



ICT Benchmark Findings Report

June 2016

The methodology for this report was developed by KnowTheChain, with input from stakeholders in business, investment, and civil society. Engagement with the companies in the benchmark was conducted by Business & Human Rights Resource Centre (inviting additional disclosure in response to engagement questions), and Sustainalytics. All research was conducted by Sustainalytics. Contributing authors include: Annabel Short (Business & Human Rights Resource Centre), Felicitas Weber (Business & Human Rights Resource Centre), Kevin Ranney (Sustainalytics), Megan Wallingford (Sustainalytics), Philip Hunter (Verité), Kilian Moote (Humanity United), and Liliana Giffen (Humanity United).

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Updated June 2016

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INTRODUCTION

Recognizing that benchmarks can play a powerful role in encouraging companies to uphold labor standards, KnowTheChain has benchmarked 20 ICT companies on the transparency of their efforts to eradicate forced labor from their global supply chains.

These publicly traded companies were selected on the basis of their size (market cap) and the extent to which they derive revenues from physical products as opposed to services. KnowTheChain assessed information available on each company's own website as well as additional [public disclosure](#) that over half of the companies provided in response to engagement questions.

The companies were evaluated using a [methodology](#) with seven themes: commitment and governance; traceability and risk assessment; purchasing practices; recruitment; worker voice; monitoring; and remedy. Each company received a score out of 100 possible points.

This report provides a summary of key findings from the benchmark. For full results by company and theme visit [KnowTheChain.org](https://www.knowthechain.org).

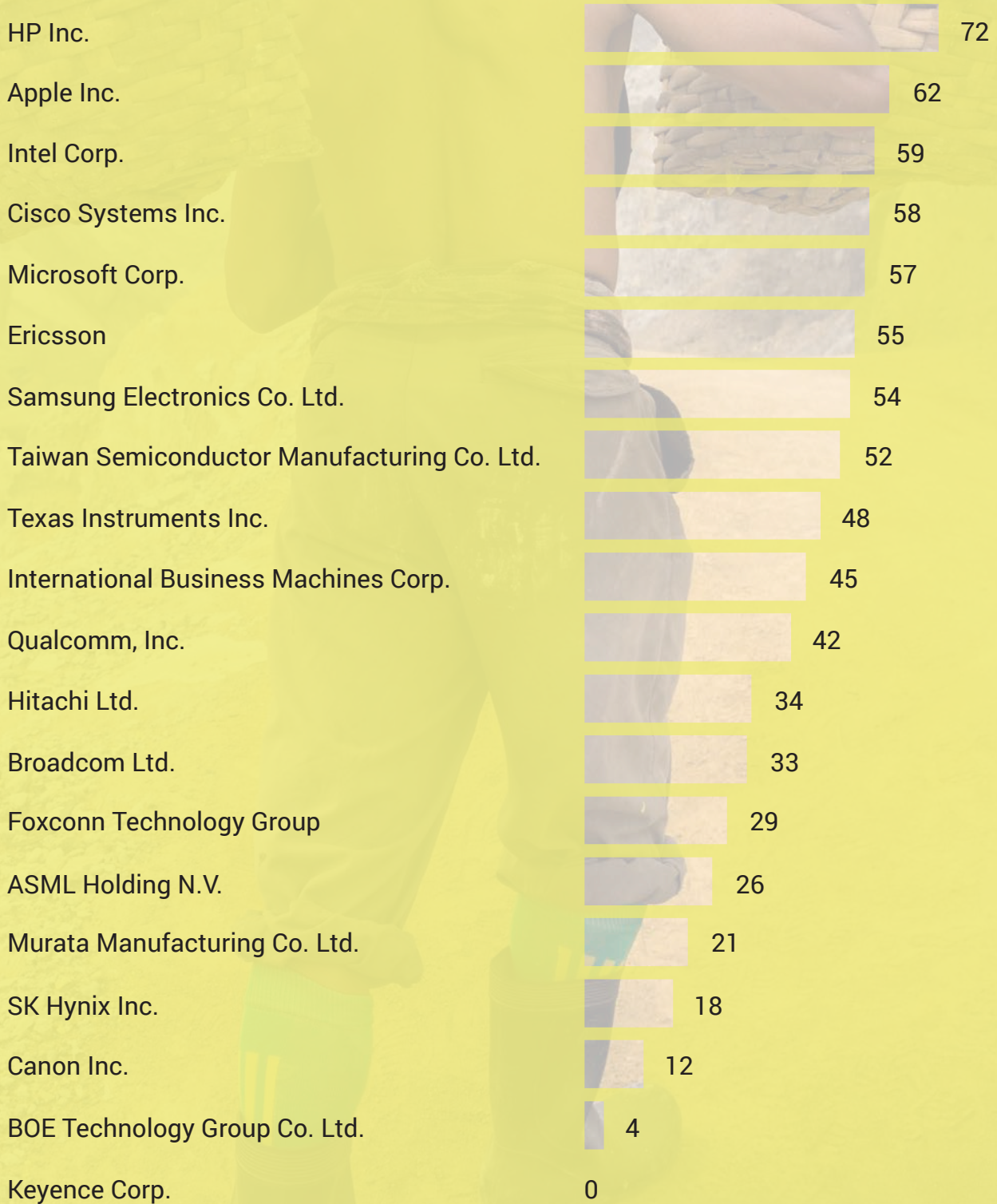
Forced Labor and Information and Communications Technology

According to the International Labour Organization, an estimated 21 million people are victims of forced labor around the world. Forced labor in the private economy generates US\$150 billion in illegal profits every year – of which US\$34 billion is in sectors such as manufacturing, construction, mining, and utilities.

The Information and Communications Technology (ICT) industry is an at-risk sector. Workers manufacturing components in technology companies' supply chains are often migrant workers, particularly vulnerable to exploitation during the recruitment process and in their workplaces. As a Verité [study](#) found in 2014, nearly a third of migrant workers in Malaysia's electronics sector are in situations of forced labor – building and assembling products for some of the world's major technology firms. These workers can find themselves trapped by burdensome debt owed to recruitment agents, deprived of access to their passports, and working excessive hours for minimal pay.

The UN Guiding Principles on Business and Human Rights have established that businesses have a responsibility to respect human rights, including through business relationships in their supply chain. There are also growing regulatory requirements for companies to disclose the steps they are taking to address forced labor. These include the California Supply Chains Transparency Act and the Modern Slavery Act in the UK. The [UN Sustainable Development Goals](#) also address the challenge: Goal 8 includes the objective to “take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking.”

Figure 1: Overall Company Scores



Top-Level Findings

The ICT sector demonstrates high levels of awareness of the risk of forced labor but must do far more to address the issue throughout corporate supply chains

Eighteen of the 20 companies benchmarked have publicly demonstrated awareness of and commitment to addressing forced labor in the supply chain. However, far fewer of these companies also have strong processes in place to implement these commitments. Although the highest scoring companies, HP (72) and Apple (62), demonstrate strong transparency on the steps they are taking, over half of the companies score under 50 points overall. Three companies score under 15 points – Canon, BOE Technology, and Keyence.

Among the benchmark's seven themes, key messages have emerged from the following three.

Worker Voice



ICT companies are taking little action to ensure workers have a voice throughout their supply chains. Companies score on average 16/100 in this area. This is the lowest average score across all seven benchmark themes, with the highest company score on the theme being 38/100.

Companies need to ensure the voices of vulnerable workers far down their supply chains are heard and respond accordingly. This involves enabling freedom of association even in contexts where there are barriers to overcome (particularly for migrant workers) and ensuring access to trusted, effective worker grievance mechanisms.

Recruitment



While some firms having leading policies on recruitment fees, more action is needed across the sector. The average score in this theme was 19/100. Supply chain workers are particularly at risk of exploitation through the recruitment process, for example when recruitment agencies charge high fees to workers to secure a job. While 12 out of 20 companies report that they prohibit fees from being charged to workers during recruitment processes, the majority of benchmarked ICT companies lack an approach to recruitment that mitigates the risk of human trafficking and forced labor. Two companies provide evidence that they ensure suppliers reimburse recruitment fees when the no-fees policy has been violated by disclosing the total amount of fees that have been reimbursed. Three companies make reference to recruitment audits, but disclosure of the details of these audits is limited.

Traceability and Risk Assessment



ICT companies are taking steps to trace their supply chains beyond first-tier suppliers, demonstrating that tracing supply chains to the commodity-level is possible. In fact, the majority (16 out of 20 companies) disclose a process to trace conflict minerals entering their supply chains. Several companies also disclose the names and locations of refiners and smelters in their supply chains.

This demonstrates the important role of transparency regulations in driving change: these traceability efforts are largely driven by the US Dodd-Frank Act disclosure regulations around conflict minerals.

Traceability efforts must now be strengthened to specifically focus on identifying risks of forced labor throughout a company's supply chain. Only three companies have conducted forced labor risk assessments focused on specific commodities, regions, or vulnerable groups of workers. As a recent Amnesty International [report](#) on child labor in artisanal cobalt mining in the Democratic Republic of Congo found, companies that do have traceability processes in place are still often unable to identify whether they source from particular mines.

How do I Engage with the Benchmark?

Companies

Companies that are included in this benchmark can use it as a tool for internal and external engagement with relevant stakeholders to drive improvements in their operations. All companies – including any company in the ICT sector – can use the findings and recommendations to identify good practices and assess areas where they may need to pay greater attention to forced labor risks.

“At HP we believe that our actions must focus on addressing some of the greatest challenges we face as a society, including combatting human trafficking, forced labor, and other forms of exploitation of vulnerable workers. We are pleased that KTC has recognized HP’s bold and transparent supply chain standards. We have been strongly committed to socially responsible business practices throughout our 75 year history, and will continue to drive these values and programs within our company, our industry, and beyond.” - Jay Celorie, Global Program Manager, Human Rights, HP Inc.

Investors

Forced labor can have negative impacts on companies’ operations and business development. Investors are increasingly engaging with companies on this issue, given the long-term financial performance implications stemming from legal and reputational risks. Indeed, exposure to forced labor can not only create risk for companies, but can also generate direct reputational risks for investors themselves.

Investors can use the benchmark results as a basis for engagement with their holdings, encouraging the adoption of best practices. They may also decide to channel investment towards companies that have strong transparency and practices in place.

Findings by Theme

For each of the seven themes in the benchmark, companies were scored on a set of indicators, with a total possible score of 100 for each theme. The seven themes were weighted equally in calculating a company's overall score. Notable findings for each theme were as follows (numbers show the average score across the 20 companies for the theme). **Annex A includes a detailed overview of the methodology used, including a summary for all the indicators used in each theme.**

COMMITMENT AND GOVERNANCE

This theme evaluates a company's awareness of and commitment to addressing forced labor, supply chain standards, management processes, training programs, and engagement with stakeholders.

Average Company Score: 64/100



This theme has the highest overall score, demonstrating strong levels of awareness within the sector of the importance of addressing forced labor in supply chains. Eighteen of the 20 companies benchmarked have publicly demonstrated their awareness of and commitment to addressing forced labor.

However, it is concerning that six companies (ASML, BOE, Canon, Keyence, Murata, SK Hynix) do not have a publicly available supply chain code of conduct that requires suppliers to adhere to international standards prohibiting forced labor.

Many companies have supplier training programs in place. Notably, HP describes a process in which it trains suppliers below its first tier.

Members of the Electronic Industry Citizenship Coalition (EICC) provide strong examples of stakeholder engagement on local forced labor risks, such as training programs on student employment initiatives in China and on migrant workers in Malaysia.

Notable Examples

HP (training): In addition to providing first-tier supplier training, the company has trained 422 sub-tier suppliers through programs conducted jointly with its first-tier suppliers on a range of topics.

Apple (training): During times with increased production (for example, when new product launches occur), the company “sends a team onsite to provide hands-on guidance to suppliers that need help to address potential labor and human rights issues.”

Cisco (stakeholder engagement): Cisco states that, through its participation in Electronics Industry Citizenship Coalition’s (EICC) Vulnerable Worker Working Group, it has worked in partnership with the Labor and Education Service Network (LESN), an NGO, “to deliver student workers management toolkits to assist (EICC) members and their supply chain in recruiting & managing student workers responsibly in China.”

Recommended Company Actions

Stakeholder Engagement: Engage in consultation with local NGOs and experts in source countries on forced labor risks – either independently, or in partnership with sector-wide initiatives such as the EICC.

Training: Ensure that internal decision makers and suppliers’ management teams receive training on forced labor issues. Furthermore, companies should strive to ensure that supplier training extends to high-risk suppliers throughout the supply chain, especially beyond first-tier suppliers.

TRACEABILITY AND IMPACT ASSESSMENT



This theme measures the extent to which a company traces its supply chain, conducts forced labor risk assessments, and discloses information about these processes.

Average Company Score: 46/100

Several US-based ICT companies have traced their supply chains down to the level of metals that are used to make components, such as tungsten, tin, and tantalum – largely as a result of the Dodd

Frank section 502 transparency requirements on conflict minerals. Companies such as Microsoft, IBM, Samsung, Taiwan Semiconductor Manufacturing Company (TSMC), and Texas Instruments report using the [Organisation for Economic Co-operation and Development \(OECD\) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas](#) in order to do this. This demonstrates to companies in other sectors that deep traceability to the commodity-level is possible.

However, only three out of 20 companies provide an example of conducting specific assessments of forced labor risks in their supply chains, whether in the context of conflict minerals or in other parts of their supply chains.

Notable Example

Intel (traceability): Intel's traceability process for conflict minerals includes, among other activities, surveying its suppliers, on-site visits of smelters and refiners, and on the ground review of the minerals trade in the Democratic Republic of Congo. Intel also continually engages refiners and smelters by offering them training and monitoring their progress toward achieving conflict-free operations.

Recommended Company Actions

Risk Assessment: Ensure that forced labor and trafficking risks are incorporated into supply chain traceability efforts. Use ILO forced labor estimates, guides such as the [Responsible Sourcing Tool](#), and relevant local sources to assess forced labor risks prior to sourcing from a particular context.

PURCHASING PRACTICES



This theme assesses a company's awareness and action on purchasing practices that can exacerbate forced labor risks and its process for selecting suppliers, integrating supply chain standards into supplier contracts, and cascading them down the supply chain.

Average Company Score: 43/100

Three of the benchmarked companies acknowledge that certain purchasing practices, such as fluctuating demand and short-term contracts, can increase the risk of forced labor in their supply chains.

Ten companies report that they integrate their supply chain standards into their contracts with suppliers. While 12 companies state that they require suppliers to ensure that their own suppliers adhere to codes that are in line with the company's standards, only one describes a process by which this is done.

Notable Examples

Ericsson (purchasing practices): Ericsson reports that it strives to provide medium- to long-term forecasts to its suppliers to allow for long-term planning and an even work load.

HP (purchasing practices): HP provides tools and information to support suppliers in managing their capacity to meet fluctuating demands, such as providing key suppliers with a rolling 12+ week forecast. Meetings are scheduled weekly to review this forecast, analyze demand against supplier capacity based only on a 60-hour work week, and confirm production plans.

Samsung (cascading standards): Samsung reports that it mandates suppliers to cascade Electronic Industry Citizenship Coalition (EICC) standards down its supply chain by including this item in its supplier self-assessment check lists as well as for the on-site audits of suppliers.

Recommended Company Actions

Purchasing Practices: Acknowledge the links between certain approaches to purchasing and forced labor, and take steps to mitigate the risks resulting from these approaches.

Cascading Standards: Extend due diligence to lower levels of the supply chain, including to subcontractors where visibility is low and the risk of forced labor is high.

RECRUITMENT



This theme measures a company's approach to reducing the risk of exploitation of supply chain workers by recruitment agencies and eliminating workers' payment of fees during recruitment processes throughout its supply chain.

Average Company Score: 19/100

This is an area where, despite leading practices by a few firms, overall awareness and transparency from the sector is low. Only four of the companies demonstrate awareness of the risks of forced labor that can arise from the use of recruitment agencies – and one company has a policy that requires companies to employ workers directly. Three companies make reference to conducting recruitment agency audits or requiring their suppliers to do so, but disclose limited details of these processes.

Notable Examples

HP (recruitment approach): HP's Supply Chain Foreign Migrant Worker Standard states that "foreign migrant workers shall be signed directly with the supplier, not with a recruitment agent" and also that "suppliers should seek, where possible, to minimize the use of recruitment agents and hire foreign migrant workers directly."

Apple and Cisco (recruitment fees): Both provide evidence that they are ensuring that their suppliers reimburse recruitment fees by disclosing the total amount of fees that have been reimbursed. Apple reports that over US\$25.6 million has been repaid to workers in its supply chain since 2008, including US\$4.7 million in 2015 alone. Cisco reports that in 2015 it secured the return of US\$251,000 to impacted migrant workers.

Recommended Company Actions

Recruitment Fees: Ensure that no fees are charged to supply chain workers and require that workers are repaid when they are charged.

Direct Hiring: Promote direct hiring and – where this is not possible – perform robust due diligence of third-party recruitment agencies

Recruitment Audits: Implement recruitment agency audits as part of supply chain monitoring program.

WORKER VOICE



This theme measures the extent to which a company proactively communicates with workers through its supply chain, enables freedom of association, and ensures access to effective and trusted grievance mechanisms.

Average Company Score: 16/100

As the lowest-scoring theme and one that is critical to reducing instances of forced labor in supply chains, this is an area where the industry needs to significantly improve. Although over half of the companies (11 out of 20) state that they have a grievance mechanism that is available to suppliers' workers, only four companies disclose how they ensure the mechanism is proactively communicated to suppliers' workers.

None of the companies provided examples of steps taken to enable an environment where supply chain workers can organize when there are regulatory constraints on freedom of association, nor examples of engaging workers outside of the context of the workplace on their labor rights.

Notable Example

Microsoft (grievance mechanism): states that "learning directly from workers is a key priority." In 2014 it "launched an anonymous and factory-independent worker grievance hotline pilot project."

Recommended Company Actions

Worker Empowerment: Translate policy-level commitments to freedom of association into practice by taking steps to ensure that workers in the supply chain are able to organize, especially in contexts where there are regulatory obstacles (often the case for migrant workers).

Grievance Mechanisms: Ensure workers throughout the supply chain have access to grievance mechanisms that adhere to the "effectiveness criteria" set out in the [UN Guiding Principles](#)

on [Business and Human Rights](#). They should be legitimate, accessible, predictable, equitable, transparent, and rights-compatible. The grievance mechanism should be based on engagement and dialogue, including with suppliers' workers, and should be a source of continuous learning.

Worker Voice: Partner with local NGOs and other relevant actors to engage workers outside the context of the workplace to ensure broader communication on their situations and obstacles confronted.

MONITORING



This theme evaluates a company's process for auditing (including whether it performs non-scheduled visits, document reviews, and/or worker interviews) and disclosure on the outcomes of its audit process.

Average Company Score: 47/100

Several companies have auditing processes in place that include a review of relevant documentation and worker interviews. Six companies say that they do conduct unannounced audits, but no company reports the percentage of unannounced audits and only one reports the number.

Notable Example

Microsoft (auditing process): Microsoft states, that during its factory review process, "auditors examine documentation; visit production lines, dorms, canteens, and waste storage facilities; and conduct face-to-face interviews of workers and factory management." Microsoft also audits suppliers below the first tier. "Third-party auditors audit SEA conformance with our Tier 1 suppliers annually and our Tier 2 suppliers based on their risk level. Microsoft's SEA team supplements these third-party audits with regular onsite assessments of Tier 1 factories and high- and medium-risk Tier 2 component suppliers."

Recommended Company Actions

Audit Process: Ensure that the audit process includes worker interviews, and work to increase the percentage of audits that are non-scheduled. Companies should also conduct audits below first-tier suppliers where the risk of forced labor is higher.

REMEDY



This theme measures the extent to which a company has corrective action plans for non-compliant factories as well as processes for remedying workers who are victims of forced labor and whether it reports on remedies provided.

Average Company Score: 39/100

Eleven out of twenty companies describe actions taken in cases of non-compliance against supply factories with the supply chain code of conduct and potential consequences if corrective actions are not taken.

However, while four firms describe their process to directly remedy workers in forced labor situations, only two describe examples of this other than reimbursement of recruitment fees. Intel says that documents, such as identification cards and travel information, found to be held by employers are returned to the worker and the supplier is required to provide a safe place for storing them, while Apple describes steps taken in three specific identified cases of underage labor.

Recommended Company Actions

Remedy Programs: Adopt a victim-centered approach to remedying workers in its supply chain found to be in situations of forced labor, and report outcomes of this approach. Depending on the circumstance, approaches might include repatriation, access to health support, consultation with relevant local authorities and NGOs, and working with local victim service-provision organizations.

What Next?

KnowTheChain will continue its engagement with companies in the ICT sector to encourage improvement. It will also raise awareness of the benchmark results among investors and civil society.

The ICT benchmark will be followed later in 2016 by benchmarks of the food & beverage and apparel & footwear sectors. The goal behind each benchmark and accompanying guidance is to help drive improvements on policies, practices, and related disclosure on efforts to mitigate the risks of forced labor in supply chains.

To find out more, visit KnowTheChain.org.

ANNEX A

Benchmark Methodology – Information & Communications Technology (ICT)

Indicator Name	Indicator Description
1.0 Commitment and Governance	
1.1 Awareness and Commitment	The company publicly demonstrates its awareness of and commitment to addressing human trafficking and forced labor.
1.2 Supply Chain Standards	The company has supply chain standards that require suppliers throughout its supply chain to uphold workers' fundamental rights and freedoms (as articulated in the ILO Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor. The standards have been approved by a senior executive and are easily accessible on the company's website.
1.3 Management and Accountability	The company has established within its managerial structure clear responsibilities and accountability for the implementation of its supply chain policies and standards relevant to human trafficking and forced labor.
1.4 Training	The company has training programs in place to ensure that relevant decision-makers within the company and in its supply chain are aware of risks related to human trafficking and forced labor and are effectively implementing the company's policies and standards.
1.5 Stakeholder Engagement	The company engages with relevant stakeholders on human trafficking and forced labor. This includes engagement with trade unions, local NGOs, and policy makers in countries in which its suppliers operate, as well as active participation in one or more multi-stakeholder or industry initiatives.

Indicator Name

Indicator Description

2 . 0 T r a c e a b i l i t y a n d R i s k A s s e s s m e n t

2.1 Traceability and Risk Assessment

The company has processes to trace its supply chain and to assess forced labor risks associated with specific commodities, regions, and/or groups.

2.2 Transparency

The company publicly discloses forced labor risks identified throughout its supply chain, the names and locations of its first-tier suppliers, and some information on suppliers beyond its first tier.

3 . 0 P u r c h a s i n g P r a c t i c e s

3.1 Purchasing Practices

The company demonstrates awareness of the increased risk of human trafficking and forced labor caused by certain purchasing practices, such as short-term contracts, excessive downward pressure on pricing, and sudden changes of workload, and takes steps to mitigate this risk.

3.2 Supplier Selection

The company assesses risks of forced labor at potential suppliers prior to entering into any contracts with them and has a procurement selection process that considers the capacity of suppliers to meet fluctuating demands.

3.3 Integration into Supplier Contracts

The company integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.

3.4 Cascading Standards through the Supply Chain

The company extends its supply chain standards beyond its first tier by requiring that its first-tier suppliers ensure that their own suppliers implement standards that are in line with the company's standards.

Indicator Name

Indicator Description

4 . 0 R e c r u i t m e n t

4.1 Recruitment Approach

The company demonstrates awareness of the risk of exploitation of migrant workers by recruitment agencies and brokers, and has relevant policies in place (e.g., on direct employment). The company also requires suppliers to disclose to them the recruiters that they use.

4.2 Recruitment Fees

In its relevant policies or standards the company requires that no fees be charged during any recruitment process in its supply chain. In the event that it discovers that fees have been paid, the company ensures that such fees are reimbursed.

4.3 Recruitment Audits

The company audits recruiters to assess risks of forced labor and human trafficking.

5 . 0 W o r k e r V o i c e

5.1 Communication of Policies

The company communicates its human trafficking and forced labor policies and standards to supply chain workers in their native languages.

5.2 Worker Voice

The company engages with workers outside of the context of the factories in which they work, either directly or in partnership with stakeholders.

5.3 Worker Empowerment

Where there are regulatory constraints on freedom of association, the company encourages suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing.

Indicator Name**Indicator Description****5.4 Grievance Mechanism**

The company has an accessible, formal grievance mechanism that facilitates the impartial reporting by suppliers' workers of workplace grievances and informs workers as to how to access the mechanism. Measures are taken to ensure that the impacted stakeholders trust the mechanism.

6 . 0 M o n i t o r i n g**6.1 Auditing Process**

The company audits its suppliers to measure compliance with applicable regulations and with its supply chain standards. The process includes scheduled and non-scheduled visits, a review of relevant documents, and interviews with workers.

6.2 Audit Disclosure

The company publicly discloses information on the results of its audits. This includes the number and percentage of suppliers audited annually, what percentage were unannounced and information on who carried out the audits.

7 . 0 R e m e d y**7.1 Corrective Action Plans**

The company has a process to create corrective action plans with suppliers found to be in violation of applicable regulations and/or the company's standards, with the goal of improving conditions and achieving compliance. The company's corrective action plans include potential actions taken in case of non-compliance, a means to verify remediation, and/or implementation of corrective actions, timelines for remediation, and potential consequences if corrective actions are not taken.

7.2 Remedy Programs

The company has a process to provide remedy to workers in its supply chain in cases of human trafficking and forced labor. In its public reporting, the company provides examples of outcomes of this process.

ABOUT KNOWTHECHAIN

KnowTheChain – a partnership of Humanity United, 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. Find out more: 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. Find out more: 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. Find out more: sustainalytics.com.

Business & Human Rights Resource Centre is a non-profit that tracks the human rights conduct of over 6,000 companies worldwide. Find out more: business-humanrights.org.

Verité is an international nonprofit social auditing, training, consulting and research organization that aims to ensure that people worldwide work under safe, fair, and legal conditions. Find out more: verite.org.