be central to labor rights programs, as they are the ones who best understand their conditions and have the strongest interest in ensuring their rights are respected.

Companies need to commit to ways to recognize their workers' voice and agency, often exercised through trade unions, worker organizations, other forms of collectives, or sometimes by individuals. Engaging with independent, democratically elected trade unions is one critical way to engage workers, but unions may not always exist or engagement may need to be reinforced with other worker interactions. In some contexts, groups of workers, like women or migrant workers, may be underrepresented within trade unions, or trade unions and freedom of association may be politically controlled or prohibited.

There are an increasing number of tools, both online and off, that can help companies hear from workers in their supply chains. However, companies should be able to demonstrate that they use the information gathered from workers in a meaningful way. While it can be helpful for companies to learn about workers' concerns via technology and tools such as mobile phone apps, worker engagement cannot be reduced to companies using streams of information on worker grievances as a replacement for audits. It is important that companies engage in a two-way dialogue with workers in their supply chains (either directly, via their suppliers, or through third parties such as unions), and that they ensure that workers' individual grievances are addressed and that workers are part of the solutions that companies implement. Companies using technology to engage with workers in their supply

chains may consider using the [Worker Engagement Supported by Technology \(WEST\) Principles](#) as a guideline to ensure that technology-driven efforts to address human rights abuses in supply chains lead to meaningful engagement with workers.

When engaging workers in their supply chains, companies need to be aware of and address the risk of retaliation by subcontractors against workers who report concerns. This is particularly pertinent in the context of shrinking civil space and escalating attacks against trade unions and other human rights defenders that speak out on labor rights abuses.<sup>42</sup>

Meaningful approaches to the theme of Worker Voice should include supporting workers in understanding their rights and enabling them to organize and fully enjoy all of those rights. For example, companies could work to ensure that workers are trained by an independent party on their rights or companies could support worker-management dialogues. The [Worker Driven Social Responsibility Model](#) demonstrates the impact that programs where workers and worker organizations are the driving force in the program creation, monitoring, and enforcement can have on wages and working conditions.<sup>43</sup>

Companies can take steps to support vulnerable workers in their supply chains, such as migrant workers, women, or student interns, by:

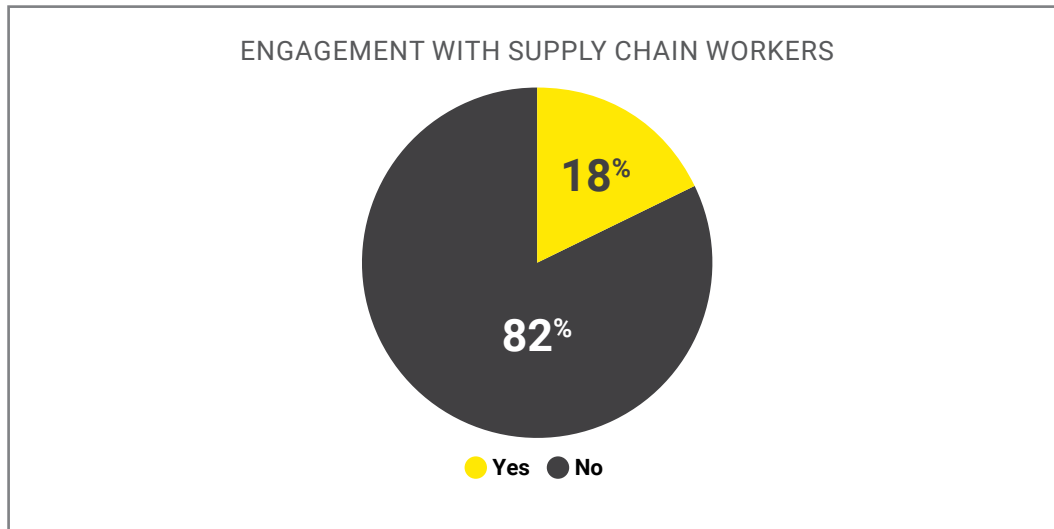
- Taking steps to ensure workers in their supply chains are able to understand and enjoy their labor rights (e.g., through training by an independent party);
- Supporting freedom of association in their supply chains by engaging with suppliers and trade unions and ensuring the removal of barriers to organizing and collective action; and
- Ensuring that workers in their supply chains have access to effective and trusted grievance mechanisms.

<sup>42</sup> The Guardian (9 March 2018), "[Attacks and killings: human rights activists at growing risk, study claims.](#)" Accessed 21 February 2019.

<sup>43</sup> The Fair Food Program, which uses the Worker Driven Social Responsibility model, has brought demonstrable change for workers. The program reports that participating buyers had paid US\$26,000,000 in price premiums as of 2017. The program has also achieved a 10% wage increase for workers by prohibiting the practice of "topping off" picking buckets, whereby workers would be required to overfill their buckets and would not be paid for the extra pounds of produce that they had picked. Fair Food Program (2018), "[2017 Annual Report](#)," pp. 19 and 60.

## Worker Voice

Of the 119 companies, 18% disclose engaging with workers in their supply chains on their labor rights—either directly or via their suppliers or third parties.<sup>44</sup>



Ensuring that worker training is undertaken by credible third parties, such as unions, local civil society organizations, or the workers themselves, can significantly enhance its effectiveness. **L Brands** discloses that it has engaged with the NGO Pacific Links as part of the Factory Awareness to Counter Trafficking program, which includes workshops on human trafficking for workers and managers in its supply chains. It reports that over 10,000 workers and managers have accessed this training. **Adidas** discloses that, at its supplier sites in Indonesia, union members provide monthly or quarterly labor rights trainings for workers, covering topics such as wages, working hours, leave, and worker rights.

Similarly, some companies engage with workers through multi-stakeholder or third-party initiatives. As an example, through ILO's Better Work and Better Factories programs, **Asics** works "with suppliers, staff and workers to provide training and educate workers about labor rights among other topics," in Sri Lanka.

<sup>44</sup> Please note Walmart was included in this count. The company engages with workers in its food and beverage supply chains on their labor rights but does not do so with workers in its apparel and footwear supply chains (beyond engaging workers on life and work skills).

Other companies use technology-based solutions, such as mobile device apps, to engage with workers. **Primark**, for example, launched a “worker voice app” for 7,000 workers at ten of its suppliers in China. According to the company, this app “facilitates communication between workers and management, the provision of digital wage slips and production and wage data, offers 400 training courses for workers (over 700 hours of training have already been completed across the 10 factories) and an anonymous grievance mechanism.”<sup>45</sup>

Some companies work to design programs that address the specific needs of vulnerable groups of workers in their supply chains. **Apple**, for example, collaborated with the International Organization for Migration to develop a program for migrant workers to receive training on their rights before leaving their country of origin. The program trains its suppliers’ workers on their rights and contract terms, the culture of their country of employment, and how to report illegal practices. The training has been delivered to over 300 migrant workers from Indonesia, Nepal, and Vietnam.

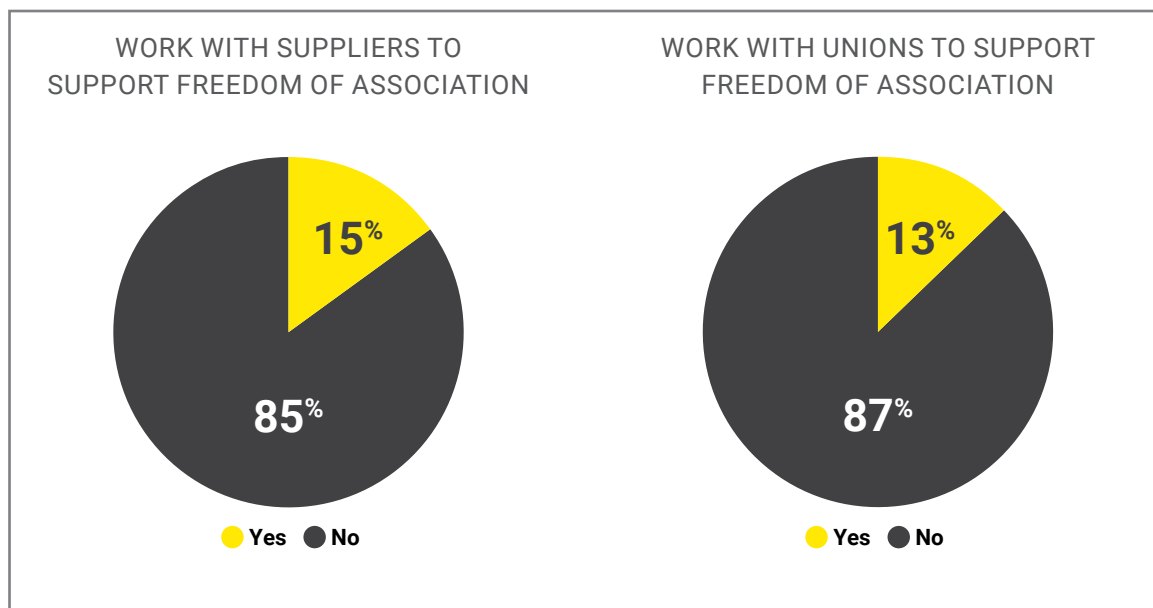
Companies should evaluate the effectiveness of worker engagement and report on it. For example, companies could report on positive outcomes, such as an increase in workers’ understanding of their rights or an enhanced ability to negotiate with management. **Nike** reports that its worker engagement surveys have helped it to “build human resources capabilities at factories to help bring about improvements.” The company discloses that information from the surveys has been used to implement improvements at the supplier level, including ensuring that supervisors have the necessary management skills and introducing mechanisms for workers to provide feedback and suggestions. **Primark** discloses that it works with the NGO SAVE in the South Indian state Tamil Nadu to create Worker Education Groups (WEGs) in local communities where its supply chain workers live. The program aims to educate workers on their rights and the use of negotiation tactics with management. In six years, it has directly reached 5,000 workers and, through peer-to-peer learning, it has indirectly reached 25,000 workers. The company further reports that an external evaluation found that workers were able to vocalize their rights and use negotiation tactics with managers in their workplace, resulting in improvements on safety equipment, wage and bonus increases, paid time off, and access to benefits.

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45 Primark (2018), “[Additional Disclosure](#),” p. 4.

## Freedom of Association

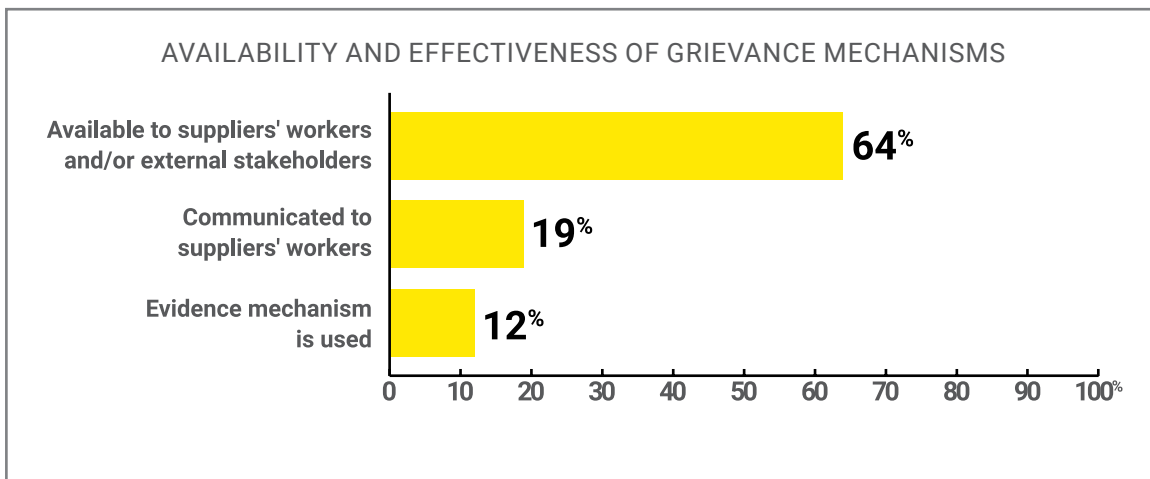
Only 15% of the 119 companies disclose the ways in which they work with their suppliers to promote freedom of association in their supply chains, and only 13% disclose engaging with global or local trade unions to support freedom of association in their supply chains. Disclosure on this type of engagement is low across all sectors, though stronger action can be seen from apparel and footwear companies. **H&M** discloses that it met with IndustriALL to discuss the progress and challenges of the Global Framework Agreement, which it signed in 2015. The company has set up National Monitoring Committees in its production countries to implement the agreement. These committees are composed of local IndustriALL trade union representatives and H&M production office representatives. **Unilever** reports that it works with its suppliers to ensure that trade union members are not retaliated against. After discovering non-conformances relating to freedom of association, Unilever discloses that it required the suppliers to develop policies that allow the formation of workers' unions, train staff on those policies, and ensure the agreed-outcomes meetings with unions were documented and addressed.





## Grievance Mechanisms

Across all sectors, 64% of companies report that a grievance mechanism is available to workers in their supply chains (76 out of 119 companies), with fewer making clear that the mechanism is also available to stakeholders such as worker organizations, unions, or local NGOs that may report grievances on behalf of workers. Companies that report the availability of a mechanism for their suppliers' workers and/or their representatives, typically refer to their own grievance mechanism. Some companies require their suppliers to have grievance mechanisms in place, and other companies disclose grievance mechanisms operated by third parties in specific supply chain contexts.



Only 19% of the companies disclose that they communicate the mechanism to their suppliers' workers or otherwise ensure that workers are aware of the mechanism, and even fewer companies provide evidence that the mechanism is trusted and used by workers. In fact, only 12% of all benchmarked companies show that their grievance mechanism is used by their suppliers' workers or their representatives by disclosing the number and types of complaints received through the mechanism.

Some improvements on the theme of Worker Voice can be seen from companies benchmarked in both 2016 and 2018. **Fast Retailing**, **Lululemon**, and **Under Armour** have established hotlines for their suppliers' workers to contact the company directly since 2016. Leading companies are beginning to look into the effectiveness of their grievance mechanisms. For example, **Apple** requires suppliers to

maintain records of information, such as types and number of grievances, channels used by workers, and worker satisfaction with resolutions. **Wilmar** publishes a list of the grievances filed that includes the stakeholders involved and the date and type of grievance.

Several companies now report on the steps taken to support vulnerable groups (such as migrant workers), to voice concerns, and report labor rights violations. For example, **Adidas** discloses that it partnered with service provider LaborVoices to provide a grievance mechanism for its second-tier suppliers, available in both Turkish and Arabic, as part of its efforts to address forced labor risks associated with Syrian refugees.

### **Why Effective Grievance Mechanisms Are Good for Workers and Companies**

Labor rights violations are likely to occur in most corporate supply chains. Companies should demonstrate that they understand what is happening in their supply chains, rather than claim that no labor rights violations occur in any of their sourcing countries or supply chain tiers. KnowTheChain awards credit to companies that can demonstrate not only that grievance mechanisms are available to workers in their supply chains, but also that such mechanisms are used by workers or their representatives. A mechanism that is used by workers speaks to the mechanism's effectiveness, as it demonstrates that workers are aware of the tool, trust it, and are able to use it.

The UN Guiding Principles on Business and Human Rights lay out the purpose grievance mechanisms serve for both companies and workers:

- For workers, grievance mechanisms can be a means of enabling remediation and a means of preventing abuses from worsening.
- For companies, grievance mechanisms can help to identify adverse human rights impacts, by providing a communications channel for those impacted by the company's operations. Analyzing trends and patterns in grievances can help companies to both identify systemic problems and to evaluate the effectiveness of their human rights due diligence.<sup>46</sup>

Additional good practice examples on the theme of Worker Voice can be found in the Excel tool in Appendix 1.

<sup>46</sup> United Nations Human Rights Office of the High Commissioner (2011), "[Guiding Principles on Business and Human Rights](#)," pp. 23-32.

### 3.3. Taking Steps to Ensure Labor Rights Due Diligence in the Second Tier of Supply Chains

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While some larger companies have a good grasp of the labor performance of their first-tier suppliers, understanding labor conditions at subcontractors or second-tier suppliers remains a challenge, even for companies with more advanced supply chain labor practices. This is a serious concern, as human and labor rights abuses often occur in the lower tiers of supply chains.<sup>47</sup>

The UN Guiding Principles on Business & Human Rights define that the responsibility to respect human rights requires that companies “seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.”<sup>48</sup> The Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct specifies that “directly linked” is not defined by direct contractual relationships, such as “direct sourcing,” and notes as an example that a company may be linked to child labor used in the lower tiers of its supply chains, as with cobalt sourcing.<sup>49</sup> The human rights non-governmental organization and consultancy Shift reiterates that “adverse human rights impacts can occur at any level of a supply chain ... [and that] to meet their responsibility to respect human rights, companies need to understand human rights risks at all levels of their supply chain—not only in the first tier.”<sup>50</sup>

The OECD provides examples of how companies can prevent or mitigate adverse human rights impacts in lower tiers of their supply chains, such as:

- supporting first- or lower-tier suppliers in their due diligence efforts (e.g., through training or strengthening of their management systems);
- asking suppliers to source from pre-approved sub-suppliers;
- directly sourcing from or engaging with suppliers that have greater visibility into, and leverage over, their own supply chains (so-called control points);
- using existing assessments on lower-tier suppliers (e.g., from collaborative initiatives or their own suppliers) or working with peers or individually to monitor lower-tier suppliers; and
- engaging directly with higher-risk suppliers in lower tiers.<sup>51</sup>

47 See 1. Introduction: Forced Labor Remains a Key Challenge in Corporate Supply Chains.

48 United Nations Human Rights Office of the High Commissioner (2011), “[Guiding Principles on Business and Human Rights](#),” p. 14.

49 OECD (2018), “[OECD Due Diligence Guidance for Responsible Business Conduct](#),” p. 71.

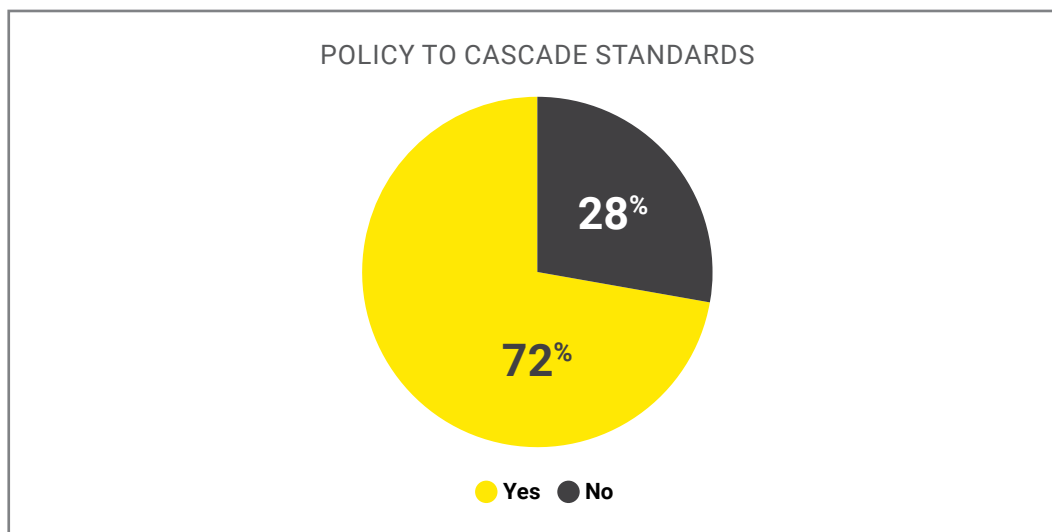
50 Shift (2012), “[Respecting Human Rights Through Global Supply Chains](#),” p. 3.

51 OECD (2018), pp. 26-31 and 66-81.

KnowTheChain assesses due diligence efforts in the lower tiers of supply chains across a range of indicators, for example, by looking at the steps taken toward responsible raw material sourcing and identification of risks in different tiers of supply chains. This section focuses on corporate efforts to address forced labor risks at second-tier suppliers.<sup>52</sup> To assess company action regarding the second tier of the supply chain, the benchmark evaluates companies' requirements for their suppliers to cascade standards, as well as grievance mechanisms for workers, supplier training, and supplier monitoring below the first tier.<sup>53</sup> This section includes good practice examples; additional good practice examples can be found in the Excel tool in Appendix 1.

### Cascading Standards Below the First Tier

It is positive that over 70% of companies (86 out of 119) at least encourage their suppliers to cascade labor standards. However, only 48% require their suppliers to do so via a formal policy document like a supplier code of conduct. The ICT sector has the highest number of companies requiring suppliers to cascade standards, as many companies in the sector adopt the code of the Responsible Business Alliance, which includes such provisions.



Only a few companies provide detail on how they ensure that their standards are cascaded, and in particular, on how they support their first-tier suppliers in doing so. **Samsung** states that it holds its

<sup>52</sup> Please note that, to a more limited extent, KnowTheChain also evaluates corporate efforts to address risks at the raw material level: More than half (52%) of the 119 companies disclose engaging in efforts to address raw materials responsibly, including addressing the forced labor risks. This is particularly significant within the food and beverage sector, where 30 out of 38 companies disclose such efforts, such as participation in certifications for commodities such as palm oil or sugar. In the ICT sector, Apple, for example, requires smelters and refiners of tin, tantalum, tungsten, gold, and cobalt to participate in independent third-party audit programs, which include assessment of forced labor. Apparel and footwear companies disclose efforts to source materials such as cotton and leather responsibly, and 13 apparel companies state that they do not source cotton from Uzbekistan. For more information on cotton sourced from Uzbekistan, see the Cotton Campaign, "[Uzbekistan's Forced Labor problem](#)." The benchmark also requires companies to disclose tracing efforts down to the raw material level.

first-tier suppliers contractually responsible for managing the work environment of their lower-tier suppliers, and that it may offer consultative support to second-tier suppliers that perform below standard. **Coca-Cola** notes that it has established a program called “Pass It Back” that enables suppliers to self-manage compliance with Coca-Cola’s principles in their operations and supply chains. **Burberry** discloses that its “vendor ownership programme,” a capacity-building program with strategic Italian suppliers, aims to increase its suppliers’ ability to manage the working conditions at their subcontractors.

### Grievance Mechanisms Below the First Tier

Only 10% of the companies disclose that grievance mechanisms are available to workers below the first tier in their supply chains. For example, **Tesco** states that it has joined the Issara Institute to ensure that migrant workers in its Thai prawn supply chains have access to the Issara Institute’s multilingual helpline.

As few as 3% of the companies disclose evidence of grievance mechanisms being used by workers. Without providing such evidence, companies cannot show that workers are aware of the mechanisms, let alone that they know how to use them. **Lululemon** explains that its corporate-level grievance mechanism is available to workers in the first and second tier of its supply chains, and that it has received four grievances from workers in the second tier of its supply chains. **Adidas** discloses that, in 2016, the company’s third-party complaint mechanism was used for a complaint regarding a second-tier supplier of the company.

### Monitoring Suppliers Below the First Tier

Overall, 29% of the companies (35 out of 119) monitor the labor practices of their suppliers below the first tier (excluding commodity and raw material suppliers). This number is significantly higher in the apparel sector, where nearly half of the companies (46%) monitor their lower-tier suppliers.

Where companies monitor their first-tier suppliers, they tend to audit all—or the majority of—their first-tier suppliers. When it comes to the second tier, companies tend to limit audits to “key” or “strategic” second-tier suppliers. These could be high-volume suppliers (e.g., as practiced by **Under Armour**

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53 Note: Alternative options for lower-tier grievance mechanisms and supplier training are for a company to provide examples of such activities in different sourcing countries. Other areas where companies may (but are not required to) report on action taken in lower tiers include stakeholder engagement, risk identification and disclosure, worker engagement, and remedy outcomes for workers.

and **H&M**) or second-tier suppliers operating in high-risk countries (e.g., as practiced by **Primark** and **Microsoft**). **Apple** reports that it conducts audits at some suppliers below the first tier based on geographic risk, previous audit performance, manufacturing process risks, and planned spending (and if concerns are brought forward by internal or external stakeholders).

In addition to directly monitoring second-tier suppliers, some companies require their first-tier suppliers to source from pre-approved suppliers; i.e., suppliers which have been evaluated to have sufficient human rights due diligence in place. **Asics** discloses that the majority of its raw material suppliers are “nominated” for its first-tier suppliers, to ensure these suppliers are “known first hand rather than relying on the suppliers’ contacts, which can be hard to identify in some cases.”

Similarly, **Lululemon** has agreements in place with its first- and second-tier suppliers to ensure that suppliers in both the first and second tier are aware of the company’s expectations.

On the other hand, one ICT company described experiencing difficulties in obtaining information from its first-tier suppliers regarding who their below-first-tier suppliers are, due to confidentiality. The company further noted that below-first-tier suppliers might refuse audit requests due to the lack of a direct business relationship.

Conducting lower-tier audits in collaboration with first-tier suppliers, a practice that is undertaken for example by **Tesco**, may help alleviate such challenges. Further, for sustainable change, more efforts are needed from buyers to help their first-tier suppliers understand their responsibility and allow them to take ownership of their supply chains.

### **Supplier Training and Capacity-building Below the First Tier**

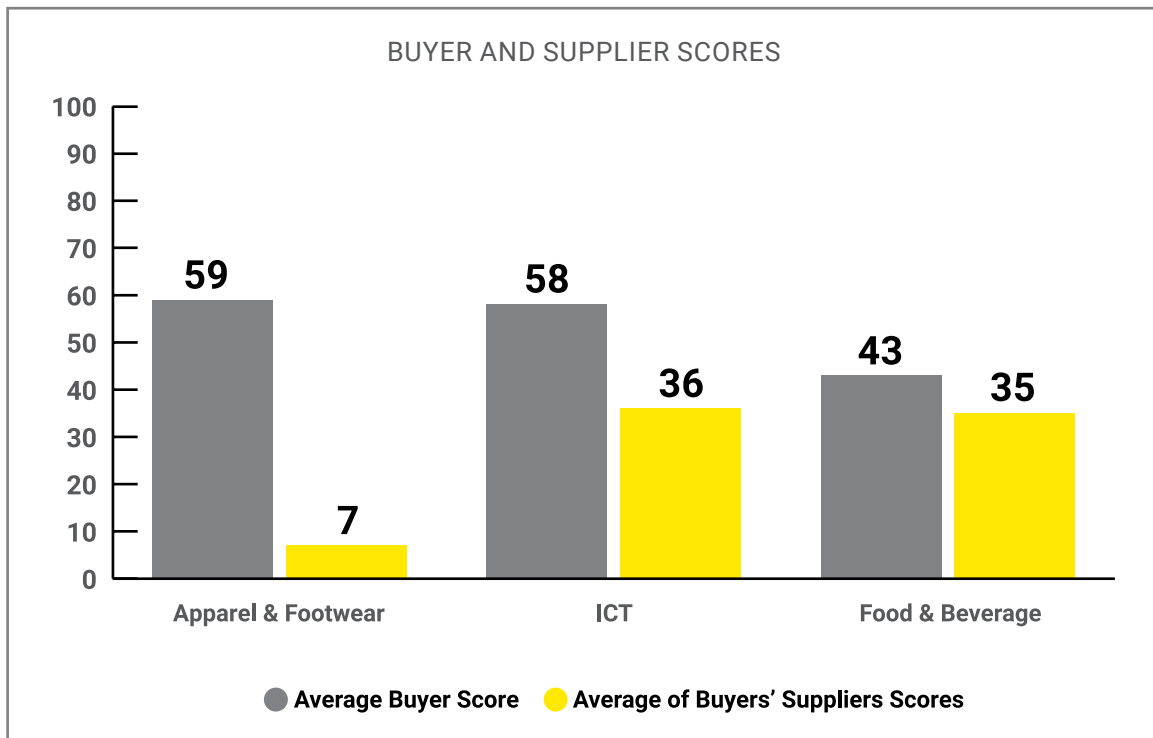
Ten percent of the companies disclose training their suppliers below the first tier on forced labor.

**Adidas**, for example, discloses that it delivers modern slavery training for its second-tier suppliers in countries at high risk of forced labor. It reports that it has conducted training on ethical employment practices for almost 100 second-tier suppliers, including knitters, spinners, tanneries, dye houses, and

fabric mills in Vietnam, Indonesia, China, and Taiwan. **L Brands** discloses that, in collaboration with external experts from civil society and government, it delivered training on forced labor to its first-, second-, and third-tier suppliers in China, Vietnam, Hong Kong, and Sri Lanka.

### Disconnect Between Higher Buyer Scores and Lower Supplier Scores

A third of the benchmarked companies (39 out of 119) disclose at least selected supplier names. The disclosure of such information is significantly more common in the apparel sector, where companies also tend to provide more complete supplier lists. This sourcing transparency is welcome and allows for the mapping of supply chain relationships between benchmarked companies.



\*Note that the above graphic includes the average of the supplier scores for each buyer. It takes into account how many buyers a company supplies to (i.e., a company that supplies to a number of buyers is more heavily weighted than a company that only supplies to one buyer).

Out of the 119 benchmarked companies, KnowTheChain identified 32 buyers that bought from at least one benchmarked supplier, and 52 suppliers that sold to at least one benchmarked buyer.

Thirteen companies operated as both buyer and supplier to other benchmarked companies.<sup>54</sup> While the buyers are predominantly headquartered in North America and Europe, the suppliers are mainly headquartered in the USA and in Asia.

Across the three sectors, it is notable that the scores of buyer companies are higher than those of their suppliers. This may be due to the fact that buyers tend to be consumer-facing companies that are exposed to more scrutiny over their supply chain labor standards and related disclosure, and that nearly all are headquartered in countries with greater expectations and demands for human rights due diligence and related disclosure.

In fact, compared to the overall company sample of 119 companies, the 32 buyers tend to have stronger policies and practices in place concerning forced labor risks in the second tier of their supply chains. This is not surprising, as the identified buyers are those that disclose a supplier list—which is a good practice that is typically found among companies with more advanced supply chain labor practices. Over 90% of the buyers require, or at least encourage, suppliers to cascade standards (29 out of 32), and over 40% take additional steps, such as training or monitoring second-tier suppliers (15 out of 32).

In the **food and beverage sector**, the difference between the scores of the buyers and suppliers is not as pronounced as in the other two sectors. This is due in part to the overall lower scores in the sector, and because this is the only sector where some companies do not encourage or require their suppliers to cascade standards.

In the **ICT sector**, there is a high interconnectedness between the benchmarked companies. Even though only eight of the 40 ICT companies disclose supplier names, those eight companies buy from 32 of the 40 benchmarked ICT companies, and seven out of those eight buyers also act as suppliers to other benchmarked companies. All of the buyers require their suppliers to cascade standards, and some buyers even take further action by auditing some lower-tier suppliers. Given the interconnected relationships within the ICT sector, one might expect to see supplier scores that are closer to their

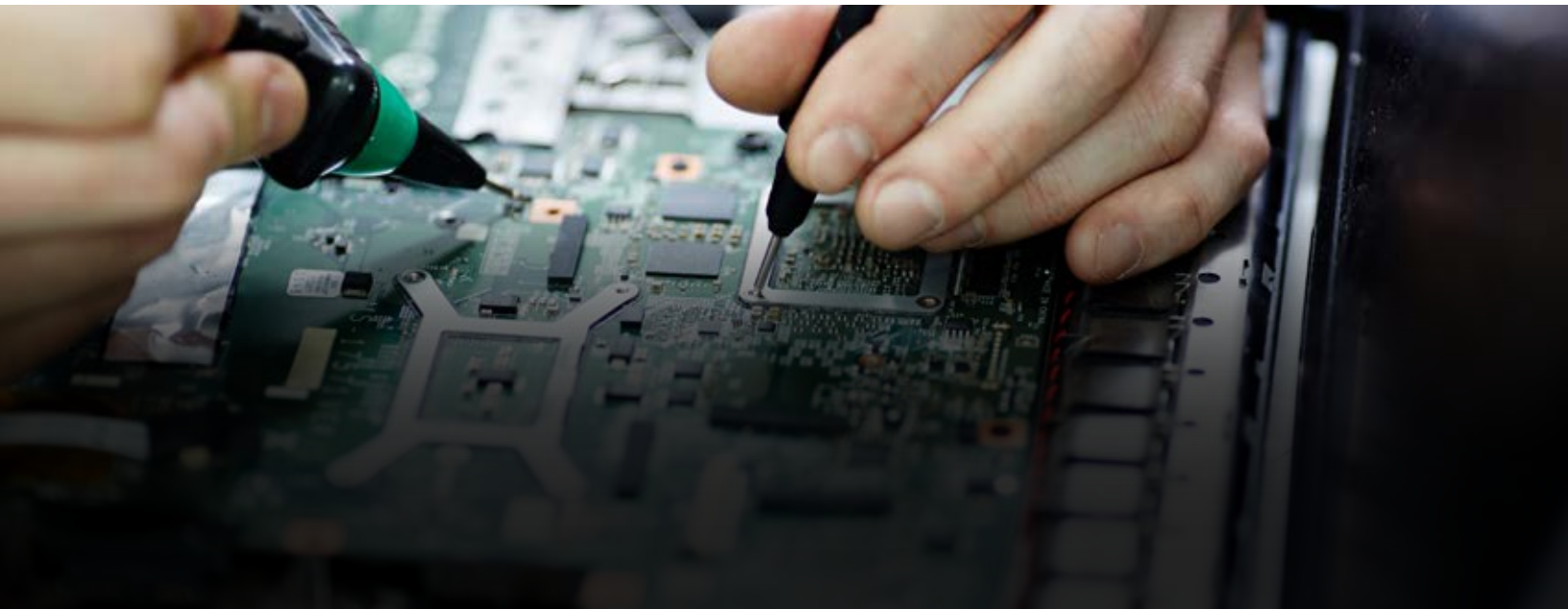
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<sup>54</sup> In the ICT and the food and beverage sectors, some companies act as both buyers and suppliers to other benchmarked companies.



buyer scores. Yet, KnowTheChain found that a contrast between buyer and supplier scores was present in the ICT sector. For example, the five lowest scoring companies, the Chinese display product and component company **BOE Technology**, the US electronic component company **Corning**, the US semiconductor company **Broadcom**, the Taiwanese manufacturer of camera lens modules **Largan Precision**, and the US-based semiconductor company **Microchip** (all scoring below 10/100), supply to four of the ten highest scoring companies—all of which require their suppliers to cascade standards. As in the food and beverage sector, these requirements do not seem to be implemented by the companies' first-tier suppliers (or the suppliers chose not to disclose their efforts on supply chain due diligence).

In the apparel and footwear sector, the buyers score significantly higher than the suppliers. This is despite the fact that all the buyers require or encourage their suppliers to cascade standards, and more than half also actively monitor or contribute, for example, by auditing or training second-tier suppliers. Three of the lowest scoring companies, the manufacturer and textile processor **Shenzhou International** based in mainland China, the Taiwanese garments and fabrics manufacturer **Eclat Textile**, and the Hong Kong-based footwear manufacturer **Yue Yuen**, each score 3/100 or lower—and their buyers include five of the ten highest scoring companies. The apparel sector revealed the widest disparity between the high scores of buyers and the low scores of the sector's first-tier suppliers.



## The Path Forward – Seeking Collaborations

To further understand this disconnect between buyer and supplier scores, KnowTheChain spoke to 24 company representatives, including buyers and suppliers from the apparel and ICT sectors.<sup>55</sup>

Buyers reported that they typically monitor second-tier suppliers directly. In fact, some even regard their second-tier suppliers as a part of their more immediate supply chain and asked second-tier suppliers to sign their sustainability standards, even though the contractual relationship is held by the first-tier supplier. Several companies reported that they also decide which suppliers their first-tier suppliers may source from by nominating selected suppliers to their first-tier suppliers.

While some suppliers reported that some buyers ask them to undertake labor rights due diligence on their supply chains, others reported that neither buyers nor other stakeholders such as the media or investors ask them to do so. Selected suppliers noted that they aim to demonstrate their ability to manage their supply chains, while other suppliers noted that they focus more on their own operations, where much of the production takes place. Suppliers reported that there was little incentive for them to monitor their supply chains, as their buyers are already covering them in their monitoring programs.

Many suppliers and buyers noted that this approach is too paternalistic; some buyers reported experimenting with capacity-building at selected first-tier suppliers, to enable suppliers to self-manage their supply chains. Buyers reported that they selected first-tier suppliers based on the maturity of their supply chain programs, their willingness to engage, and the sourcing volume—factors which also impact the effectiveness of capacity-building efforts. However, buyers noted that capacity-building takes up a lot of resources, isn't scalable, and isn't always effective. Several felt that topics such as forced labor or wages were very difficult to address, whereas building supplier capacity on topics such as health and safety may be more feasible.

On the other hand, a couple of buyers noted that this capacity-building approach helped to build longer-term relationships with their first-tier suppliers, and both suppliers and buyers agreed that

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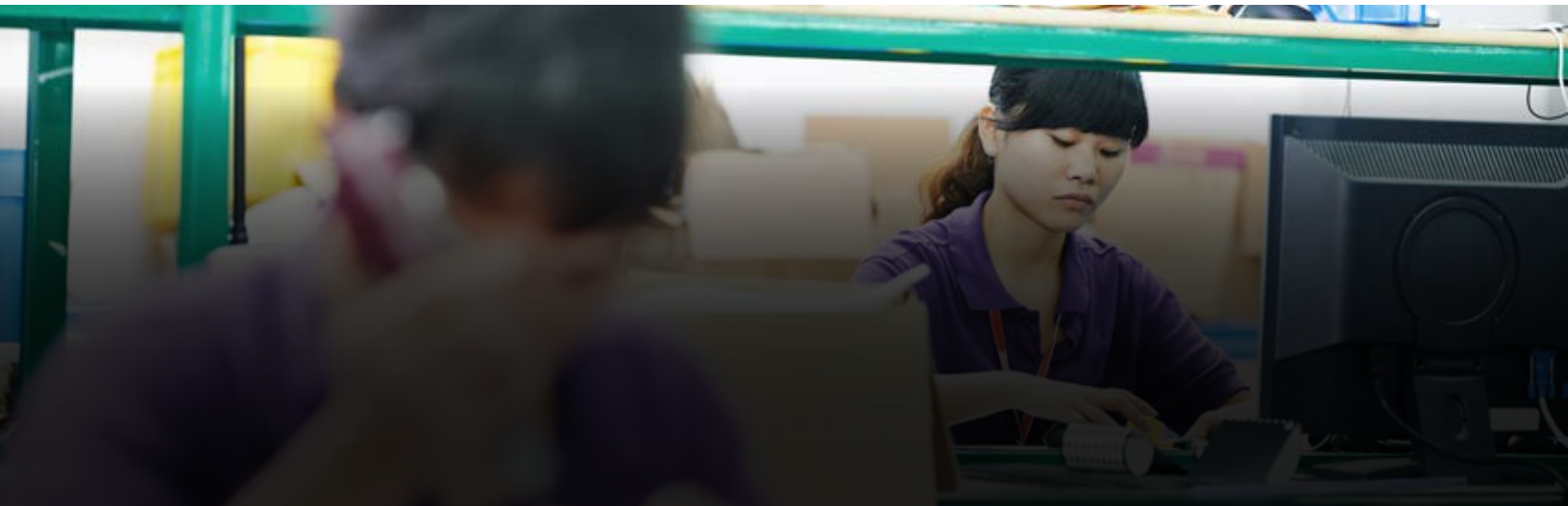
<sup>55</sup> This included dialogue at a roundtable event, as well as one-to-one conversations.

a more collaborative approach is needed. Companies pointed out that no single company has the capacity to undertake meaningful due diligence on all of its first- and second-tier suppliers. Therefore, first-tier suppliers need to understand their responsibilities and take ownership of their supply chains, and the buyers need to support those efforts.<sup>56</sup>

*Buyer: “Buyers should take the role of enabler, rather than going in and doing the work—otherwise there is no sustainable change.”*

*Supplier: “Buyers can’t take responsibility for everything. But first- and second-tier suppliers don’t have the knowledge and tools to do this work, and the colonial approach is not well received.”*

There is a lack of collaboration among buyers and first-tier suppliers, among suppliers themselves, and also among buyers that do not join ethical sourcing conferences and initiatives. It is key to bring those actors to the table when focusing on improving labor conditions in the second tier of supply chains and beyond.



<sup>56</sup> KnowTheChain is exploring how to build this more strongly into its benchmark methodology going forward.

## 3.4 Implementing Stronger Supply Chain Labor Practices Among Asia-based Companies

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Of the 119 companies evaluated by KnowTheChain, 30 are headquartered in Asia. Forced labor risks associated with the exploitation of vulnerable workers are highly prevalent across Asia. The US Department of Labor identifies forced labor risks in 17 Asian countries across 18 commodities, including but not limited to electronics produced in China and Malaysia, garments in India and Vietnam, and shrimp in Burma and Thailand.<sup>57</sup> For instance, migrant workers in Taiwan—a large number of whom are from the Asia-Pacific region—may pay recruitment fees in the range of US\$1,500 to 6,000 for a job,<sup>58</sup> and they may need between one and three years to pay off the loans taken out to pay off the debts they incur as a result of the fees.<sup>59</sup> Similarly, student interns in China may be coerced into working on a production line not relevant to their subject of study for 10-12 hours a day, under threat of not graduating.<sup>60</sup> This section details findings on what is being done by companies in the Asia region to address forced labor risks, and what additional steps should be taken.

Many North America- and Europe-based buyers, which tend to have stronger labor policies and practices in place, source from suppliers that are based in Asia. These suppliers are in countries where trade unions and freedom of association may be politically controlled or prohibited, where lower legal standards for wages and working conditions may exist, and where there may be a lack of enforcement of labor standards. If brands choose to source from such countries, they need to be aware that a heightened level of responsibility is necessary to ensure that the workers in their supply chains are not working under exploitative conditions and are able to fully enjoy all internationally recognized labor rights (see Section 3.3).<sup>61</sup> Companies based in Asia, as well as buyers based in other parts of the world that source from Asia-based companies, should work towards creating better conditions and protections for workers.

This section explores the supply chain labor practices of Asia-based companies. While there are notable exceptions, there are some indications as to what might lead Asia-based companies to score lower on average on the KnowTheChain benchmarks than their European and North American

57 US Department of Labor (2018), "[List of goods produced by child labor or forced labor](#)," pp. 8-10.

58 Interfaith Center on Corporate Responsibility (2017), p. 14.

59 Verité (October 2018), "[Barriers to Ethical Recruitment: Action Needed in Taiwan](#)." Accessed 14 January 2019.

60 Good Electronics and Danwatch (2015), "[Servants of servers: rights violations and forced labour in the supply chain of ICT equipment in European universities](#)."

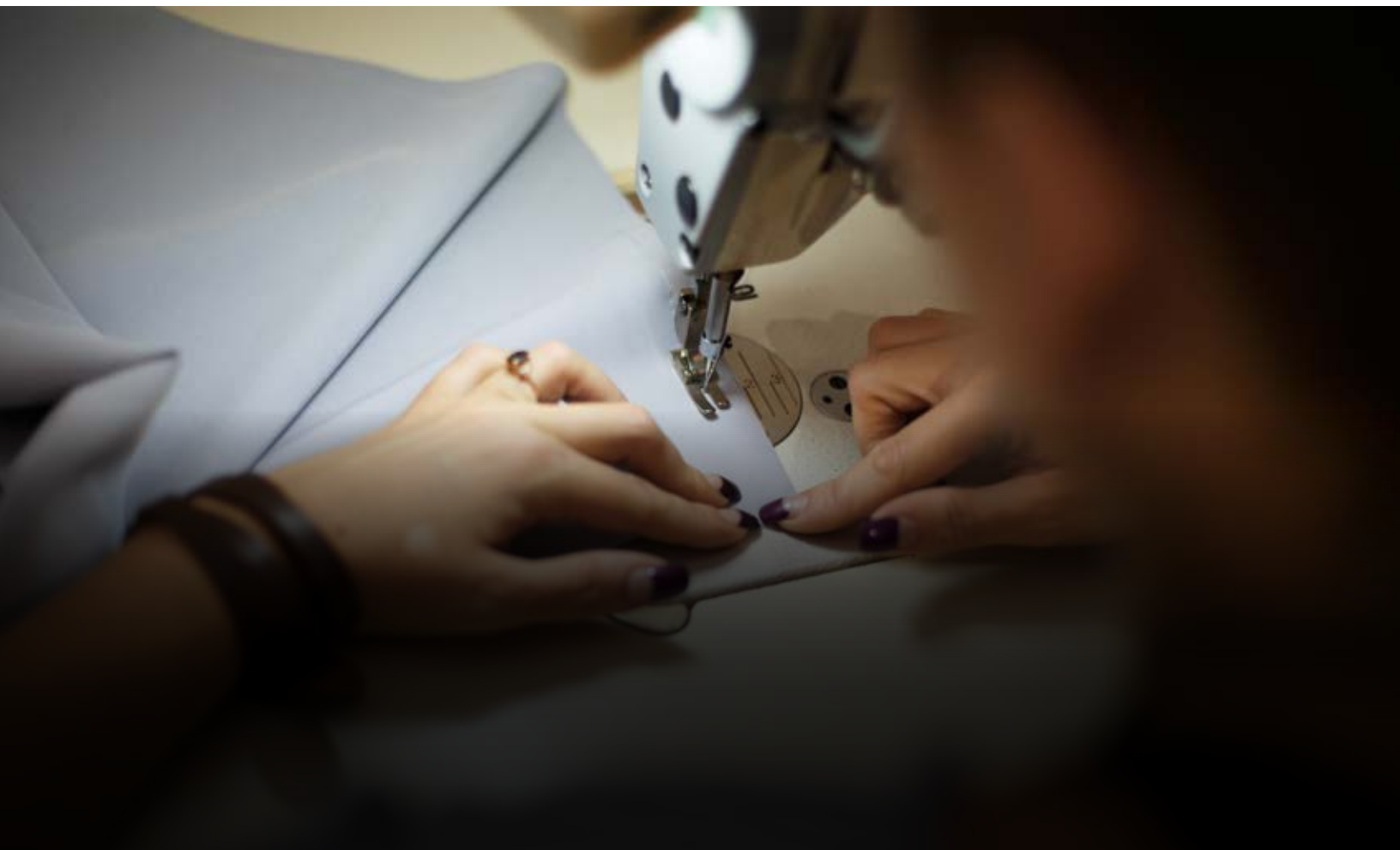
The Guardian (30 October 2018), "[We are like robots: Apple investigates Chinese factory using forced student labour](#)." Accessed 7 February 2019. SACOM (2018), "[Apple Watch Series 4 Still Failed to Protect Teenage Student Workers: A Re-visiting Investigative Report on Apple Watch's Exclusive Manufacturer](#)," pp. 15-16.

61 KnowTheChain is committed to continuing to explore how to best evaluate buyers' efforts to address poor working conditions in sourcing countries where less attention has been paid to addressing forced labor risks thus far.

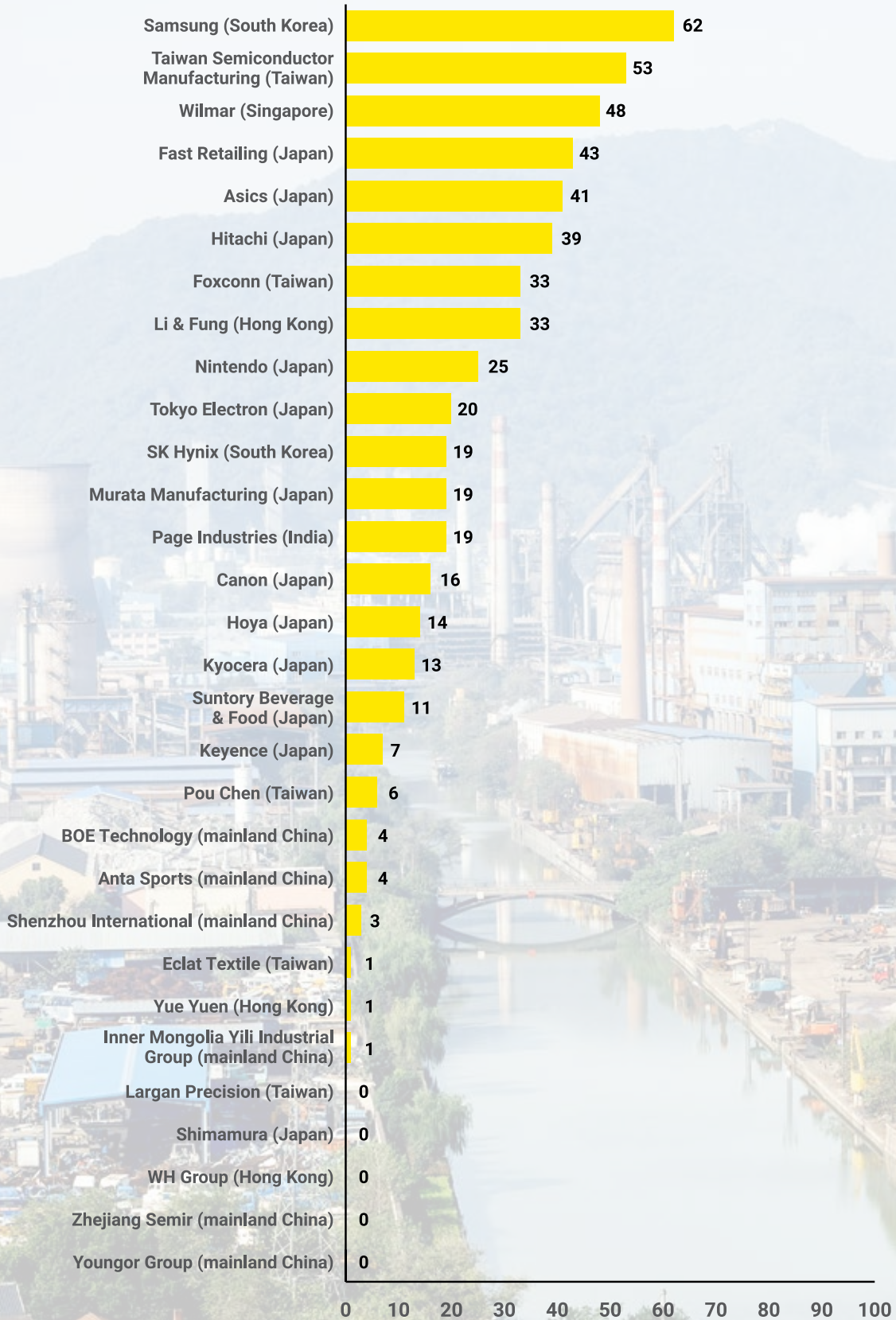
peers (see following pages). Regulations and enforcement of labor rights in the region is weak and stakeholder expectations and reporting requirements on sustainability are limited. Many Asia-based companies are suppliers to Western brands and, as non-consumer-facing companies, they have experienced less—if any—scrutiny from consumers, media, and others on the labor practices in their supply chains.

### **To What Extent Do Companies Headquartered in Asia Address Forced Labor Risks in Their Supply Chains?**

The following analysis looks across the three benchmarked sectors at 30 companies headquartered in Japan (12), mainland China (6), Taiwan (5), Hong Kong (3), South Korea (2), Singapore (1), and India (1).

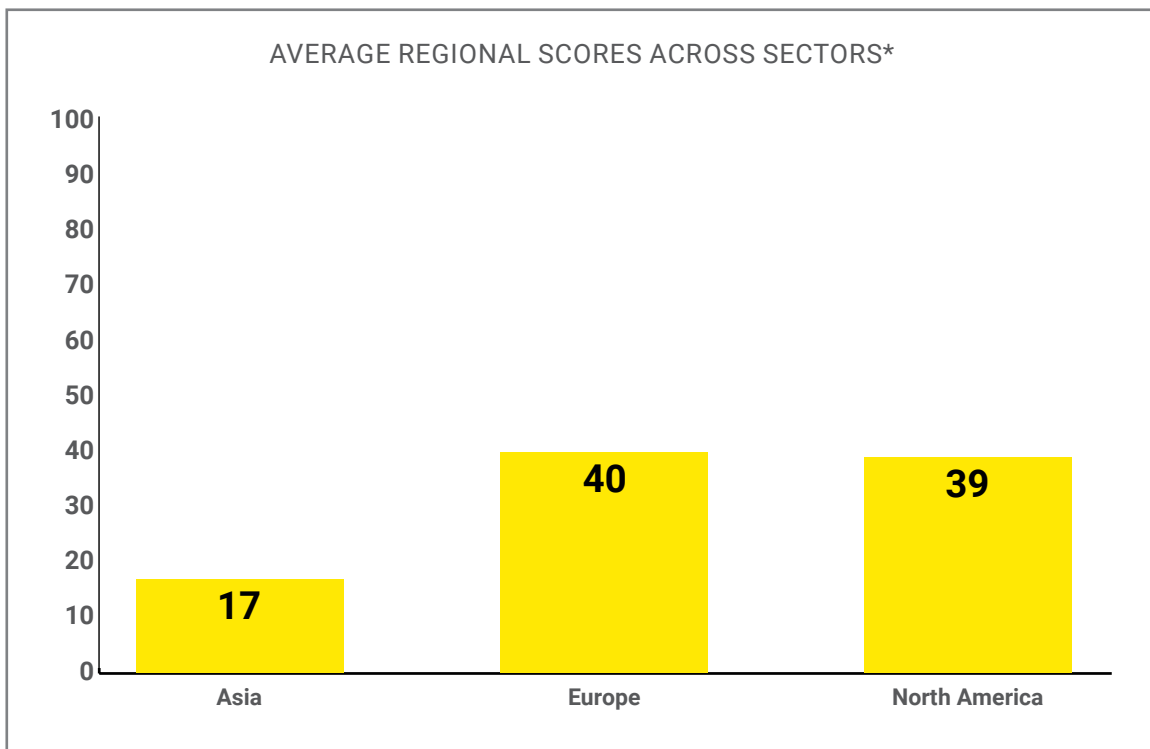


BENCHMARK SCORES OF COMPANIES HEADQUARTERED IN ASIA



Companies based in Asia tend to score lower across all themes compared with companies based in Europe, which averaged 41/100, and companies based in North America, which averaged 39/100. Of the 20 companies assessed to perform poorest in the benchmark, 13 are based in Asia. On average, companies based in Asia scored 17/100, compared to companies based in Europe at 40/100 and companies based in North America at 39/100.

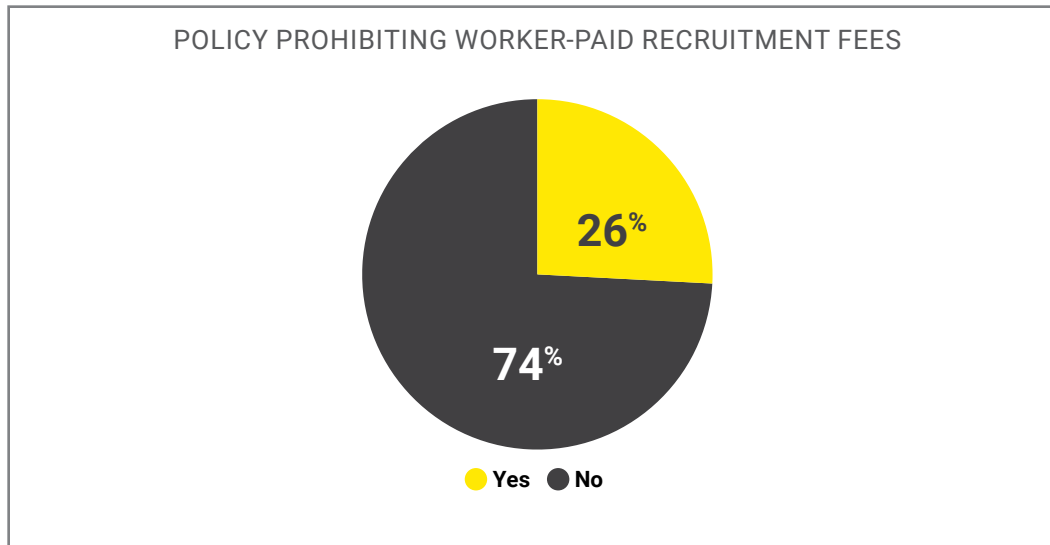
It is encouraging, however, that the majority of Asia-based companies engaged with KnowTheChain by email or phone (20 out of 30), or by providing additional disclosure (16 out of 30). This indicates a willingness to engage on supply chain labor issues and to better understand stakeholder expectations, and it provides an opportunity for stakeholders to engage in capacity-building in the region.



\*Note: Other regions were excluded due to a small sample size. The KnowTheChain benchmarks focus on the largest publicly listed companies in several high-risk sectors, as these companies have a large workforce in their supply chains, as well as significant leverage. In the apparel and footwear, food and beverage, and ICT sectors, a large portion of these companies are based in North America, followed by those based in Asia and Europe. Fewer than 10% of the companies are based in the other regions (Australia, Africa, Middle East, and South America).

## Recruitment

In a region in which workers are commonly charged exorbitant fees for a job, only six out of 30 Asian companies (**Foxconn, Hitachi, Samsung, Taiwan Semiconductor Manufacturing Company, Tokyo Electron, and Wilmar**) have a policy in place prohibiting worker-paid recruitment fees in their supply chains. No company headquartered in mainland China disclosed such a policy. Only two companies (**Samsung and Taiwan Semiconductor Manufacturing Company**) disclose evidence that fees have been reimbursed to their suppliers' workers. **Taiwan Semiconductor Manufacturing Company** reports that it reimbursed fees of NT\$5.5 million (approximately US\$185,000) to 360 migrant workers in its supply chains.

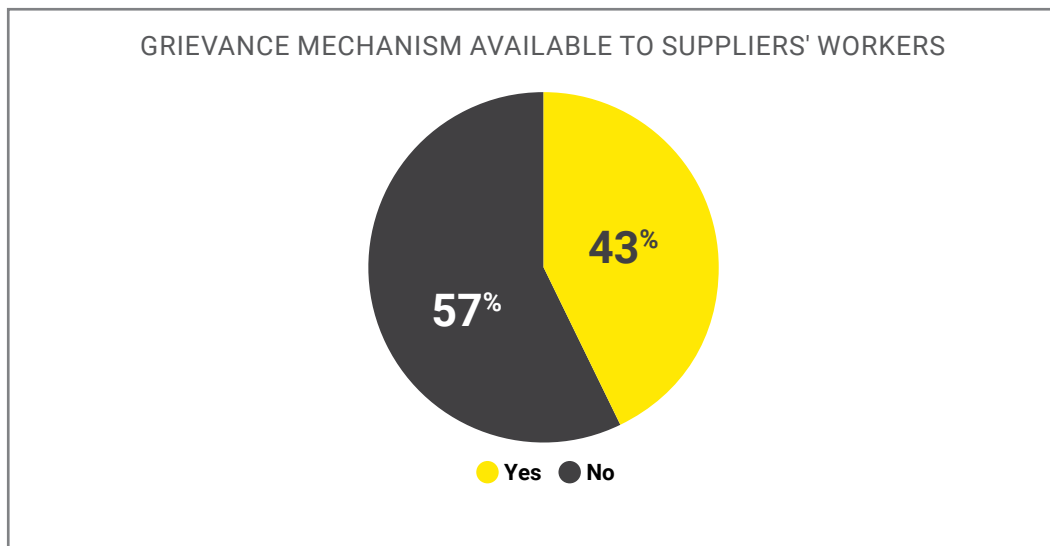


Moreover, 63% of Asian companies (19 out of 30) received a score of zero for their lack of action on the theme of Recruitment, meaning that they did not disclose any steps taken to address exploitative recruitment practices in their supply chains. With the exception of **Samsung**, no Asian company disclosed measures requiring employment or recruitment agencies in their supply chains to uphold workers' rights or any information on the recruitment agencies used by their suppliers. None had a policy requiring direct employment in their supply chains. Ten out of the 30 Asian companies have provisions in place to prohibit the withholding of workers' documents in their supply chains.



## Worker Voice

Only 43% of Asian companies (13 out of 30) disclose a grievance mechanism which is available to their suppliers' workers. No Chinese company discloses the availability of such a mechanism. Most Asian companies do not disclose any further information on their grievance mechanism to demonstrate that it is effective and used by workers. **Fast Retailing** and **Samsung** are the only companies to disclose how they communicate the mechanism to workers in their supply chains. Similarly, only two companies (**Samsung** and **Wilmar**) disclose data on the use of their grievance mechanisms, such as the number and type of grievances. Wilmar's list of grievances also includes details of the stakeholders involved.



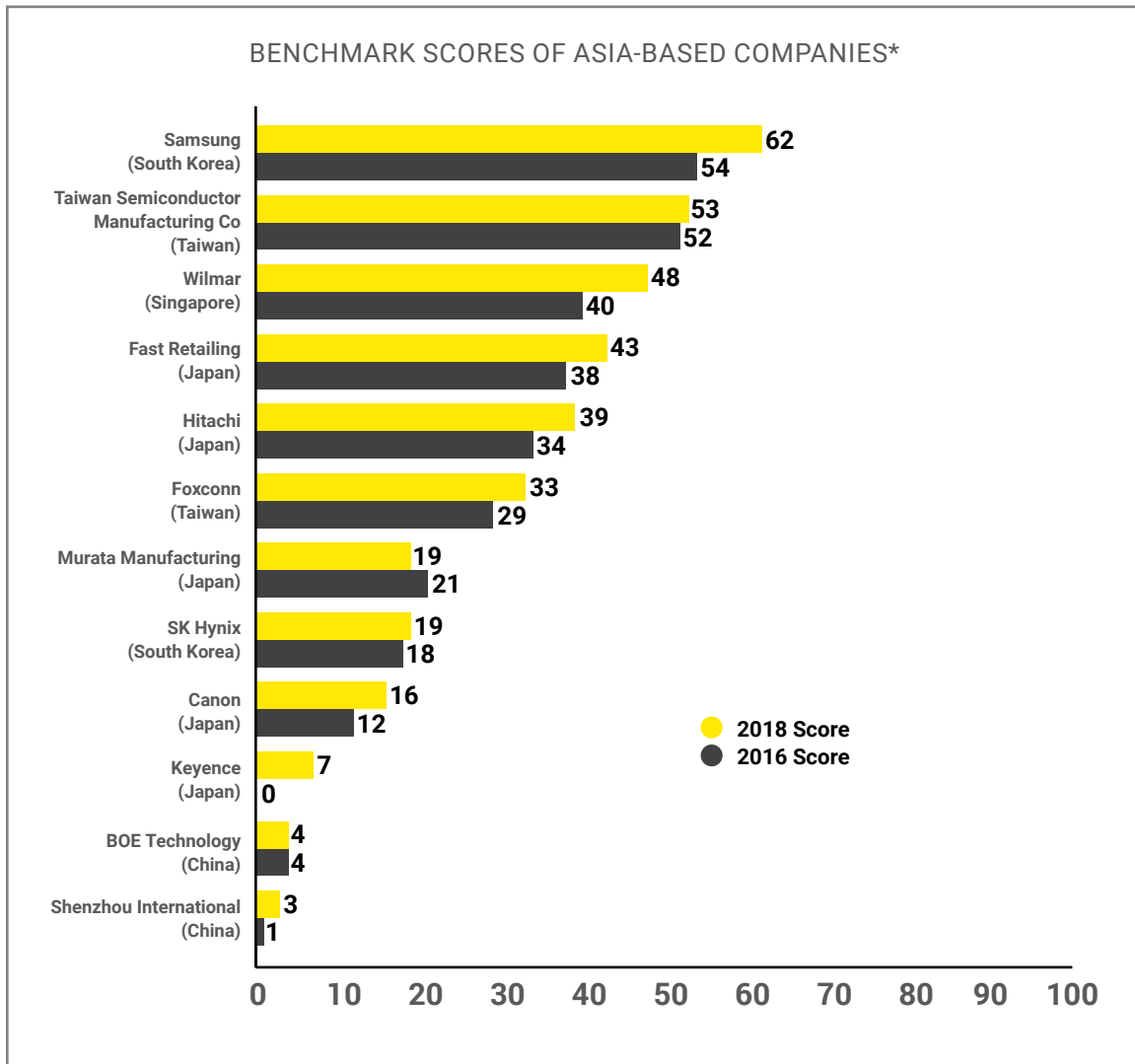
Furthermore, half of the Asian companies (50%) score zero on the theme of Worker Voice. The Japanese footwear and sports company **Asics** discloses efforts to engage with workers in its supply chains on their labor rights through its participation with the International Labour Organization's Better Work program. The company reports that it has delivered training to workers about labor rights in factories in Sri Lanka.

Three Asian companies (**Asics**, **Li & Fung**, and **Wilmar**) report engagement with local or global trade unions to support freedom of association in their supply chains. **Asics** states that it is a signatory to the Freedom of Association Protocol in Indonesia and works with Oxfam in the region, attending stakeholder meetings involving NGOs, union committees, suppliers, and other brands. Hong Kong-based supply chain manager **Li & Fung** is the only Asian company to disclose working with its suppliers to improve their practices on freedom of association. It discloses that it has developed a program for Bangladeshi suppliers in conjunction with an NGO, which includes training on freedom of association, participation committees, and grievance mechanisms.

There were no examples of Asia-based companies addressing regulatory constraints on freedom of association; e.g., the legal requirement in China that trade unions must belong under the government-affiliated union ACFTU. Examples were similarly rare from companies headquartered outside of Asia, even though many of them source from such countries. **Adidas** discloses that, in such countries, it focuses its efforts on identifying parallel means for worker representation, such as worker-led elections of representatives and tracking the emergence of more representative state unions and the role of collective agreements in the sector.

### **How Has Reporting of Companies Headquartered in Asia Changed Since 2016?**

It is encouraging that, despite low scores across the region, ten companies that were benchmarked in both 2016 and 2018 showed improvements. Since 2016, **Fast Retailing**, for example, has established a hotline for its suppliers' workers to contact the company directly, and **Taiwan Semiconductor Manufacturing Company** discloses evidence of reimbursing recruitment fees to workers in its supply chains. Since 2016, Asian companies have demonstrated concrete improvements across all themes of the benchmark, such as in the areas of Commitment and Governance or Purchasing Practices. **Hitachi**, for example, discloses that it delivered training on modern slavery to its suppliers. **Foxconn** discloses undertaking unannounced audits, and **Canon** developed and disclosed a supply chain standard for its suppliers and provided training on forced labor. **Keyence** publishes a statement under the UK Modern Slavery Act and published procurement guidelines for its suppliers that address the issue of forced labor.



\*This chart lists the scores of the 12 Asia-based companies covered in both the 2016 and 2018 KnowTheChain benchmarks. While two companies, BOE Technology and Murata Manufacturing, did not increase their scores, the companies still made improvements. Changes to the methodology since 2016 made it more difficult for a company to achieve the same score in 2018. Where a company did not improve, their score typically dropped by eight to ten points.

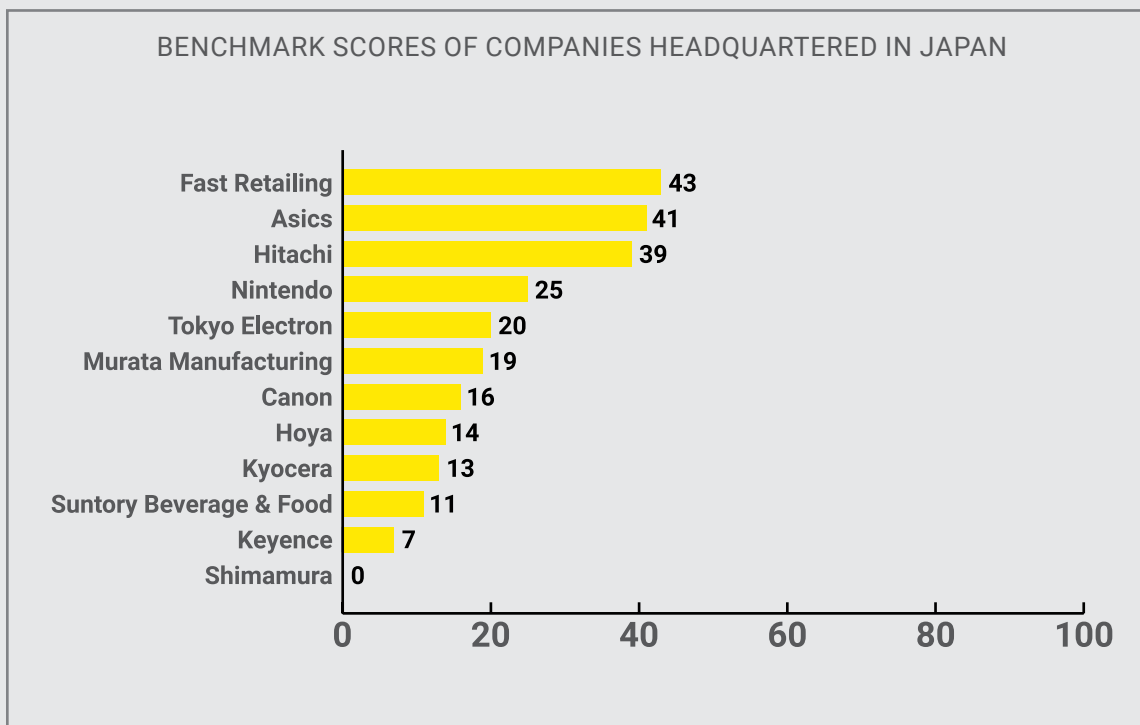
**Samsung** and **Wilmar** made the most significant improvements between 2016 and 2018. Since 2016, Wilmar has improved by disclosing supplier training, collaborations with peer companies to address forced labor, a list of names and addresses of its sugar suppliers, engagement with unions concerning labor rights in its supply chains, details on its audit process, and a process to respond to grievances. **Samsung** improved by developing and disclosing migrant worker guidelines and providing training on forced labor for internal staff, suppliers, labor-sourcing companies, and recruitment agencies, and disclosing that it has reimbursed fees to workers in its supply chains.

It is significant that companies in this region show improvements in their disclosure and processes for addressing forced labor. However, the scores of companies in Asia remain low compared to their peers in other regions. **Samsung** and **Taiwan Semiconductor Manufacturing Company** are the only companies to score above 50/100, which shows that companies based in the region still have significant room to improve their efforts to address forced labor.



## Spotlight: Japan

With an average score of **21/100**, the 12 Japanese companies tend to score higher than their peers in mainland China and Taiwan, but lower than the two South Korean companies in the benchmark.



Japanese companies disclose some good practices, and those benchmarked in both years showed progress. For example, since 2016 **Fast Retailing** has disclosed a list of the names and addresses of the majority of its suppliers, developed a responsible purchasing policy, and established a hotline for its suppliers' workers to contact the company directly. **Asics** is the highest scoring Japanese company on the Worker Voice theme due to its engagement with its suppliers' workers and with unions.

However, there are a number of reports documenting labor rights violations regarding student interns and workers from countries including China, Cambodia, Myanmar, and Vietnam.<sup>62</sup> Further, Japan's migrant workforce is projected to increase, as the government has approved the hiring of migrant workers, starting in April 2019, from countries including Nepal, China, Indonesia, Mongolia, Myanmar, Thailand, the Philippines, and Vietnam.<sup>63</sup> With Japanese brands such as Fast Retailing growing

<sup>62</sup> Business & Human Rights Resource Centre, "[Japan](#)." Accessed 7 February 2019.

<sup>63</sup> Himalayan Times (26 December 2018), "[Japan approves hiring of migrant workers](#)." Accessed 31 January 2019.

internationally,<sup>64</sup> companies must be vigilant in ensuring adequate protections for migrant workers are in place.

Japanese companies score an average of only 8/100 on the theme of Recruitment, showing that there is additional work to be done to ensure companies sufficiently address the risks to and vulnerabilities of migrant workforces.

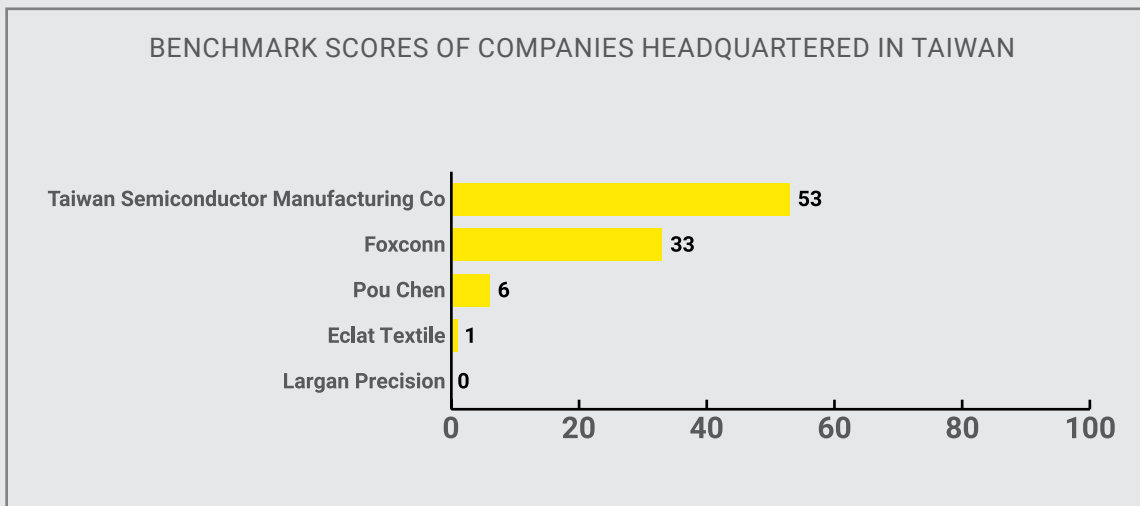
KnowTheChain's benchmark methodology is available in [Japanese](#).



64 Bloomberg (12 April 2018), Anjani Trivedi. "[Fast Retailing's Working Hard to Get the Look](#)." Accessed 31 January 2019.

## Spotlight: Taiwan

On average, the five Taiwanese companies scored significantly higher than their Chinese peers but slightly lower than the Japanese companies in the benchmark. While the average score among companies based in Taiwan is **19/100**, there is a significant variance in scores between stronger performers (**Taiwan Semiconductor Manufacturing** and **Foxconn**) and companies that received a very low score (**Eclat Textile**, **Pou Chen**, and **Largan Precision**).



Companies such as **Taiwan Semiconductor Manufacturing Company** show some good practices, such as reimbursing recruitment fees to workers in their supply chains. **Foxconn** and **Taiwan Semiconductor Manufacturing**, the two Taiwanese companies benchmarked in 2016 and 2018, both show progress, similar to the improvements of Japanese companies. However, only two out of five Taiwanese companies in the benchmark have a policy prohibiting recruitment fees. Taiwanese companies must do more to address forced labor risks, as the country hosts a large migrant workforce and issues such as high recruitment fees persist.<sup>65</sup> Migrant workers in Taiwan are reportedly mostly hired through recruitment agencies to perform low-skilled work such as farming, manufacturing, construction, fishing, or domestic work.<sup>66</sup> Furthermore, it is reported that the prosecution of those responsible for forced labor has not been effective. For example, national authorities have not always taken the appropriate legal action against those who have forced migrant workers to work on fishing vessels.<sup>67</sup>

<sup>65</sup> Interfaith Center on Corporate Responsibility (2017), p. 14, and Verité (October 2018).

<sup>66</sup> US Department of State (2018), "[Trafficking in Persons Report 2018](#)," p. 409.

<sup>67</sup> US Department of State (2018), p. 407.

Taiwanese legislation allows recruitment fees up to a certain amount.<sup>68</sup> KnowTheChain is encouraging companies to adopt the [Employer Pays Principle](#), meaning that the costs of recruitment should be borne not by the worker but by the employer, regardless of national laws. Companies sourcing from Taiwan may also consider engaging with policy makers to encourage a change in policy. The Taiwanese government could be encouraged to look at the example of Malaysia, where since 2018, the employer has been required to pay any recruitment fees.<sup>69</sup>

KnowTheChain's benchmark methodology is available in traditional [Chinese](#).



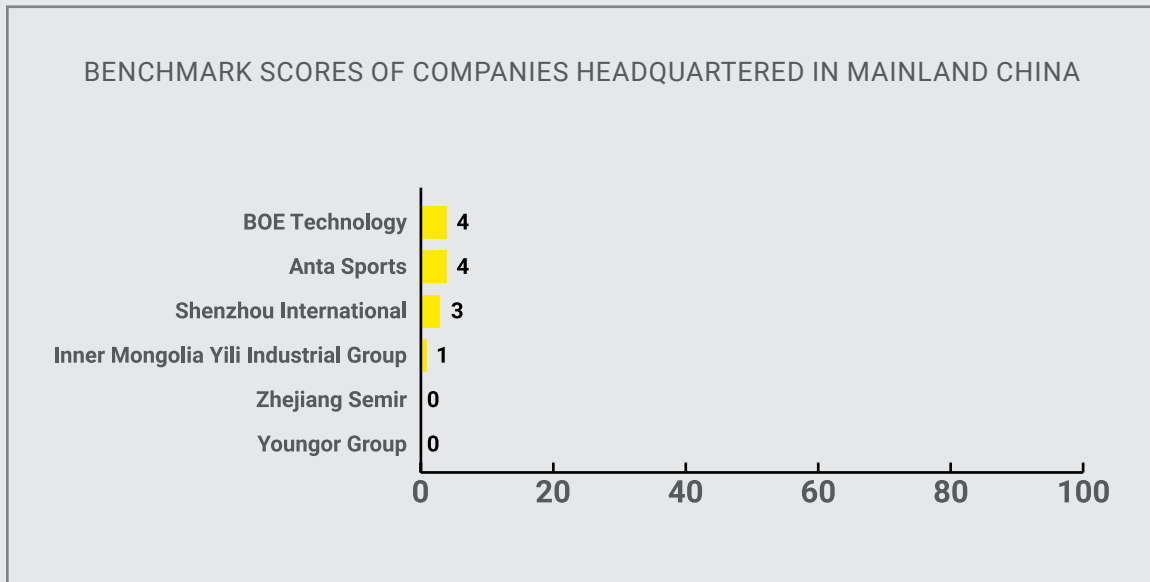
68 Taiwan News (12 June 2016), Sophia Yang. "[Migrant labor agencies not allowed to charge placement fee twice: Taiwan Ministry of Labor.](#)" Accessed 21 February 2019.

69 Malaysiakini (21 December 2017), "[Employers to pay levy for foreign workers from Jan 1, 2018.](#)" Accessed 21 February 2019.



### Spotlight: Mainland China

The six companies based in mainland China scored significantly lower than their peers in Japan and Taiwan. Companies based in mainland China evaluated by KnowTheChain achieved the lowest average score of **2/100**, with very limited disclosure on the steps taken to address forced labor in supply chains. The highest score achieved by a company based in mainland China was 4/100, compared with the highest score of a Japanese company at 43/100, and Taiwanese at 53/100.



The two companies based in mainland China that were included in the benchmark in both 2016 and 2018, **BOE Technology** and **Shenzhou International**, improved slightly by disclosing some information on supplier training and assessment and purchasing practices, respectively. However, no company based in mainland China disclosed a recruitment fee policy or a grievance mechanism for workers in their supply chains, and all of the companies headquartered in mainland China scored zero on the themes of Recruitment and Worker Voice.

These significantly low scores are concerning, not least because the region is an important production and consumption hub. For example, China is expected to become the world's largest apparel market in 2019.<sup>70</sup> The Chinese children's apparel industry has become one of the country's fastest-growing

<sup>70</sup> China Daily (6 December 2018), "[China to overtake US as world's biggest fashion market in 2019.](#)" Shenglu Fashion (28 August 2015), "[China to Become the World's Largest Apparel Market in 2019.](#)" Accessed 31 January 2019.

categories since China replaced its one-child policy with a two-child policy in 2016.<sup>71</sup> Demand for luxury apparel in China is growing equally fast.<sup>72</sup> The US Department of State categorizes China as a tier three country, meaning that it does not meet the standards of the Trafficking Victims Protection Act and is not making a significant effort to do so.<sup>73</sup> China has a large and vulnerable internal migrant population, and workers are subject to forced labor in brick kilns, coal mines, and factories.<sup>74</sup> It is imperative that companies in Asia take action to ensure that profits are not made by exploiting the workers making products such as clothes.

KnowTheChain's benchmark methodology is available in simplified [Chinese](#).

Additional good practice examples from Asia-based companies can be found in the Excel tool in Appendix 1.



71 Market Watch (20 March 2018), "[The Children's Place Announces License Agreement with China's Largest Children's Apparel Retailer, Zhejaing Semir Garmet Co. Ltd.](#)" Accessed 31 January 2019.

72 China Daily (6 December 2018). Bloomberg (26 July 2018), Robert Williams. "[Kering Shares Tumble as Torrid Gucci Demand Isn't Torrid Enough.](#)" Accessed 31 January 2019.

73 US Department of State (2018), p. 41.

74 US Department of State (2018), p. 141.

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## RECOMMENDATIONS FOR COMPANIES

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This section provides recommendations for companies in any sector on how to address forced labor risks in supply chains. It includes recommendations for companies wishing to start implementing supply chain labor rights due diligence (Section 4.1), as well as for companies that have already taken initial steps in this direction (Section 4.2). The recommendations for the latter group are based on the benchmark research and gaps that have been identified across sectors, even among leading companies.

## 4.1. Taking Initial Steps to Address Forced Labor Supply Chain Labor Risks

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Companies that are seeking to identify and address forced labor risks in their supply chains can take the following first steps to build solid foundations:

- Develop and disclose a **supplier code of conduct** that includes all four rights outlined in the ILO Declaration on Fundamental Principles and Rights at Work, including the prohibition of forced labor and human trafficking.
- Establish and disclose a **managerial structure** with clear responsibilities and accountability for the implementation of its supply chain policies and programs relevant to forced labor and human trafficking, both within the company and at the board level.
- Establish **training programs** to ensure that relevant decision-makers within the company and in its supply chains are aware of the risks related to human trafficking and forced labor and are effectively implementing the company's policies.

Companies that have undertaken these initial steps, may want to consider taking additional steps across themes to start assessing forced labor risks and building policies and processes to address them:

- Adopt a **risk-assessment process** in order to evaluate your supply chains for forced labor risks and disclose the risks identified. Such a process should assess for potential complicity in forced labor by virtue of who your suppliers are and where they are located. Assessments may use information from different sources, like risks associated with specific raw materials, countries, or vulnerable groups of workers, third-party information on supply chain risks, or findings from stakeholder or worker interviews, and supplier audit or self-assessment results.
- Develop and disclose a policy which prohibits worker-paid **recruitment fees** and requires suppliers to pay for recruitment fees and reimburse worker-paid fees where they occur (Employer Pays Principle).
- Ensure that a **formal mechanism to report grievances** regarding labor conditions is available and communicated to your suppliers' workers and relevant stakeholders such as worker organizations or labor NGOs.

For further examples on how to get started, please see Appendix 1, which includes an Excel tool that provides guidance on first steps and good practice examples. Companies beginning to build programs to address forced labor in their supply chains may wish to focus on the indicators highlighted in green.

## 4.2. Strengthening Policies and Practices Addressing Forced Labor Supply Chain Risks

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Companies that have policies and processes in place for addressing forced labor, such as a supplier code of conduct, a monitoring process for assessing suppliers, a grievance mechanism for their suppliers' workers, internal accountability, and training for their employees and suppliers, may consider taking the following additional steps to strengthen their efforts to address forced labor risks:

- Engage with relevant stakeholders on human trafficking and forced labor. This includes **engagement with policy makers, worker rights organizations, or local NGOs** in countries in which your suppliers operate. Actively participate in one or more **multi-stakeholder or industry initiatives** and work with peer companies to address forced labor risks.
- Provide evidence of **implementation for your responsible recruitment policies**; e.g., by training your suppliers on a no-fee policy or by providing evidence of fee reimbursements to supply chain workers.
- **Engage with workers** in your supply chains on their labor rights and take steps to ensure that independent third parties, such as unions or local worker rights organizations, educate workers in your supply chains on their labor rights. Work with your suppliers to improve their practices **regarding freedom of association and collective bargaining**. Work with independent local or global trade unions and worker organizations to support freedom of association in your supply chains and work to remove barriers to legitimate organizing. Where there are regulatory constraints on freedom of association, ensure workplace environments in which workers in your supply chains are able to safely pursue alternative forms of collective action.

Companies that have already established strong processes to protect the rights of workers in their supply chains—including taking steps to enable and ensure respect for worker agency and addressing the risks of exploitation of migrant workers through recruitment agencies—may consider taking the following steps to enhance their efforts and assume a leadership position in the fight against forced labor:

- Map the company's labor supply chains and investigate details such as where and to what extent recruitment agencies are used in sourcing countries and how much workers are charged to obtain employment. Disclose details of how you **support ethical recruitment** in your supply chains. Collaborate in industry initiatives or with stakeholders and peers to address systemic issues. For example, support the development of ethical recruitment schemes, engage with policy makers to improve standards for recruitment agencies, or share due diligence findings on recruitment issues like recruitment corridors or recruitment costs.
- Disclose **evidence of the effectiveness** of your policies and processes. For example, publish data from your grievance mechanism which show that it is known, trusted, and used by your suppliers' workers and other relevant stakeholders (such as worker organizations or local NGOs) and disclose examples of **remedy outcomes** for supply chain workers. To ensure scalability and effectiveness of worker engagement, consider ensuring that there are worker-to-worker education initiatives on labor rights in your supply chains and measure and disclose evidence of the positive impact of worker engagement.
- Disclose efforts to ensure that standards on forced labor are cascaded **beyond the first tier of your supply chains** and the means by which you engage with the lower tiers of your supply chains, beyond policy-level commitments. For example, build the capacity of first-tier suppliers to cascade standards to their suppliers and ensure effective grievance mechanisms are available and communicated to workers further down your supply chains.

For additional examples on how to strengthen existing policies and practices to protect supply chain labor rights, please see Appendix 1, which includes an Excel tool that provides guidance on how to get started on different themes, and good practices by indicators. Companies aiming to strengthen existing programs to address forced labor in their supply chains may wish to focus on the indicators highlighted in yellow.

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# RECOMMENDATIONS FOR INVESTORS:

## Questions to Ask Investee Companies

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Forced labor risks are prevalent in corporate supply chains across sectors and regions<sup>75</sup> and, thus, are likely to be present in most investors' portfolios. This has been acknowledged not least by the creation of the [Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking](#), which was formed in 2018 as a result of the United Nations Security Council and G-7 and G-20 leaders identifying and calling out the risks posed by forced labor and human trafficking. The initiative also serves to highlight the role the financial sector can play to address those risks.<sup>76</sup>

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<sup>75</sup> See 1. Introduction: Forced Labor Remains a Key Challenge in Corporate Supply Chains.

<sup>76</sup> Financial Sector Commission (September 2018), "[Secretariat Briefing Paper 1](#)," p. 2.

Included in the Commission Secretariat's recommendations for the financial sector is "embracing a responsibility to take action throughout extended value chains."<sup>77</sup> Examples of investors taking action on forced labor—including through using the results of KnowTheChain's benchmark—range from initiatives addressing forced labor in the context of broader supply chain labor rights or [key risks in a sector-specific engagement](#), to investors [filing resolutions](#). By signing the [KnowTheChain investor statement](#), over 100 global investors from Europe, North America, and Australia, with combined assets under management of over US\$4 trillion, publicly committed to addressing forced labor risks in their portfolios.<sup>78</sup>

## Asking Questions

Investors can play an important role by asking investee companies about their efforts to address forced labor in their supply chains:<sup>79</sup>

- How does the company identify and address forced labor risks in its supply chains, including beyond the first tier?
- How does the company ensure supply chain workers are aware of and enabled to exercise their rights? In particular, how does the company support freedom of association in its supply chains?
- What steps does the company take to ensure migrant workers in its supply chains are not exploited by recruitment or employment agencies?
- How does the company engage with industry or multi-stakeholder initiatives to work toward systemic solutions (for example, by engaging policy makers and advocating for regulatory reforms)?
- How does the company ensure that supply chain workers have access to effective grievance mechanisms? How does the company guarantee that supply chain workers whose rights have been violated receive remedy?

## Understanding Red Flags

When evaluating company responses, it is important to consider whether a company can demonstrate that it understands forced labor risks and takes them seriously (such as by demonstrating board oversight). At a minimum, consider whether the company makes credible commitments and develops and discloses measurable and time-bound targets to track performance and improvement over time.<sup>80</sup>

77 Financial Sector Commission (January 2019), "[Secretariat Briefing Paper 2](#)," p. 3.

78 KnowTheChain welcomes [additional investor signatories to the statement](#).

79 Also see KnowTheChain (2017), "[Forced Labor Action Compared: Findings from Three Sectors](#)," pp. 32-33.

80 Core Coalition (June 2017), "[Engaging with Companies on Modern Slavery – A Briefing for Investors](#)," p. 8.



## Defining Expectations

To help companies understand what is expected of them, the KnowTheChain methodology, which is available in English, simplified and traditional Chinese, and Japanese, may provide a useful starting point. Further, for each of the indicators, Appendix 1 provides suggestions for how to get started and sector-specific good practice examples. Companies that were included in the KnowTheChain benchmark have a scorecard that provides three company-specific recommendations.<sup>81</sup>

While some companies achieve a higher score, they are often supplied by lower-scoring companies in the benchmark and should take action to engage these suppliers on improving their policies and practices to address forced labor risks.<sup>82</sup>

## Taking Action Across Asset Classes

It is important to note that forced labor risks occur across asset classes; hence investors should address risks across their portfolio. As an example, a report from the UN-supported Principles for Responsible Investment discusses the responsibility of private equity investors for human rights impacts and the value, constraints, and potential of human rights due diligence for private equity.<sup>83</sup>

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81A list of all benchmarked companies can be found [here](#). Each of the [sector benchmarks](#) includes a ranking of findings for individual companies (Click on 'Company name' -> 'View company' -> 'Download scorecard').

82 See Section 3.3 for further details.

83 Principles for Responsible Investment, British Institute of International and Comparative Law (2017), "[BIICL and PRI Workshop on Human Rights in Private Equity: Information and Summary](#)."

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# APPENDIX 1:

## KnowTheChain Benchmark Indicators— Learn How to Get Started and What Good Practice Looks Like Across Three Sectors

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This [Excel tool](#) and Section 4 provide companies with guidance on how to address forced labor in their supply chains.

It includes guidance on how to get started and guidance for companies wishing to strengthen existing policies. It also includes guidance on due diligence efforts companies can undertake to more effectively address their forced labor supply chain risks.

The tool includes good practice examples from the ICT, food and beverage, and apparel and footwear sectors, which can serve as inspiration and guidance for companies in any sector.

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## APPENDIX 2:

### 2018 Benchmark Scores Across Sectors— Recruitment and Worker Voice

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The list below details the total score for every company benchmarked in 2018 and their scores on the themes of Recruitment and Worker Voice.<sup>84</sup> Each company is given a score out of 100 potential points. The benchmark has seven themes, two of which are Recruitment and Worker Voice. All seven themes are weighted equally within a company's total score.<sup>85</sup>

<sup>84</sup> Please note that the research for the ICT benchmark was conducted through January 2018, for the food and beverage benchmark through March 2018, and for the apparel and footwear benchmark through June 2018 (and, in each sector, up two months later where companies provided additional disclosure). Corporate disclosure published or updated after these timeframes has not been taken into account.

<sup>85</sup> For further details, please see KnowTheChain's [sector methodologies](#).

COMPANY	SECTOR	HEADQUARTERS	SCORE OUT OF 100	RECRUITMENT	WORKER VOICE
<a href="#">Adidas AG</a>	Apparel & Footwear	Germany	92	88	88
<a href="#">Ahold Delhaize</a>	Food & Beverage	Netherlands	24	0	5
<a href="#">Almarai</a>	Food & Beverage	Saudi Arabia	0	0	0
Amazon.com Inc.	Average scores across sectors	United States	33	42	15
<a href="#">(Amazon.com Inc.)</a>	Apparel & Footwear	United States	34	45	15
<a href="#">(Amazon.com Inc.)</a>	ICT	United States	32	39	15
<a href="#">Amphenol Corp.</a>	ICT	United States	9	0	0
<a href="#">Analog Devices Inc.</a>	ICT	United States	28	31	13
<a href="#">Anta Sports Products Ltd.</a>	Apparel & Footwear	Mainland China	4	0	0
<a href="#">Apple Inc.</a>	ICT	United States	71	76	58
<a href="#">Applied Materials Inc.</a>	ICT	United States	27	31	18
<a href="#">Archer Daniels Midland Co.</a>	Food & Beverage	United States	22	13	25
<a href="#">Asics Corp.</a>	Apparel & Footwear	Japan	41	0	43
<a href="#">ASML Holding N.V.</a>	ICT	Netherlands	36	31	23
<a href="#">Associated British Foods plc</a>	Food & Beverage	United Kingdom	30	6	3
<a href="#">BOE Technology Group Co. Ltd.</a>	ICT	Mainland China	4	0	0
<a href="#">BRF S.A.</a>	Food & Beverage	Brazil	18	6	16
<a href="#">Broadcom Inc.</a>	ICT	United States	6	0	0
<a href="#">Burberry Group plc</a>	Apparel & Footwear	United Kingdom	54	60	27
<a href="#">Campbell Soup Co.</a>	Food & Beverage	United States	37	19	25
<a href="#">Canon Inc.</a>	ICT	Japan	16	0	5
<a href="#">Carrefour SA</a>	Food & Beverage	France	25	0	13
<a href="#">Carter's Inc.</a>	Apparel & Footwear	United States	43	13	5
<a href="#">Chocoladefabriken Lindt &amp; Sprüngli AG</a>	Food & Beverage	Switzerland	32	0	25
<a href="#">Cisco Systems Inc.</a>	ICT	United States	51	38	20
<a href="#">Coca-Cola European Partners plc</a>	Food & Beverage	United Kingdom	38	13	23
<a href="#">Columbia Sportswear Co.</a>	Apparel & Footwear	United States	31	0	18
<a href="#">Conagra Brands Inc</a>	Food & Beverage	United States	18	13	10

COMPANY	SECTOR	HEADQUARTERS	SCORE OUT OF 100	RECRUITMENT	WORKER VOICE
<a href="#">Corning Inc.</a>	ICT	United States	6	0	0
<a href="#">Costco Wholesale Corp.</a>	Food & Beverage	United States	23	13	11
<a href="#">Danone S.A.</a>	Food & Beverage	France	38	25	8
<a href="#">Eclat Textile Corp. Ltd.</a>	Apparel & Footwear	Taiwan	1	0	0
<a href="#">Fast Retailing Co. Ltd.</a>	Apparel & Footwear	Japan	43	6	29
<a href="#">Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)</a>	Food & Beverage	Mexico	7	0	0
<a href="#">Foot Locker Inc.</a>	Apparel & Footwear	United States	12	0	13
<a href="#">Gap Inc.</a>	Apparel & Footwear	United States	75	44	64
<a href="#">General Mills Inc.</a>	Food & Beverage	United States	35	19	23
<a href="#">Gildan Activewear Inc.</a>	Apparel & Footwear	Canada	47	0	32
<a href="#">Hanesbrands Inc.</a>	Apparel & Footwear	United States	50	6	26
<a href="#">Hennes &amp; Mauritz AB</a>	Apparel & Footwear	Sweden	65	38	64
<a href="#">Hermès International S.A.</a>	Apparel & Footwear	France	17	0	0
<a href="#">Hershey Co.</a>	Food & Beverage	United States	22	0	23
<a href="#">Hewlett Packard Enterprise Co.</a>	ICT	United States	71	94	33
<a href="#">Hitachi Ltd.</a>	ICT	Japan	39	31	9
<a href="#">Hon Hai Precision Industry Co. Ltd. (Foxconn)</a>	ICT	Taiwan	33	31	21
<a href="#">Hormel Foods Corp.</a>	Food & Beverage	United States	10	19	0
<a href="#">Hoya Corp.</a>	ICT	Japan	14	0	5
<a href="#">HP Inc.</a>	ICT	United States	72	84	38
<a href="#">Hugo Boss AG</a>	Apparel & Footwear	Germany	62	0	55
<a href="#">Industria de Diseño Textil S.A. (Inditex)</a>	Apparel & Footwear	Spain	70	32	66
<a href="#">Infineon Technologies AG</a>	ICT	Germany	14	0	8
<a href="#">Inner Mongolia Yili Industrial Group Co. Ltd.</a>	Food & Beverage	Mainland China	1	0	0
<a href="#">Intel Corp.</a>	ICT	United States	75	86	23
<a href="#">JBS S.A.</a>	Food & Beverage	Brazil	15	0	5
<a href="#">Kellogg Co.</a>	Food & Beverage	United States	66	58	47

COMPANY	SECTOR	HEADQUARTERS	SCORE OUT OF 100	RECRUITMENT	WORKER VOICE
<a href="#">Kering S.A.</a>	Apparel & Footwear	France	45	6	18
<a href="#">Kerry Group plc</a>	Food & Beverage	Ireland	17	0	23
<a href="#">Keyence Corp.</a>	ICT	Japan	7	0	0
<a href="#">Kyocera Corp.</a>	ICT	Japan	13	6	0
<a href="#">L Brands Inc.</a>	Apparel & Footwear	United States	52	13	26
<a href="#">Lam Research Corp.</a>	ICT	United States	11	0	0
<a href="#">Largan Precision Co. Ltd.</a>	ICT	Taiwan	0	0	0
<a href="#">Li &amp; Fung Ltd.</a>	Apparel & Footwear	Hong Kong	33	0	28
<a href="#">Loblaw Companies Ltd.</a>	Food & Beverage	Canada	16	6	13
<a href="#">LPP Spolka Akcyjna</a>	Apparel & Footwear	Poland	28	6	28
<a href="#">Lululemon Athletica Inc.</a>	Apparel & Footwear	Canada	89	94	70
<a href="#">"LVMH Moët Hennessy - Louis Vuitton SE"</a>	Apparel & Footwear	France	14	6	0
<a href="#">Michael Kors Holdings Ltd.</a>	Apparel & Footwear	United Kingdom	24	45	0
<a href="#">Microchip Technology Inc.</a>	ICT	United States	7	0	0
<a href="#">Micron Technology Inc.</a>	ICT	United States	37	31	23
<a href="#">Microsoft Corp.</a>	ICT	United States	61	48	57
<a href="#">Mondelēz International Inc.</a>	Food & Beverage	United States	33	6	16
<a href="#">Monster Beverage Corp.</a>	Food & Beverage	United States	4	0	0
<a href="#">Mr Price Group Ltd.</a>	Apparel & Footwear	South Africa	22	6	3
<a href="#">Murata Manufacturing Co. Ltd.</a>	ICT	Japan	19	19	5
<a href="#">Nestlé S.A.</a>	Food & Beverage	Switzerland	58	45	26
<a href="#">Nike Inc.</a>	Apparel & Footwear	United States	63	34	57
<a href="#">Nintendo Co. Ltd.</a>	ICT	Japan	25	6	13
<a href="#">Nokia Corp.</a>	ICT	Finland	38	6	10
<a href="#">NVIDIA Corp.</a>	ICT	United States	35	31	9
<a href="#">NXP Semiconductors NV</a>	ICT	Netherlands	63	73	39
<a href="#">Page Industries Ltd.</a>	Apparel & Footwear	India	19	14	15

COMPANY	SECTOR	HEADQUARTERS	SCORE OUT OF 100	RECRUITMENT	WORKER VOICE
<a href="#">PepsiCo Inc.</a>	Food & Beverage	United States	49	23	23
<a href="#">Pou Chen Corp.</a>	Apparel & Footwear	Taiwan	6	0	5
<a href="#">Prada S.p.A.</a>	Apparel & Footwear	Italy	5	0	0
<a href="#">Primark (subsidiary retail group of Associated British Foods)</a>	Apparel & Footwear	United Kingdom	72	38	63
<a href="#">Puma SE</a>	Apparel & Footwear	Germany	61	13	65
<a href="#">PVH Corp.</a>	Apparel & Footwear	United States	69	60	58
<a href="#">Qualcomm Inc.</a>	ICT	United States	49	31	21
<a href="#">Ralph Lauren Corp.</a>	Apparel & Footwear	United States	58	13	28
<a href="#">Salvatore Ferragamo S.p.A.</a>	Apparel & Footwear	Italy	13	0	0
<a href="#">Samsung Electronics Co. Ltd.</a>	ICT	South Korea	62	76	43
<a href="#">Shenzhou International Group Holdings Ltd.</a>	Apparel & Footwear	Mainland China	3	0	0
<a href="#">Shimamura Co. Ltd.</a>	Apparel & Footwear	Japan	0	0	0
<a href="#">SK Hynix Inc.</a>	ICT	South Korea	19	0	0
<a href="#">Skechers USA, Inc.</a>	Apparel & Footwear	United States	7	0	0
<a href="#">Skyworks Solutions Inc.</a>	ICT	United States	34	31	13
<a href="#">Suntory Beverage &amp; Food Ltd.</a>	Food & Beverage	Japan	11	0	0
<a href="#">Taiwan Semiconductor Manufacturing Co. Ltd.</a>	ICT	Taiwan	53	38	9
<a href="#">TE Connectivity Ltd.</a>	ICT	Switzerland	17	6	10
<a href="#">Telefonaktiebolaget LM Ericsson (publ) (Ericsson)</a>	ICT	Sweden	46	13	35
<a href="#">Tesco plc</a>	Food & Beverage	United Kingdom	60	48	64
<a href="#">Texas Instruments Inc.</a>	ICT	United States	38	31	15
<a href="#">The Coca-Cola Company</a>	Food & Beverage	United States	62	60	34
<a href="#">The J. M. Smucker Company</a>	Food & Beverage	United States	35	13	38
<a href="#">The Kraft Heinz Company</a>	Food & Beverage	United States	23	0	10
<a href="#">The Kroger Co.</a>	Food & Beverage	United States	34	13	5
<a href="#">Tokyo Electron Ltd.</a>	ICT	Japan	20	31	13
<a href="#">Tyson Foods Inc.</a>	Food & Beverage	United States	12	0	8

COMPANY	SECTOR	HEADQUARTERS	SCORE OUT OF 100	RECRUITMENT	WORKER VOICE
<a href="#">Under Armour Inc.</a>	Apparel & Footwear	United States	44	13	39
<a href="#">Unilever plc</a>	Food & Beverage	United Kingdom	69	71	65
<a href="#">VF Corp.</a>	Apparel & Footwear	United States	64	19	35
Walmart Inc.	Average scores across sectors	United States	49	60	43
<a href="#">(Walmart Inc.)</a>	Food & Beverage	United States	54	60	53
<a href="#">(Walmart Inc.)</a>	Apparel & Footwear	United States	44	60	32
<a href="#">Wesfarmers Ltd./Coles</a>	Food & Beverage	Australia	43	13	19
<a href="#">Western Digital Corp.</a>	ICT	United States	30	31	13
<a href="#">WH Group Ltd.</a>	Food & Beverage	Hong Kong	0	0	0
<a href="#">Wilmar International Ltd.</a>	Food & Beverage	Singapore	48	19	39
<a href="#">Woolworths Ltd.</a>	Food & Beverage	Australia	39	29	16
<a href="#">Youngor Group Co. Ltd.</a>	Apparel & Footwear	Mainland China	0	0	0
<a href="#">Yue Yuen Industrial Holdings Ltd.</a>	Apparel & Footwear	Hong Kong	1	0	0
<a href="#">Zhejiang Semir Garment Co. Ltd.</a>	Apparel & Footwear	Mainland China	0	0	0



## ABOUT KNOWTHECHAIN

**KnowTheChain**—a partnership of Humanity United, the Business & Human Rights Resource Centre, Sustainalytics, and Verité—is a resource for businesses and investors who need to understand and address forced labor abuses within their supply chains. It benchmarks current corporate practices, develops insights, and provides practical resources that inform investor decisions and enable companies to comply with growing legal obligations while operating more transparently and responsibly. [knowthechain.org](https://knowthechain.org)

**Humanity United** is a foundation dedicated to bringing new approaches to global problems that have long been considered intractable. It builds, leads, and supports efforts to change the systems that contribute to problems like human trafficking, mass atrocities, and violent conflict. Humanity United is part of The Omidyar Group, a diverse collection of organizations, each guided by its own approach, but united by a common desire to catalyze social impact. [humanityunited.org](https://humanityunited.org)

**Sustainalytics** is an independent ESG and corporate governance research, ratings, and analysis firm supporting investors around the world with the development and implementation of responsible investment strategies. [sustainalytics.com](https://sustainalytics.com)

**Business & Human Rights Resource Centre** is a non-profit that tracks the human rights conduct of more than 7,000 companies worldwide. [business-humanrights.org](https://business-humanrights.org)

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