

KNOWTHECHAIN 2022 ICT BENCHMARK



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PANEL DISCUSSION

WHAT IS KNOWTHECHAIN?

KnowTheChain is a resource for **companies and investors** to understand and address **forced labor** risks within their global **supply chains**.

KnowTheChain benchmarks corporate practices in three **high-risk sectors**:

- Information and Communications Technology
- Food & Beverage
- Apparel & Footwear



KnowTheChain Investor Statement

Investor Expectations on Addressing Forced Labor in Global Supply Chains

As investors representing over \$7trillion in assets under management and with a duty to act in the best interests of our beneficiaries, we believe that environmental, social and governance issues can affect long-term performance and financial returns for portfolio companies.

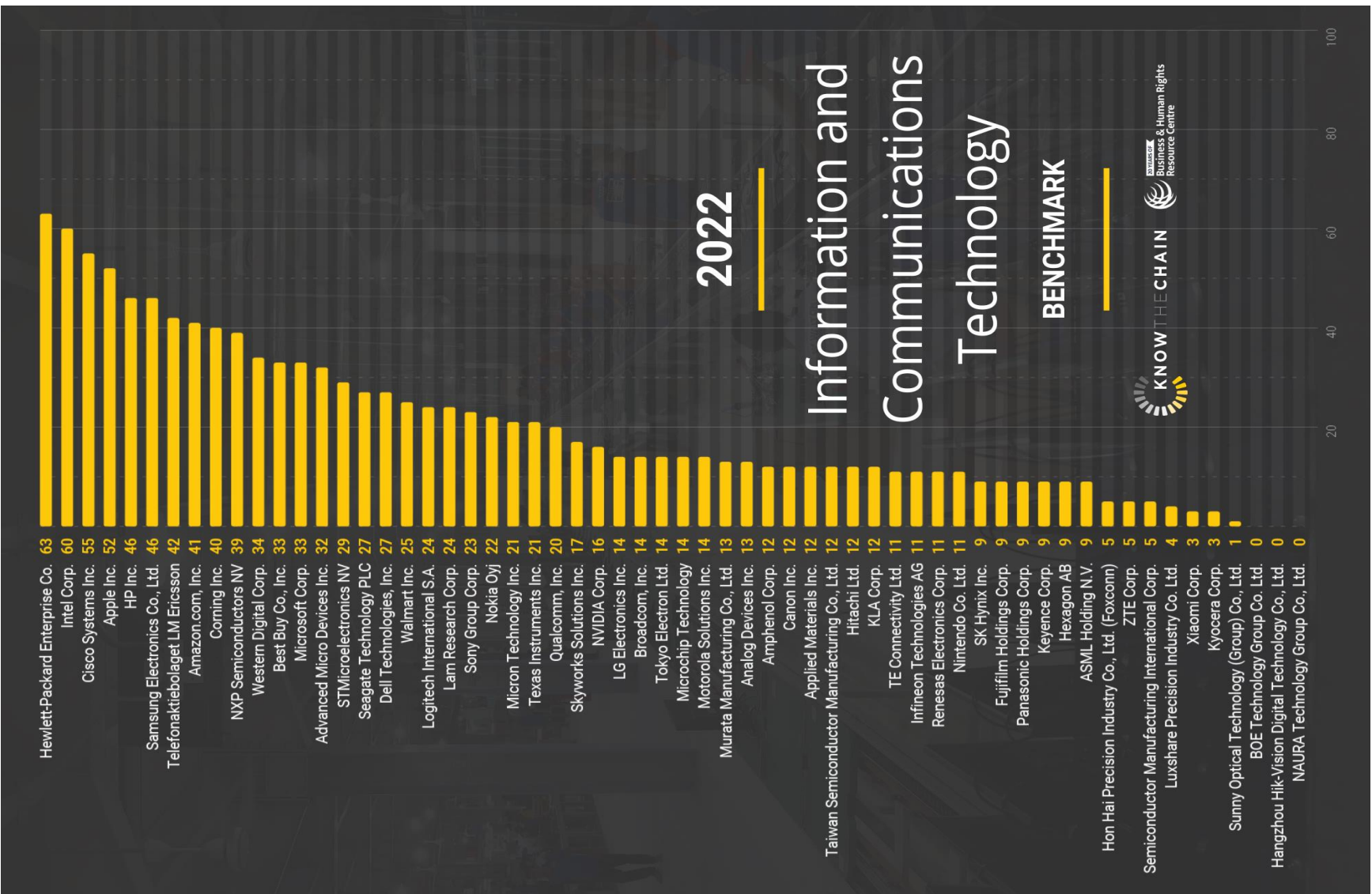


CONTEXT



- Conflict and supply chain volatility
- Covid-19 and cost-of-living crisis: reduced protections and precarious work
- Mandatory due diligence
- Forced labour risks in electronics supply chains

RANKING



SCORES BY REGION

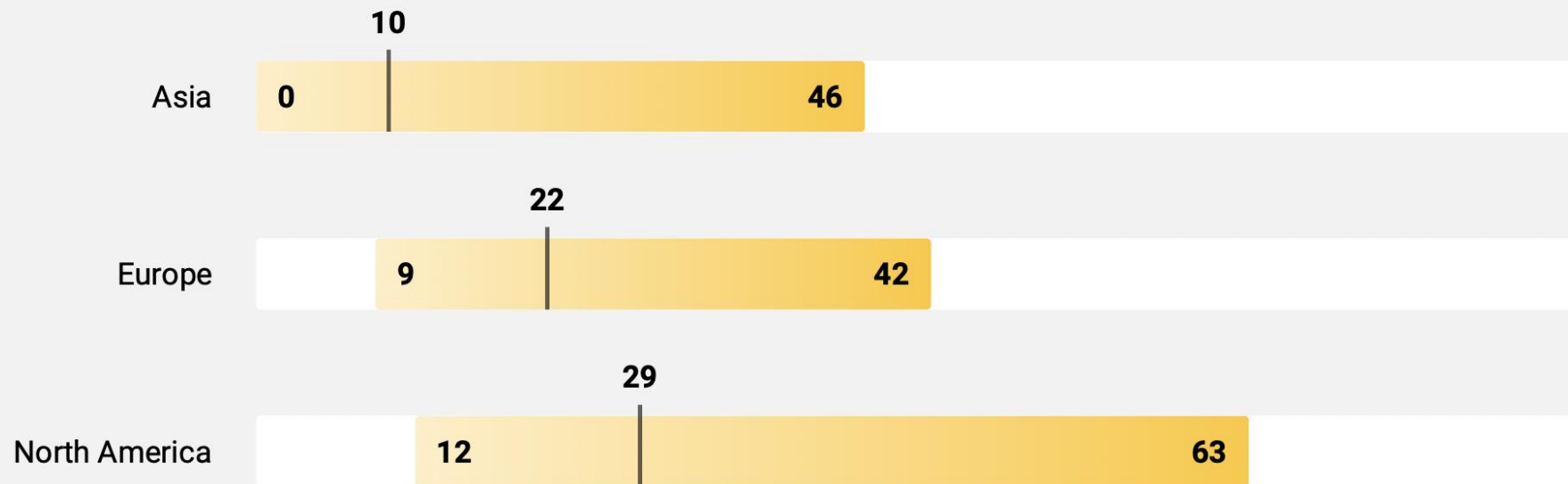
SCORES BY REGION

SCORES:

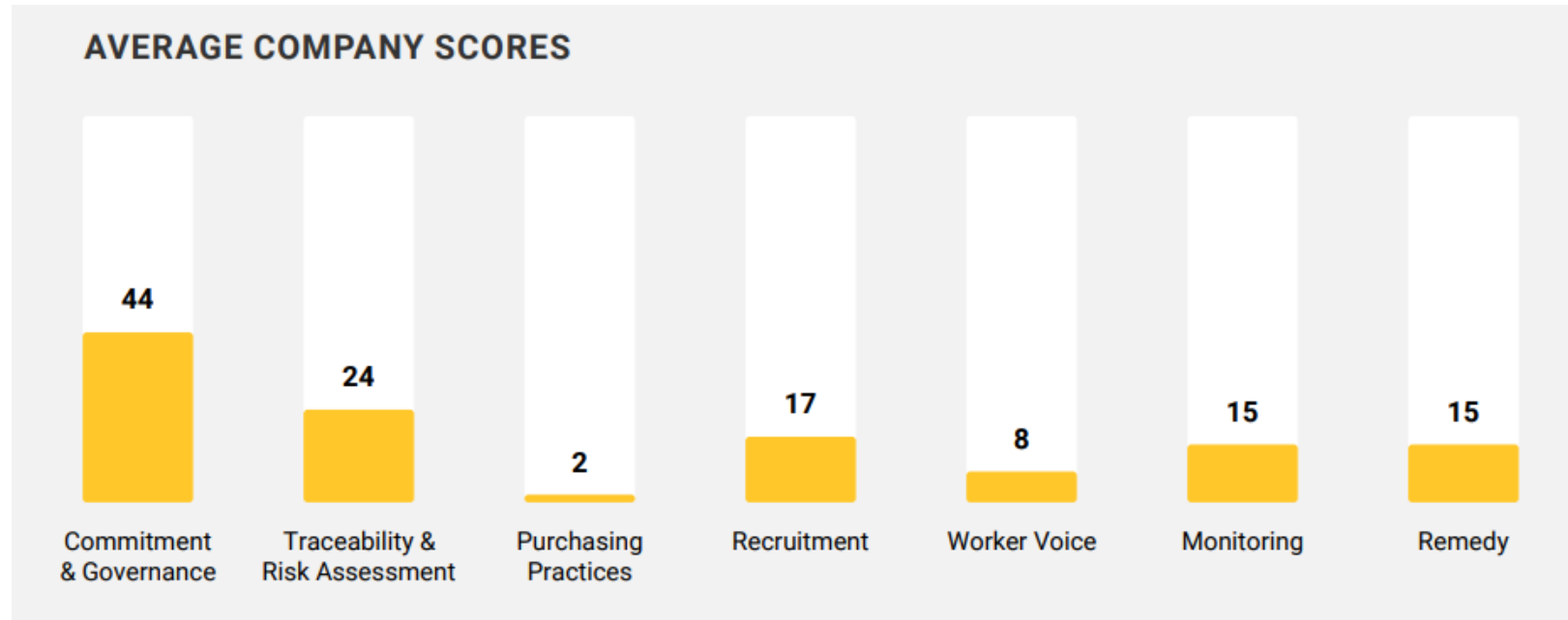
MIN

AVERAGE

MAX



KEY FINDINGS



KEY FINDINGS: PURCHASING PRACTICES & WORKER VOICE

- Extremely limited disclosure of any responsible purchasing practices: planning, forecasting, ring-fencing of labour costs, though some companies cite awareness
- No company discloses data on living wages in supply chains

Purchasing practices

2/100 AVERAGE SCORE

Worker voice: Freedom of association and grievance mechanisms

8/100 AVERAGE SCORE

- Only one company reports engaging with a union in its supply chains – yet supporting the right to organise is critical to addressing forced labour risks
- Most companies disclose some form of grievance mechanism for suppliers' workers: but fewer demonstrating use by supply chain workers

KEY FINDINGS: POLICY VS PRACTICE

The average company has in place:	The average company typically lacks:
A policy prohibiting worker-paid recruitment fees (75%)	Evidence of how the Employer Pays Principle is implemented by suppliers, and how fees are proactively prevented from being charged to workers (13%)
A supply chain human rights risk assessment (55%)	Disclosure of forced labour risks identified (22%, with only 8% disclosing detail on risks identified across supply chain tiers)
A grievance mechanism for supply chain workers (83%)	Data showing that the mechanism is used by workers (12%)

KEY FINDINGS: HRDD

- Policies addressing forced labour commonplace in the sector
- Just over half of companies disclosing a human rights risk assessment on supply chains
- Gap between policy/process and implementation re-inforced: low disclosure of risks



Supply chain traceability and transparency:

- 20% of companies disclose a first-tier supplier list

Stakeholder engagement:

- 13% engage with relevant stakeholders as part of risk assessment
- 8% work with relevant stakeholders on responsible recruitment in supply chains

TRENDS: IMPROVEMENTS SINCE 2020

Recruitment

Since 2020... **12 companies** adopted policies on recruitment-related fees or improved existing ones; **9 companies** showed stronger steps to prevent fees; **6 companies** disclosed reimbursement of fees to workers. Overall, 87% of companies benchmarked have a policy prohibiting fees.

Risk Assessment

Since 2020... **13 companies** disclosed a human rights risk assessment; but only **3 companies** started disclosing results/outcomes.

Commitment & Governance

Companies strengthening their supplier code of conduct, disclosing day-to-day responsibility/oversight of forced labour in supply chains

GOOD PRACTICE – PURCHASING PRACTICES

Company	Practice
Cisco	<ul style="list-style-type: none">• quarterly forecasts to suppliers & reviews• working with suppliers to address labour costs independently of production costs
Corning	Disclosing: <ul style="list-style-type: none">• 97% of small disadvantaged suppliers are paid in 60 days or less;• average length of its contracts is two years;• 15% of all orders are changed after an order is placed.

GOOD PRACTICE – WORKER VOICE

Company	Practice
HPE	<ul style="list-style-type: none">• Working with a final assembly supplier, a union, a third party expert and an NGO to address concerns raised by an NGO• Spoke with a large sample of worker and union representatives• Engaging supplier in six-month programme including worker engagement, heightened monitoring focusing on effective grievance mechanisms and effective union engagement
Samsung	Disclosing details on use of grievance mechanism including number of grievances filed in each of the following categories: complaints related to managers, wages, environmental health and safety, and benefits

GOOD PRACTICE – MIGRANT WORKER RECRUITMENT

Company	Practice
Apple	<ul style="list-style-type: none">• Requires prospective suppliers in some countries to undergo labour agency mapping and responsible labour recruitment training: reports identifying 1,182 labour agencies supporting 482 supplier facilities in 32 countries.• Specialised debt-bonded labour audits in high-risk environments and high-risk labour corridors.
HPE	<ul style="list-style-type: none">• Requires suppliers to provide evidence of payment & to have written contracts with labour agencies prohibiting charging of fees• Supplier in Nepal which repaid recruitment fees to workers ensured workers were consulted on the remediation plan
Intel	<ul style="list-style-type: none">• Required 50 of its own suppliers to work with 3 of their own major suppliers to address forced labour risks: reached 135 suppliers at second tier• Resulted in second-tier suppliers engaging with their recruiting agents and changes to second-tier supplier recruiting policies
Amazon	Worked with IOM CREST on recruitment practices in Japan: risks and challenges for migrant workers



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PANEL DISCUSSION

CORE ISSUE

Freedom of Employment



Forced student internships



Restrictions on right to resign



Forced overtime



Recruitment fees and related costs



Not in possession of identity documents



Recruiters promise wages or bonuses workers do not receive



Workers not informed of toxic chemicals they handle



Penalties

No diploma

No wages

Poor evaluation or denial of overtime

Entrapment

Debt bondage

No access to passports

Deceit or withholding of essential information

KNOWTHECHAIN RESOURCES

- Benchmark findings report
- Investor Brief
- Japan Brief (in Japanese)
- Full dataset
- Scorecards per company
- Buyer-supplier mapping

2022-23 Company Lists:

<https://knowthechain.org/company%20list/>

Benchmark Findings:

<https://knowthechain.org/benchmark/>

Benchmark methodology:

<https://knowthechain.org/benchmark-methodology/>

