The vast number of companies, suppliers, contractors, recruiters, and labor brokers involved in today's global marketplace often obscures the conditions under which work is done and products made, making identification and eradication of forced labor and human trafficking challenging. While companies and investors are increasingly aware of human rights abuses like these embedded in global supply chains, they are less informed on actions they can take to address them. Yet the well-being of the workers who stitch our garments, harvest our coffee beans and assemble our electronics depends on a proactive corporate and investor response.

To better understand corporate efforts to eradicate forced labor and human trafficking, Ceres and Sustainalytics evaluated the human rights and supply chain practices of 613 of the largest, publicly traded U.S. companies included in the Gaining Ground: Corporate Progress on the Ceres Roadmap for Sustainability report. Overall the results are disheartening.

While the data in Gaining Ground provides glimpses of leadership, the reality is clear: forced labor remains a persistent, often hidden issue, and many companies are not taking action at the speed and scale needed.

Recognizing forced labor can occur in direct operations as well as supply chains, we assessed the human right policies of companies, seeking alignment with internationally recognized human rights conventions and explicit protection of forced and child labor.

Surprisingly, only 31 percent (190 companies) have formal policies or statements protecting the human rights of their direct employees. Thirteen percent (80 companies) mention both forced and child labor explicitly in their human rights policy or statement.

Forced labor and human trafficking—our modern-day slavery—occur at a horrifying scale, with estimated numbers affecting between 21 to 27 million people worldwide. A complex, often hidden issue, slavery is not legal anywhere, but happens almost everywhere. No country or economic sector is immune.

GAINING GROUND CASE STUDY: Hidden in Plain Sight

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Thirteen percent (80 companies) mention both forced and child labor explicitly in their human rights policy or statement.
Companies have a responsibility to respect and protect human rights in their direct operations and in their supply chains. While a human rights policy is not a magic bullet, it is an essential place to start, and company leadership should ensure the policy is aligned with internationally recognized human rights standards, such as the Universal Declaration of Human Rights (UDHR) and the International Labor Organization’s (ILO) core conventions on fundamental rights at work. These standards include specific protections for basic human rights, such as freedom of association and the right to collective bargaining, freedom from discrimination, elimination of child labor, and elimination of all forms of forced or compulsory labor.

The UN Guiding Principles on Business and Human Rights, released in 2011, represent another important, internationally recognized framework on business conduct in relation to human rights. Leading companies are using the Guiding Principles to know their human rights risks and impacts and to show actions they are taking to address these risks and effectively manage their impacts.

Legislation such as The California Transparency in Supply Chains Act (SB 657), signed into law October 2010, has focused attention more explicitly on the presence of human trafficking and forced labor in corporate supply chains. Though targeted at retailers and manufacturers doing business in California, SB 657 has drawn attention to steps all companies should be taking to eradicate slavery and human trafficking from their direct operations and supply chains, including verification, auditing, certification, internal accountability, training, and disclosure.

The transparency and disclosure elements of both the Guiding Principles and SB 657 echo increasing pressure from investors and other stakeholders for companies to publicly demonstrate if and how they are effectively managing their human rights risks and impacts—both at a broad, strategic level and at one more narrowly focused on specific issues, such as the prohibition of forced labor and human trafficking.

From proactively developing human rights policies that adhere to internationally recognized standards to ensuring those policies are integrated into business strategies and operations, companies are being asked to know and show their responsibilities and performance. Only when more companies do so, will we be able to shift from assessing more process-oriented indicators, like the presence of a human rights policy, to those that are based on actual outcomes and impact.

KnowTheChain

KnowTheChain is an important multi-stakeholder initiative comprised of organizations including Humanity United, Verite, and Sustainalytics. Created to educate companies, investors, policymakers, and consumers about the existence of slavery in global supply chains and actions needed to meet expectations set forth in The California Transparency in Supply Chains Act (SB 657), KnowTheChain’s website provides an important dataset of company disclosure statements and tools to embrace both the letter and spirit of the law. This tool kit is not only applicable to companies subject to SB-657, but also to all companies with supply chains, no matter where they operate.
SECTOR INSIGHTS

The Consumer Staples sector had relatively strong results, with 69 percent (9 of 13 companies) having formal policies or statements protecting the human rights of their direct employees, and 54 percent (7 of 13) explicitly addressing forced and child labor. The Retail sector, on the other hand, which employs a large direct workforce, underperforms, with only 13 percent (5 of 40 companies) disclosing formal human rights policies or statements, and 10 percent (4 of 40) protecting forced and child labor. Results from the Oil & Gas sector are also surprising, considering the attention extractive companies have received regarding the need to provide safe working conditions. Only 33 percent of companies (10 of 30) have evidence of formal policies or statements, and an even lesser number, 20 percent (6 of 30), specifically address forced and child labor.

Companies are responsible for ensuring safe, equitable working conditions for those who produce their products and deliver their services, no matter where they reside. Once they build a foundation internally, supporting robust human rights policies explicitly prohibiting the use of forced and child labor, they can then extend those expectations and influence throughout their supply chains.

Despite disturbing headlines of fires in Bangladesh, labor strikes in Cambodia, and increasing challenges from climate impacts and dwindling natural resources, only 58 percent (353 companies) have evidence of supplier codes of conduct; and only 40 percent (248 companies) have codes that specifically address both forced and child labor, core tenets of the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work. Considering that for many companies the largest sustainability impacts lie in the supply chain, these findings are incredibly worrisome.

Over the past several decades, there have been (and continue to be) concerted efforts by leading investors and NGOs to ensure fair and equitable working conditions at companies and suppliers across the globe. And these efforts have born some success. Yet with 42 percent (260) of companies still not demonstrating any evidence of supplier codes of conduct, and 60 percent (365 companies) not explicitly prohibiting forced and child labor, we clearly have a long way to go.

Companies can significantly influence the behavior of suppliers. To do so, however, they must clearly articulate expectations for the social and environmental performance of their suppliers, starting with a comprehensive code of conduct. As with a company’s human rights policy, a supplier code should be aligned with key internationally recognized human rights standards, such as the Universal Declaration of Human Rights (UDHR) and the International Labor Organization’s (ILO) core conventions on fundamental rights at work. It should also be accessible in local languages and used as a basis of engagement between companies and their suppliers.
According to the U.S. Department of Labor's latest list of goods produced with high concentrations of child and/or forced labor, more than 70 countries and over 130 products are affected. Those sectors identified as particularly susceptible include agriculture, electronics, footwear & apparel, and mining.

With complex, multi-tier supply chains stretching down to the farm and factory level, ensuring safe and equitable working conditions in sectors such as these is both critical and challenging. While robust supply chain codes of conduct are not enough to protect workers, they are an essential place to start. Our analysis found the food & beverage sector performing well, with 92 percent (22 out of 24 companies) having some form of supply chain policy, and 88 percent (21 of 24) having policies protecting both forced and child labor.

Not surprisingly, after decades of NGO and investor pressure, all fourteen companies in the footwear & apparel sector have some form of supply chain policy, and 93 percent (13 of 14) have policies that protect both forced and child labor.

On the technology front, we evaluated companies in both the technology: hardware sector and the technology: software sector. The technology: hardware sector had relatively strong results, with 80 percent (20 out of 25 companies) having some form of supply chain policy, and 76 percent (19 of 25) having policies that protect both forced and child labor. The technology: software sector, however, did not fare so well, with only 45 percent (18 of 40) of companies demonstrating evidence of some form of supply chain policy, and 33 percent (13 of 40) of company policies protecting both forced and child labor.

The oil & gas sector demonstrated mixed results, with 67 percent of companies (20 of 30) having some form of supply chain policy, yet only 20 percent (6 of 30) protecting both forced and child labor. Considering the risks facing workers in industries and sectors relying on oil, gas, and mineral extraction, ensuring supply chain code alignment with key internationally recognized standards is a vitally important first step.

FROM POLICY TO ACTION

Ford Motor Company, The Coca-Cola Company, and The Walt Disney Company each explicitly prohibit in their human rights policies and supplier codes of conduct the use of forced and child labor. More importantly, these companies go beyond policy statements, providing evidence of steps being taken to implement and measure, where possible, the impact of these policies in both direct and indirect operations, including assessments, training, and capacity building. Yet even commitments at this level do not guarantee workforces and supply chains free of unsafe, inequitable working conditions, including human trafficking and forced labor.

As part of the Gaining Ground report, Ceres and Sustainalytics assessed additional supply chain indicators related to procurement practices, supplier engagement, and measurement and disclosure. Though it was not possible to explicitly draw out corporate performance on forced and child labor for these particular indicators, the results provide an important snapshot of accountability for supply chain engagement and disclosure, recognizing the importance of procurement practices, supplier engagement, and measurement and disclosure in driving performance change.
Establishing a supplier code of conduct with clear expectations for social and environmental performance is an essential first step in building a sustainable supply chain. Companies must also integrate social and environmental metrics into procurement decisions and product design and make clear to suppliers that long-term business relationships can only be established in the context of continual improvement of social and environmental performance. Quite simply, sustainability needs to be given the same status as quality, cost savings, and production times. But implementing such changes is challenging and suppliers may need help in instituting the necessary reforms and programs. That’s why companies have to be prepared to provide long-term assistance and to collaborate with suppliers; they cannot simply set standards, sit back, and insist on compliance. This means partnering with suppliers on worker training, education, safety and healthcare, and providing technical or other support for programs to improve energy efficiency, water stewardship and reduce pollution. Incentives and rewards for suppliers who meet these requirements should be core to these engagement programs. And, as is the case with all aspects of corporate sustainability performance, transparency is key. Companies should disclose not only information about who is in the supply chain, but how those suppliers are or are not implementing social and environmental standards. Read more about these findings and recommendations.
KNOW & SHOW

In the era of the 24/7 news cycle, where labor and human rights concerns can damage even the glossiest of reputations, no company can afford a ‘see no evil, hear no evil’ approach to its workforce or its supply chain. Instead, companies must know and show the steps they are taking to provide safe and equitable working conditions.

While our analysis points to a significant deficit in effective human rights practices and supply chain engagement, particularly in areas such as forced labor, closing this gap is possible. And companies and investors must play a critical role.

Ceres has developed a set of recommendations for corporate action we hope will spur companies to assess and disclose how they are identifying and addressing labor and human rights risks embedded in their operations and global supply chains. We also have recommendations for investors to consider when engaging both prospective companies and those already in their portfolios.

As issues of forced labor and human trafficking break through the headlines and onto the agendas of executives and boards, a plethora of recommendations for corporate action quickly follow. Whether from NGOs, academics, or investors, our research indicates significant alignment with Ceres Roadmap expectations on the need for human rights and supply chain policies that explicitly adhere to internationally recognized standards and prohibit the use of forced and child labor. Other points of agreement include the importance of aligning procurement practices with sustainability commitments, engaging suppliers as partners and innovators, and measuring and disclosing performance. Multi-stakeholder engagement and collaboration are also seen as critical to realizing needed change.

Companies across the globe need to commit to identifying and eradicating human trafficking and forced and child labor where they exist in direct operations and throughout supply chains.
Here are 10 steps companies can take to address child labor and forced labor:

1. **Assess key risks and impacts** for direct and indirect operations. From basic education to conducting robust human rights risk assessments, and from mapping supply chains to tracing materials used in products, it is critical to gain a sound understanding of key risks and impacts.

2. These results can then be used to **establish effective policies** aligned with internationally recognized standards. These policies should be applicable to both direct employees and suppliers, and made accessible in relevant languages.

3. To ensure policies drive change, **develop implementation programs and time-bound measurable goals**. Leverage workers’ voices in the creation of programs, where possible, to ensure they are addressing key needs and impacts. Set goals and targets to drive performance.

4. Then, **communicate expectations** both internally and to suppliers. Clear policies, programs, and performance goals can be used to communicate commitment and accountability from the top.

5. It is also important to **align internal processes**, including procurement practices and strategic business decisions. These processes should reinforce, not diminish, fair and equitable working conditions.

To support achievement of stated goals, **invest in training and capacity building**.

6. Ensure company employees, management, and suppliers have the training—and incentives—needed to effectively manage and meet expectations. Ensure training and capacity building are cascaded throughout the supply chain.

7. To do so, **engage suppliers** as partners and innovators. Demonstrate the business value. Support their efforts. Empower them to create solutions.

8. Then, **measure performance**. Understand that audits, while important, do not provide a full picture of working conditions. Find ways to engage workers; provide robust grievance mechanisms; measure outcomes, not just process.

9. Use those findings to **disclose results**. Regularly report performance, both quantitatively and qualitatively. Candidly discuss challenges, including actions taken to address and prevent recurrence. Encourage suppliers to report their performance.

10. Use those results to **engage stakeholders**, companies (both inside and outside of sector), government, and other key partners. No one company, industry, or NGO can solve this issue alone. Collaboration with peers, labor and human rights organizations, investors, government, and others is more effective than going it alone.
Investors also have an important role to play. Here are 5 steps they can take:

1. **Educate.** Understand risks presented by forced labor and human trafficking and actions companies should be taking to mitigate these risks.

2. **Assess internal risk.** Determine portfolio exposure to high-risk industries and identify steps being taken by portfolio managers and others to understand and mitigate risks.

3. **Engage companies** on how effectively they are managing key labor and human rights, such as forced labor, throughout their direct workforces and global supply chains.

4. **Collaborate.** Leverage multi-stakeholder initiatives to advance and achieve results. Collaborate with other investors to engage companies and industries.

5. **Disclose results.** Communicate the results of engagement efforts publicly, so more companies understand investors are paying attention, that the risk to brand reputation and profit is real, that proactively managing these risks will better position them for long-term success.
THE TIME TO TAKE ACTION IS NOW

To affect meaningful, widespread, and long-lasting changes in all workplaces, from corporate offices to factories and fields, we must move from hundreds of companies taking action to thousands. By shining a bright spotlight on the human rights and supply chain performance of 613 of the largest US companies, providing clear expectations and examples of leading practices, and offering concrete recommendations and resources for both companies and investors, we hope companies will act—and act now.

“Everything that is really great and inspiring is created by the individual who can labor in freedom.”
—Albert Einstein

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Additional Resources

A variety of resources exist for companies and investors seeking to understand compliance requirements and increasing investor and stakeholder expectations for eradicating human trafficking and forced labor, including:

- ATEST’s Beyond 657 provides valuable information for businesses seeking to meet and exceed California’s legislative requirements to prevent forced labor in supply chains.
- The Global Slavery Index provides a quantitative ranking of 162 countries according to the estimated prevalence of slavery and examines corresponding risk factors and government responses.
- Interfaith Center on Corporate Responsibility (ICCR), Christian Brothers Investment Services, Inc. (CBIS), and Calvert Investments released a report, Effective Supply Chain Accountability, providing investor guidance for corporate implementation of The California Transparency in Supply Chains Act (SB-657).
- The International Labor Organization (ILO) has a number of resources, including Combatting Forced Labor, a handbook for business.
- KnowTheChain, a multi-stakeholder initiative comprised of organizations including Humanity United, Verite, and Sustainalytics, provides an important dataset of company disclosure statements and tools to embrace both the letter and spirit of The California Transparency in Supply Chains Act (SB-657). The information provided by KnowTheChain is not only applicable to companies subject to SB-657, but to all companies with supply chains, no matter where they operate.
- The Responsible Sourcing Network works with investors and business to address and identify long-term solutions to eradicating forced labor.
- SedEx Global and Verite released a Modern Day Slavery Briefing (April 2014), an important primer that includes recommendations for brands and suppliers.
- The U.S. Department of Labor provides various business resources, including Reducing Child Labor and Forced Labor.
- The U.S. Department of State’s annual Trafficking in Persons report provides information on government responses to combat trafficking in persons.
- Verite’s Help Wanted initiative addresses the recruitment and hiring practices of workers across global supply chains, and includes tools such as the Fair Hiring Framework for Responsible Business and the Fair Hiring toolkit.