INVESTOR RESOURCES:
Engaging Portfolio Companies on Forced Labor Risks

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Why should I Engage Investee Companies on Forced Labor?

In 2015, US marine-services company Signal International LLC had to pay US$ 20 million in compensation to former employees who became victims of human trafficking, and later filed for bankruptcy. Major public pension funds, the Techers' Retirement System of Alabama and the Employees' Retirement System of Alabama owned more than 47% of Signal, and lost approximately US$70 million (see ShareAction's Investor Briefing on Forced Labour).

Identifying Forced Labor Risks in Your Portfolio

Which sectors are at risk?

According to the International Labour Organization (ILO), domestic work, agriculture, construction, manufacturing and entertainment are among the sectors most at risk of forced labor.

KnowTheChain has identified the information & communications technology, food & beverage, and apparel & footwear sectors as three industries with high exposure to forced labor risks. Companies in those sectors are sourcing many products and commodities from countries where labor regulation is poor and/or not enforced.

To identify forced labor **risks of specific commodities and goods** (linked to sourcing countries), please visit:

- U.S. Department of Labor - List of Goods Produced by Child Labor or Forced Labor (continuously updated list which currently identifies 56 commodities and goods are made using forced labor)

- Verité – Responsible Sourcing Tool (provides analysis on forced labor and child labor risks by industry and commodity)

To identify forced labor and human trafficking **risks by country**, visit the US Department of State's Annual Trafficking in Persons Report or explore Verité's Knowledge Portal.

How well are my investee companies addressing forced labor risks in their supply chains?

Download this spreadsheet to view all 60 companies covered by KnowTheChain's 2016 benchmarks:

- Identify which companies are in your portfolio: use company name, ticker/ISIN, headquarter or sub-sector

- Identify scores of investee companies or:

    o Look at overall score, benchmark rank, or score by theme

    o Compare the score to the average sector score, or to relevant peers

o Follow the link to the company page

Alternatively, you can browse companies' performance by sector:

- Information Technology Sector

- Food & Beverage Sector

- Apparel & Footwear Sector

Scroll down to overall company ranking, and click on any company name you are interested in. The company sites include qualitative and quantitative information on a company's efforts to address supply chain forced labor.

For information on construction companies operating in the Gulf, please visit the Business & Human Rights Resource Centre website.

Engaging Companies

How do I engage a company covered by the benchmark?

If your company is covered by KnowTheChain (see section above), we will have identified *opportunities for improvement* for each company (see https://knowthechain.org/benchmarks/ -> choose your sector and click on your company's name).

Further you can:

- Use this spreadsheet to point the company to its score compared to the sector average, to relevant peers, or to a score on a specific theme (this may include commendations as well as recommendations)

- Point the company to the benchmark methodology – across seven themes, these are policies, processes and practices companies should adopt to address forced labor risks in their supply chains

- Point the company to the good practices under each theme which can be found in the sectoral benchmark findings report (Information Communications Technology; Food & Beverage; Apparel & Footwear)

- Point the company to our Company Action and Resource Guides (Information Communications Technology; Food & Beverage; Apparel & Footwear forthcoming)

How can I engage a company that isn't covered by the benchmark?

You can:

- Point the company to the benchmark methodology – across seven themes, these are expectations of policies, processes and practices companies should adopt to address forced labor risks in their supply chains (you may also want to assess a company's disclosure and performance against those indicators)

- Point the company to the good practices under each theme, which can be found in the sectoral benchmark findings report (Information Communications Technology; Food & Beverage; Apparel & Footwear)

- Use the questions below for an engagement dialogue with less/more advanced companies

- Point the company to our Company Action and Resource Guides (Information Communications Technology; Food & Beverage; Apparel & Footwear forthcoming)

What questions can I ask lower scoring companies in the benchmark, or companies that are less advanced in addressing forced labor?

You may wish to ask lower scoring/less advanced companies about the following aspects of their supply chain management:

- *Commitment*: Does your organization have a supply chain standard and/or formal commitment to address forced labor?

- *Traceability*: To what extent do you trace your supply chain (beyond first tier, down to commodity level)? Where do you source from?

- *Risk Assessment*: What steps do you take to identify and assess forced labor risks in your supply chain (for specific commodities, regions or groups)? What risks have you identified?

Note: These are selected questions related to the benchmark methodology, and to realistic next steps for a company in the short to medium term. However, in the medium to long term, companies are expected to adopt policies, processes and practices across all seven themes.

What questions can I ask higher scoring companies in the benchmark, or companies that are more advanced in addressing forced labor?

You may wish to ask higher scoring/more advanced companies about the following aspects of their supply chain management:

- *Purchasing Practices*: How do you translate your expectations with regards to forced labor into your purchasing practices?

- *Recruitment*: How do you mitigate forced labor risks related to recruitment practices, in particular for migrant workers?

- *Worker Voice*: How do you ensure supply chain workers are empowered to exercise their rights, and ensure their voices are heard (e.g. freedom of association, grievance mechanisms)?

Note: These are selected questions related to the benchmark methodology.

How can I engage companies on a specific theme, such as recruitment?

The benchmark findings report identifies trends, as well as leading practices and sector gaps (Information Communications Technology; Food & Beverage; Apparel & Footwear).

If you are interested in engaging companies covered by the benchmark, look at the company pages on the KnowTheChain website (go to benchmarks -> then companies), or review this spreadsheet.

If you are interested in indicator level information, the KnowTheChain website will give you the average scores for each indicator within a theme (go to benchmarks -> then themes), and the company pages will provide you with this information for each company covered.

How can I engage with investee companies as part of a broader human rights dialogue?

The KnowTheChain methodology has used the UN Guiding Principles for Business and Human Rights as a starting point. A higher score on the KnowTheChain methodology can indicate that a company has a strong overall approach to addressing human rights risks.

Forced labor is a salient issue for the Information Communications Technology, Food & Beverage and Apparel & Footwear sectors. If you are using the UN Guiding Principles Reporting Framework to engage companies, click here to the see how the KnowTheChain indicators relate to the questions of the UN Guiding Principles Reporting Framework.

The Corporate Human Rights Benchmark (CHRB) has identified forced labor as a key industry risk for both agricultural products and apparel (see benchmark methodology; note CHRB does not currently cover the Information Communications Technology sector). CHRB and KnowTheChain are closely aligned – click here to see how the indicators of the two benchmarks are related.

I want to engage companies on the Sustainable Development Goals (SDG's) – how can I use KnowTheChain's data?

The United Nation's Sustainable Development Goals include a goal and a target on forced labor:

- Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

- Target 8.7: Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms

While KnowTheChain's focuses on forced labor specifically, if a company implements the KnowTheChain indicators, it is also improving working conditions for supply chain workers more broadly, for example by enabling freedom of association, thus contributing to the overall goal of "decent work for all."

I want to engage on a company's supply chain management more broadly – how can I use the KnowTheChain benchmarks?

You may want to focus on the *traceability* indicator (indicator 2.1) from the KnowTheChain methodology, which looks at whether a company has a process to trace its supply chain, and discloses information on its first tier suppliers and beyond.

Another indicator you might want to consider, is indicator 1.2, which looks at whether a company has a *supply chain standard* that includes the fundamental rights outlined in the ILO Declaration on Fundamental Principles and Rights at Work, and has been approved by a senior executive and is easily accessible from the company's website (the latter two elements are requirements similar to the UK Modern Slavery Act).

Lastly, indicator 1.3 on *management and accountability* might be helpful as it looks at whether a company has a committee, team, program or officer responsible for the implementation of its supply chain policies and standards (including forced labor).

I want to focus on legal compliance – how can I use the KnowTheChain benchmarks?

As not all regulations apply to all companies that are benchmarked, KnowTheChain does rank companies on whether they comply with regulation on forced labor.

That said, the elements evaluated are intended to help companies understand what type of practices generally demonstrate best practices and compliance with supply chain transparency laws. In fact, those regulations were considered in the creation of the methodology for the benchmark. Further, KnowTheChain's 2018 benchmarks will include a qualitative analysis of legal compliance.

For information on how the KnowTheChain themes are related to the requirements and recommendations of the UK Modern Slavery Act and the California Transparency in Supply Chains Act, please click here.

You might also want to take a look at the Modern Slavery Registry of the Business & Human Rights Resource Centre, which includes a search function and reporting guidance, and KnowTheChain's internet search tool to locate corporate SB 657 disclosure statements (California Transparency in Supply Chains Act).

Learn More

Latest News and resources

- For news on forced labor as well as allegations/incidents related to companies, visit the Business & Human Rights Resource Centre website, or sign up for the weekly newsletter.

Regulatory information

- Labour Exploitation Accountability Database (A database of legal mechanisms on human trafficking and forced labor around the world.)

- Modern Slavery Registry of the Business & Human Rights Resource Centre

Identify commodity and product risk

- U.S. Department of Labor – "List of Goods Produced by Child Labor or Forced Labor"

- Verite – Responsible Sourcing Tool (indicates for each commodity geographic risk exposure to human trafficking, forced labor and child labor)

Identifying country risk

- Labour Exploitation Accountability Hub – "Countries" (Country information on regulation on forced labour by country, currently covering 15 countries)

- US Department of State – Annual Trafficking in Persons Report

From investors for investors

- Boundless Impact Investing (2018) – "Labor lens investing"

- ShareAction (2016) – "Investor Briefing. Forced labour: What investors need to know"

- PRI (2016) – "From poor working conditions to forced labour - what's hidden in your portfolio?"

- MSCI (2015) – "Slaving away in hiding"

- Mirova (2014) – "Engagement: Social issues in the supply chain"

- Institute for Human Rights and Business, Calvert Investments and ICCR (2013) – "Investing the Rights Way" (includes resources on migration, human trafficking and forced labor)

- Committee on Workers' Capital (2011) – "Briefing paper: Investing in Decent Work: The Case for Investor Action on Forced Labour".

- EIRIS (2009) – "A Risky Business? Managing core labour standards in company supply chains"

Resources on responsible recruitment and migrant workers

- Interfaith Center on Corporate Responsibility (2014) – "The "No Fees" Project: Promoting Ethical Recruitment Policies in Global Supply Chains"

- Interfaith Center on Corporate Responsibility (2015) – "Recruited Into Slavery: How Unethical Recruiting Puts Migrant Workers at Risk for Trafficking"

- Institute for Human Rights and Business – Focus area: Migrant workers

- UN Global Compact (2014) – "Addressing the Retention of Identity Documents"

- UN Global Compact (2015) – "Eliminating Recruitment Fees Charged to Migrant Workers"

- Verité – "An Introduction to the Fair Hiring Toolkit for Investors"

- The Ecumenical Council for Corporate Responsibility (2009) – "Vulnerable Migrant Workers: The Responsibility of Business - an overview and comparative analysis of food production, manufacture and retail companies" (UK focus)

"How to" guides for companies

- Company Action and Resource Guides (Information Communications Technology; Food & Beverage; Apparel & Footwear)

- ILO (2015) – "Combatting forced labour: A handbook for employers and business"

Analysis of corporate approaches to forced labor

- Ethical Trading Initiative (2015) - "Corporate approaches to addressing modern slavery in supply chains: A snapshot of current practice".

- Finance Against Trafficking (2015) – "Forced Labour, Human Trafficking & The FTSE 100"

For questions, suggestions and comments, please do not hesitate to contact Felicitas Weber at weber@business-humanrights.org. Sign up here to our quarterly investor newsletter.