INVESTING TO END MODERN SLAVERY

CASE STUDIES

Responsible Sourcing Network

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Introduction

There have been multiple shareholder campaigns over the years that have asked companies to increase their efforts to eradicate human trafficking and modern slavery. Some requests to companies have been embedded inside of bigger requests, such as establishing a code of conduct or a human rights policy. Other requests have had a laser-focus, such as implementing human trafficking prevention training or assessing forced labor in a company's supply chain. Regardless, due to investor engagement and pressure from other stakeholders, numerous companies have begun to take steps to address any forced labor or human trafficking related to their business activities.

Laid out in this companion report to *Investing to End Modern Slavery: a landscape assessment and roadmap to increase investor engagement*, are details of 10 prominent campaigns. Each case study includes the geographic regions where the abuse is most common, past investor and brand actions, and future opportunities for investor engagement.

Unfortunately, these issue areas are still abundant with human trafficking and forced labor. By sharing these case studies, the intention is to promote best practices, identify opportunities for further action, and to encourage continued investor engagement.

Palm Oil: Addressing Forced and Child Labor in Malaysia and Indonesia

Malaysia and Indonesia produce 85 percent of all palm oil, a substance found in almost 50 percent of products sold in supermarkets including packaged foods, detergents and cosmetics, as well as pharmaceutical products, animal feeds, and biofuel. Forced labor and child labor is prevalent in both countries, in part because huge growth in palm oil production has led to plantations systematically destroying the indigenous peoples' land, forcing them to become plantation workers. An estimated 3.7 million workers—including thousands of children—work under degrading working conditions, barely earning a living wage to survive, and communities that were once self-sustaining are now heavily dependent on the palm oil industry. In addition to flagrant human rights abuses and displacement of indigenous people, palm oil production has resulted in widespread rainforest destruction.

Larger suppliers dominate the palm oil market, providing the majority of palm oil to consumer-facing and public brands. For example, Wilmar, a private company, is the largest trader of palm oil and controls approximately 45 percent of the global market. Wilmar's supply of palm oil ends up in products of many companies that have been pressured by investors to act on palm oil, including PepsiCo, Mondelēz International, J.M. Smucker, Archer Daniels Midland (ADM), Bunge, Kraft Foods Group, and DuPont.

Investor actions can affect change in the palm oil industry

Human rights abuses, climate change impact of palm oil production's forest destruction, and displacement of indigenous people has made palm oil one of the most interrelated cross-issue campaigns.

In 2013, Greenpeace and Friends of the Earth (FOE) [1] strongly critiqued the Roundtable on Sustainable Palm Oil (RSPO), which offers a voluntary certification system for sustainable palm oil. They accused the RSPO of certifying plantations where human rights are disregarded, where deforestation occurred, and of failing to be a

guarantee against abuses, including labor trafficking, child labor, unprotected work with hazardous chemicals, and long-term abuse of temporary contracts.

The nonprofit, As You Sow, recently partnered with FOE to create the Deforestation-Free Funds[2], which will equip concerned investors with the ability to screen companies that are producing or sourcing palm oil in an unsustainable and unethical way from their pension funds.

Investment community in action

Investors are showing that the right kind of engagement can affect how companies do business with palm oil producers. Clean Yield, Domini Social Investments, Green Century Capital Management, the New York State Comptroller's Office (NYSCO) and Common Retirement Fund (NYSCRF), Trillium, and the Interfaith Center on Corporate Responsibility (ICCR) have all secured commitments by companies to source sustainable palm oil. There have been at least 40 companies engaged on the issue of sustainable palm oil production.

Company and Brand Engagement

Kraft Foods Group: Domini Social Investments added human rights to its pending proposal asking Kraft to assess the company's supply chain impact on deforestation and human rights issues and how it plans to mitigate the risks.[3]

Archer Daniels Midland and Bunge: NYSCRF asked these companies to set quantitative and time-bound goals and report annual KPIs on deforestation and related human rights violations.

Divestment

Daewoo: In August 2015, Norges Bank Investment Management divested fully from Daewoo International (also known to be a confirmed beneficiary of Uzbek cotton) over concerns of links to palm oil.

Environmental Campaigns

A palm oil shareholder campaign coordinated by Ceres has relied on filing resolutions as a means of getting companies to the table, although three of four resolutions in 2016 were eventually withdrawn and replaced by dialogues. The lone vote, at Domino's Pizza, received 26 percent support.

Opportunities for Future Investor Action

Public awareness of human rights violations and environmental destruction in the palm oil industry is high, and companies have begun making commitments. In addition, the inter-related environmental and human rights issues in palm oil production create an opportunistic environment for shareholder engagement. Since investors and banks heavily invest in agricultural land, they can push for best practices via responsible investment standards and limit their financial services to certified companies.

Continued pressure from shareholders can help lead to a legitimate certification of complex supply chains. Banks and pension funds in the UK, Netherlands, France, and U.S. have an opportunity to halt direct financing of companies like Bumitama and Wilmar, which, in turn, prevents the financing of destructive activities. The end goal to improve the certification process and increase commitments from all major palm oil companies to 100 percent certified palm oil in the next five to ten years.

Seafood: Addressing Labor Abuse and Extreme Violence in Thailand's Seafood Supply Chain

The seafood supply chain is rife with human rights abuses, including forced labor in Burma and Thailand; child labor in Bangladesh, Cambodia, and Thailand; and torture and killings in Thailand.

In Thailand, the world's largest prawn exporter, an industry driven by demand for cheap prawns in the U.S. and Europe is estimated to be worth $7.3 billion. However, it was built at the expense of the estimated 300,000 victims of forced labor. Transparency in this supply chain is challenging because of its complexity (especially during the peeling process), and the Thai Government's weak enforcement compounds the problem. All of Thailand's major shrimp exporters (N&N Foods, Okeanos Food, Kongphop Frozen Foods, Siam Union Frozen Foods) and Thai Union, the world's largest seafood processor, are associated with human trafficking and forced labor through the catching of feeder fish used to feed prawns in prawn farm. The fish is also used in pet food products.

Most laborers in the Thai seafood supply chain originate in Burma and Cambodia, as well as Indonesia and Laos, and are attracted with deceptive recruitment practices and false promises. Some workers are "sold" for $350 to boat captains, and their only chance at freedom is buying back the contract. Others pay excessive fees to labor brokers, which leads to debt bondage. Many workers lack documentation, or their passports are withheld by the boat owners. Thus, migrants are "invisible" and undocumented, disappearing in unregistered vessels where they may work for years with no, irregular, or low pay.

Conditions are terrible on the boats and in the Thai shrimp farms. Fishermen can spend years at sea, entrapped in terrible and inhuman conditions. Intimidation, harassment, and verbal and physical abuse have been reported, as have execution-style killings. In the shrimp farms, adult and child laborers are often locked inside the shrimp peeling sheds where they are forced to work.

Investor pressure, media exposure, and legal action is forcing companies to examine their supply chains

Over the past five years, investor engagement—along with investigative journalism, NGO pressure, and legal action—have succeeded in pressuring the seafood industry to respond to rampant human rights abuses in its supply chain.

The nonprofit Verité was one of the first to expose slave labor in the Thai fishing industry. *The Guardian* published a six-month investigation in 2014 that identified Walmart, Carrefour, Costco, Tesco, Aldi, and Morrison as customers of CP Foods—the world's largest shrimp farmer, which buys fishmeal from suppliers that hold an enslaved labor force. The company reacted to the report by creating a task force with representatives from retailers, local governmental authorities, and the NGOs Oxfam and Environmental Justice Forum. The outcome was that the CEO of CP agreed in August 2015 to purchase only from certified processing plants.[4]

Legal actions against high-profile companies and brands including Costco, Chicken of the Sea, Bumblebee, StarKist, Nestlé, Mars Inc., Iams Company, and Procter & Gamble are contributing to heightened risk exposure for companies that import seafood from Thailand.

Investment Community in Action

Investors play a key role in influencing brands and companies that rely on seafood imports, which in turn have the power to influence Thai exporters. Here are a few examples of how investors are working to end forced labor and other human rights violations in the Thai seafood industry:

Company and Brand Engagement

Thai Union: In 2016, Robeco, Christian Brothers Investment Services, and other Principles for Responsible Investment (PRI) and Interfaith Center on Corporate Responsibility (ICCR) members began engaging with Thai Union. The discussions focused on encouraging Thai Union to implement a no-fees policy for migrant workers.

Charoen Pokphand (CP) Foods: The Dutch fund Robeco has led engagements with CP Foods, a company that admits slave labor has been part of its supply chain, advocating that they take greater action on forced labor concerns in their supply chain and join the Thai Seafood Working Group.

J.M. Smucker (Meow Mix cat food): Trillium filed a Human Rights Risk Assessment resolution that would have gone to a vote in August 2016, but was withdrawn when the company agreed to update their Supplier Code of Conduct, strengthen their human rights risk assessment process, and eventually create benchmarks.

The ICCR, Mercy Investment Services, Socially Responsible Investment Coalition (SRIC), Boston Common Asset Management, the New York State Comptroller's Office (NYSCO) and Common Retirement Fund (NYSCRF), and PRI have also all had dialogues with companies, including Target and Costco, about the risks of forced labor in their seafood supply chains.

Opportunities for Future Investor Action

The environment is rife for continued investor action to have positive impact in the struggle to clean up the seafood supply chain. Major retailers like Costco, Walmart, Carrefour, Tesco, and Aldi have reacted to the accusation of being involved in modern slavery by referring to their codes of conduct, which forbid forced labor—and most said they were launching investigations.

Some brands have also responded to accusations: Mars, Inc., for example, replaced fishmeal in some of its pet food and set a goal to use only non-threatened and certified fish by 2020. And, Nestlé responded to exposure of labor abuses in its seafood supply chain by implementing a program that verifies working conditions and improves traceability of seafood ingredients; however, a 2016 *Guardian* article reported there had been no change in the company's practices.

A recent Environmental Justice Foundation Report: *THAILAND'S SEAFOOD SLAVES: Human Trafficking, Slavery and Murder in Kantang's Fishing Industry*[5] calls for a multi-track approach emphasizing leadership, joint action, and serious commitment of the stakeholders to fight slavery in Thailand. Greenpeace, which is launching a campaign to pressure companies to do more to address forced labor in seafood, could be a good partner for shareholder advocates concerned about how forced labor in the fishing industry impacts their investment.

Cotton: Addressing Forced Labor in Uzbekistan Through a Multi-pronged Collaborative Strategy

Forced labor is a prevalent problem in the world's apparel supply chains. Perhaps one of the most visible and egregious purveyors of abuse is the government of Uzbekistan, which forces more than a million Uzbek citizens to work in the cotton fields each year. Every autumn, schools and public offices are shut down and students and state employees sent to work. Laborers receive payment equal to approximately $1 per day, and from that paltry wage they are charged for lodging, transportation, and food.

While subjecting its citizens to forced labor, the Uzbek government manages the export companies and sells cotton at global commodity prices, which earns the government about $1 billion every year.

Investors used leverage to initiate change on how Uzbekistan does business

In 2013, a years-long, multi-pronged campaign of international pressure from investors, business groups, NGOs, and governments resulted in the Uzbek government reducing the number of children (ages 7 to 15 years) it sends to the cotton fields. While this reduction in child forced laborers unfortunately led to more public employees and university students being forced to work[6], pointing to the daunting task ahead, it also demonstrated the power of investor action and collaborative campaigning to create positive change.

To date, shareholder and legal actions have successfully influenced major brands and retailers to make their supply chains more transparent and to boycott Uzbek cotton until the government puts a stop to child and forced labor. The boycott by major apparel brands and retailers, in conjunction with NGO and government action, are proven strategies for persuading the Uzbek government to change its practices.

A Best Practice: Multi-Pronged Collaborative Strategy

NGOs surfaced the issue of forced labor in Uzbekistan cotton fields in 2005.[7] In 2008, the Responsible Sourcing Network (RSN), coordinating through the Interfaith Center on Corporate Responsibility (ICCR), began the first comprehensive effort to engage investors, companies, and industry associations. This initial effort led to formation of the Cotton Campaign[8], which continues the multi-stakeholder approach today.

The collaborative campaign to end forced labor in Uzbekistan has demonstrated the effectiveness of a multi-pronged strategy, in this case by combining shareholder and legal action targeting high profile companies, a cotton boycott by major apparel brands and retailers, political pressure on the Uzbek government, and complaints with the International Labour Organization (ILO).

Investment Community in Action

Investors are playing an important role in multi-stakeholder campaigns to end forced labor in Uzbekistan. Through their leverage as company shareholders, investors are able to influence companies in a way that other external stakeholders cannot, which is particularly important in multi-stakeholder campaigns. Shareholders push for change through direct dialogues with senior management, letter writing campaigns, shareholder resolutions, and other tactics that leverage their position as owners. Whether it's influencing business decisions or holding companies accountable for human rights failures, they clearly have influence on retailers and brands that rely on the cotton industry. Following are a few examples of investors at work.

Campaigns and Boycotts

Cotton Campaign: Many investors have contributed to the campaign's efforts over the years, and Calvert Investments, Mercy Investments and Boston Common Asset Management remain actively involved. Among its accomplishments, the Campaign has successfully engaged the U.S. State Department to use its diplomatic leverage, calling out Uzbekistan's egregious behavior and giving the country the worst ranking possible in its annual Trafficking in Persons Report in 2014 and 2016. Calvert has contributed greatly through its connections at the U.S. State Department; Department of Democracy, Human Rights, and Labor; and the Department of Labor. The success of investor pressure on companies to address forced labor in the Uzbek cotton industry led to companies encouraging their relevant trade associations, American Apparel and Footwear Association, National Retail Federation, the Retail Industry Leaders Association, and the US Fashion Industry Association (formerly the US Association of Importers of Textiles and Apparel), to join the Cotton Campaign. By working with these associations and human rights defenders, investors were able to increase pressure on the Uzbek government by demonstrating a unified front from business, investors, and civil society on the issue of forced labor.

RSN's Cotton Pledge[9]*:* As You Sow, the ICCR, and other investor groups played a major role in getting companies to sign the pledge, which commits companies to not knowingly source Uzbek cotton until the Government of Uzbekistan ends the systemic use of child and adult forced labor in its cotton industry. According to one ILO staff person, the Cotton Pledge "greatly contributed to encouraging the Uzbek government to reduce child labor."

Shareholder Actions

Abercrombie & Fitch: In 2010, F&C Asset Management issued a shareholder proposal on a code of conduct regarding Uzbek cotton. It accused the company of inadequate risk management and lacking transparency regarding forced child labor in Uzbekistan's cotton harvest. The resolution received the support of approximately one third of the company's shareholders. A&F signed RSN's Cotton Pledge in response.

Costco, WalMart, Adidas, TJ Maxx: Shareholder resolutions were proposed but withdrawn when these companies signed the Cotton Pledge and promised greater transparency.

H&M: Despite signing RSN's Cotton Pledge in 2011, the company came under fire in 2012 for sourcing cotton processed by Daewoo, a company notorious for directly using Uzbek cotton. The European investment company GES Invest has been engaging with both H&M and Daewoo (and its parent company Posco) every year since 2009 and 2012 respectively.

While many brands and retailers still lack full transparency around the cotton origins of their products and are good targets for shareholder activism, some apparel and home goods companies have made efforts to increase traceability. Ikea, C&A, Marks & Spencer, and H&M have goals to only source sustainable cottons, and more than 260 brands and companies have signed the Cotton Pledge.

Opportunities for Future Investor Action

The Uzbek government has taken steps to stop sending the youngest children to the fields, demonstrating that it can change its practices if compelled to do so.

While supporting the above initiatives, investors are likely to increase pressure on brands to identify and address forced labor in their supply chains. Investors are paying close attention to the California Transparency in Supply Chains Act (SB 657), the 2015 UK Modern Slavery Act, the UN Guiding Principles for Business and Human Rights (UNGPs)10 Guiding Framework, Organization of Economic Cooperation and Development

(OECD) Due Diligence Guidance, Corporate Human Rights Benchmark (CHRB)[11] and Know The Chain (KTC) Benchmarks.

The Cotton Campaign and Turkmenistan activists are now calling for a global boycott of Turkmen cotton due to forced labor conditions similar to those in Uzbekistan.[12] Because the vast majority of Turkmen cotton supposedly is exported to Turkey and Turkey is a big supplier of apparel to Europe, this could be a high risk for European brands and retailers.

In September 2016, RSN launched the initiative *YESS: Yarn Ethically and Sustainably Sourced*[13], which will follow the model of the Conflict-Free Sourcing Initiative and implement a due diligence system to address and identify forced labor in the cotton and yarn industries. RSN plans to request investors' support in encouraging brand participation with YESS.

Pig Iron: Investor Community Action to Combat Human Rights Abuses and Deforestation in Brazil

In Brazil, pig iron is produced from charcoal made of rainforest wood, which is then reheated in clay ovens, often by forced laborers and child workers. Forty-seven percent of Latin America's charcoal production comes from Brazil, making it the region's biggest charcoal supplier. Workers are recruited by labor brokers under false pretenses, and charcoal companies employ workers under subcontracted labor management, thus avoiding direct responsibility for labor conditions.

Working with the kilns is degrading and difficult, and living conditions are equally difficult. Sites are often in remote areas far away from schools, hospitals, and markets. Families are forced to buy from expensive company stores, which puts them into debt and makes returning home impossible. Companies often fail to pay workers, or they pay wages insufficient to meet the cost of living close to the kilns.

Investors lead efforts to end labor abuses in Brazil's pig iron production

Charcoal producers are several tiers up the pig iron supply chain, which includes pig iron exporters, U.S. importer National Material Trading, steel manufacturers, and ultimately, U.S. auto and appliance manufacturers. The link between pig iron production and forced labor abuses in Brazil first received wide-spread recognition in 2006 when *Bloomberg* featured the front-cover story, "The Secret World of Modern Slavery."[14] The exposé led signatories to the UN Principles for Responsible Investment (UNPRI) to send investor letters to a variety of steel-dependent companies such as automakers Ford and Toyota and appliance manufacturers Kohler and Whirlpool.[15]

In July of 2007, Brazil's environmental protection agency, IBAMA, filed lawsuits against four pig iron producers. Also that year, Domini Social Investments initiated engagement with Nucor, the largest U.S. steel producer, because of the company's use of pig-iron and charcoal produced by forced labor.[16]

Investment Community in Action

Domini's engagement with Nucor has played a leading role in elevating the issue of forced and child labor in Brazil's pig iron production.

Shareholder Resolutions

Nucor: Domini filed shareholder resolutions in 2008, 2009, and 2010. The first resolution was withdrawn after dialogue with the company. When Nucor did not fully live up to its agreement, Domini refiled in 2009, and the proposal received a 27 percent vote. Domini then re-filed the proposal again and, ultimately, withdrew in

exchange for Nucor's written agreement to require all its top-tier Brazilian pig iron suppliers to join the now-defunct Citizens Charcoal Institute (ICC)[17] or sign the National Pact for the Eradication of Slave Labor[18], a multi-stakeholder effort involving NGOs and over 400 companies that together account for over 35 percent of Brazil's GDP. Signatories agree not to source from any supplier on the Brazilian government's "dirty list."

Domini's engagement has been supported by other investors, including Christian Brothers, Everence, Socially Responsible investment (SRI) Coalition, Trillium, and Wespath.

Opportunities for Future Investor Action

Investor-, NGO-, and government-guided engagement has led to progress in the effort to end forced and child labor in Brazil's pig iron production. Companies are shifting or beginning to shift their pig iron suppliers from Brazil to other countries because of the risks of human rights and environmental violations in the country's pig iron supply chain.

After several years of car manufacturers ignoring the problem, the awareness for modern slavery in steel/pig iron production has begun to grow. In 2011, according to Greenpeace International, seven pig iron companies, which supply steel to the major car manufacturers through various intermediaries, signed an agreement to "not source wood charcoal that comes from deforestation, slave labor or encroached indigenous land"[19]. Moreover, companies that are on the "dirty list" created by the Brazilian Government in 2003 have had trouble getting financing[20].

Despite this progress, there remain many opportunities for increased shareholder engagement in this issue. No auto company has signed Brazil's *National Pact*, for example. The subsidiaries say parent companies need to make the decision, and the parent companies say the subsidiaries need to make the decision. And, despite a Greenpeace report that found pig iron from the Amazon is processed in American steel mills that supply Ford, GM, Nissan, and Mercedes[21], none of the manufacturers mention pig iron challenges in their sustainability reports.

Sugar Cane: Industry Primed for Investor Community Action to Combat Human Trafficking and Forced Labor

Eighty percent of manufactured sugar in the world comes from sugarcane, and, across the globe, human rights violations and poor working conditions are common in sugarcane production.

Human trafficking, bonded labor, and working conditions that are categorized as "modern slavery" are common on sugar plantations in the Dominican Republic (DR). Sugarcane workers are recruited from Haiti, misled with a presumption of higher wages and a better standard of living. Workers get paid a maximum of $1 a day, are bound to a housing site, and can only purchase provisions from an overpriced company-owned store. As a result, most workers become financially dependent on the company they work for and live under debt bondage. Armed guards patrol the forced labor camps, or "bateys". Laborers work six to seven days a week for 14 hours and are exposed to high levels of pesticides and potential injuries from machetes used to cut the sugarcane.

Compounding the problem, in 2013, the DR Supreme Court retroactively withdrew citizenship to anyone born to undocumented immigrants, thus de-nationalizing thousands. Haitian descendants born in the DR have accused the DR government of deporting Haitian workers after decades of labor on the sugarcane plantations.

The deported workers are forced to leave their families in the DR and return to Haiti without any savings or pension.

Investor actions to improve sugarcane-working conditions

Investors have had modest involvement in trying to address the working conditions of sugarcane production. Calvert and Trillium included this topic in dialogues but never filed resolutions specifically (or solely) on the topic of forced labor in sugar cane harvesting.

Opportunities for Future Investor Action

The United States is the largest importer of sugar produced in the Dominican Republic. With modest progress on reforms and stakeholder engagement on the rise to end labor abuses in sugarcane production, the issue is ready for increased investor involvement.

Since 2011, Bonsucro Certification has focused on large-scale sugar buyers seeking suppliers who comply with fair labor and environmental protection standards in their production. Bonsucro aims to certify 20 percent of the global sugarcane production by 2017. However, in 2014 and 2015, it certified only 3.55 percent of production. Bonsucro's membership includes Coca-Cola, Ferrero Group, Barcardi, BP, and Shell.

Several NGOs, including Fairtrade International[22], the Rainforest Alliance[23], Bonsucro[24], and IFOAM Organic[25] promote the purchase of certified sugar by brands and retailers, coordinating consumer awareness campaigns that continue to heighten consumer knowledge of forced labor in sugar production.

Media attention has also elevated human rights issues in DR sugar production. In July 2015, Al Jazeera accused the families running Grupo Vicini and Central Romana Corporation of holding their workers "under working conditions similar to slavery."[26] Central Romana Corporation, the biggest employer and landowner in the DR, did not reply at all, while the Vicini Group denied all accusations. The owners of Central Romana Corporation are also co-owners of American Sugar Refining (ASR), the largest sugar refining company in the world and owner of brands Florida Crystals, Domino, C&H, and others.

Finally, as reporting of their efforts to prevent human trafficking in supply chains becomes more commonplace under the California Transparency in Supply Chains Act and UK's Modern Slavery Act, companies may feel more pressure to identify and address forced labor in their sugar supply chains, creating an enabling environment for shareholder engagement.

Tomatoes: Investor Community Action to Combat Forced and Child Labor in North America

Tomato production in the United States and Mexico has been notoriously rife with force labor, sexual violence and harassment and poor working conditions. Since its founding in 1993, the Coalition of Immokalee Workers (CIW)[27] helped to free more than 1,200 U.S. tomato workers held against their will. In Mexico, where about half of the tomatoes consumed in the United States are grown, production all too often involves bonded labor. With their wages illegally held and their actions controlled by violent watchmen, workers are trapped and prevented from leaving camps during harvesting seasons. Overpriced company stores provide the only access to food and provisions, driving workers into debt and often compelling them to work the next season. In 2014, the *Los Angeles Times* reported that 100,000 children under the age of 14 labor under these conditions.

Investors' support for fair labor conditions in tomato fields

A 20-year-long battle against modern slavery by the CIW has nearly abolished forced labor in U.S. tomato farming. In 2011, the CIW implemented a Fair Food Program (FFP)[28], which engages top tomato buyers, often through marches or boycotts as well as direct dialogue. The program's success is grounded upon sound partnerships among farmworkers, Florida tomato growers, and major retail buyers. Companies that comply with the FFP only purchase products from tomato growers that agree with the CIW standards, which include: a Spanish-speaking whistle blower hotline, shelter provision, an extra $60 a week—one cent more per pound which goes directly to the pickers, basic education, tents for shade, and break time to eat. The Fair Food Standards Council monitors the FFP and publishes an annual report on its state. Suppliers that violate the standards are prohibited from selling to FFP participants.

Investment Community in Action

CIW has worked with Interfaith Center on Corporate Responsibility (ICCR) to gain entry to shareholder meetings and provide information for company dialogues and resolutions. In addition, several investors have supported human rights in supply chains dialogues and resolutions over the years, including the Congregation of St. Joseph, Mercy Investments, Everence, Christian Brothers, Socially Responsible Investment (SRI) Coalition, Boston Common Asset Management, Calvert Investments, and Trillium. These actions have helped CIW to raise the profile of the plight of farmworkers and lead to additional companies joining the Fair Food Program.

Shareholder Resolutions

Wendy's: The Congregation of St. Joseph filed a 2016 resolution asking Wendy's to "join the Fair Food Program as promptly as feasible", which was later withdrawn. As Wendy's has yet to join the Fair Food Program, it is likely that this resolution will be filed again in 2017.

Kroger: The company has faced five shareholder votes in the last six years on farm worker rights and supply chain related issues, with votes ranging from 11 to 28 percent shareholder approval. Kroger has refused to join the Fair Food Program.

Opportunities for Future Investor Action

Many of the largest U.S. tomato buyers are members of the FFP, including: McDonalds, Whole Foods, Trader Joe's, Chipotle, Subway, Ahold USA, Aramark, Bon Appétit Management Co., Burger King, Compass Group, The Fresh Market, Sodexo, Yum Brands, and Wal-Mart.

Despite the FFP's many successes, several major U.S. companies in compliance with the FFP for U.S.-grown tomatoes concurrently buy from abusive farms in Mexico. These companies have done little to enforce social responsibility guidelines in Mexico.

Incidences of forced labor and poor working conditions in Mexico's tomato production, and the retailers who purchase the produce, were revealed in a 2014 *Los Angeles Times* in 2014 that identified major abuses by agribusiness giant Agricola San Emilio. Wal-Mart, Subway, and Safeway are among the company's customers.

Wendy's, a CIW boycott target, shifted its tomato supply chain from Florida to Mexican growers in 2016 in order to avoid compliance with the Fair Food Program. The Kaliroy Corporation, the U.S. distribution arm of Bioparques de Occidente, is one of Wendy's suppliers. In 2013, Mexican authorities freed 275 slaves—including 39 teenagers—from Bioparques. Five camp foremen were arrested on numerous charges, including deprivation of liberty and human trafficking.

The CIW hopes to expand its Fair Food Program to Mexico, which could provide increased opportunities for investor collaboration.

Conflict Minerals: Investor Community Action to Stop Forced Labor and Extreme Violence in the Democratic Republic of the Congo

The Democratic Republic of the Congo is one of the most mineral-rich countries in the world. Fueled by the revenue of mineral exports, money flows to violent armed groups in Eastern Congo. Rule of law is minimal, corruption and smuggling is high, and government soldiers cause just as much harm as the rebels. The wars have caused over six million casualties since 1996.

Four main minerals, tin, tantalum, tungsten, and gold (3TG) – known as "conflict minerals" – contribute revenues to the armed groups. Working conditions surrounding mineral extraction often involve forced labor or very low pay, and the armed groups employ a variety of "weapons of war" including rape and other sexual violence, torture, and recruitment of child soldiers.

Investors engage to strengthen legal framework addressing conflict minerals

Responsible Sourcing Network (RSN), Enough Project,[29] Free the Slaves,[30] Friends of the Congo,[31] Jewish World Watch,[32] and Global Witness[33] are among the many nonprofit organizations working to elevate this issue in the public and advocate for corporate accountability around conflict minerals.

The investment community played a leadership role in advocating for the primary corporate accountability vehicle addressing the use of conflict minerals: Section 1502 of the Dodd-Frank Wall Street Reform Act.[34] Section 1502 requires companies to publicly report to the Securities and Exchange Commission (SEC) about the origin and labor conditions of their sourced metals. Since 2014, over 1,200 companies have submitted conflict minerals disclosures annually.

Investment Community in Action

Calvert Investments, Boston Common Asset Management, and Trillium were instrumental in bringing corporations to the table to be part of a multi-stakeholder group of investors, NGOs, and companies that reported common recommendations for robust rules under Section 1502. RSN coordinated the group's joint recommendations to – and multiple meetings with – the SEC regarding implementation of Section 1502.[35] Other investors, including US SIF and ICCR members, also supported the recommendations.

Euro SIF, Diakonia, and Triodos Bank supported legislation passed by the European Commission that requires mandatory due diligence for all EU importers of 3TG sourced from conflict areas (except for the smallest firms), from June 2016.[36]

Shareholder Resolutions

Amazon: In 2016, SumOfUs filed a shareholder resolution asking Amazon to report on its process for identifying, analyzing, and engaging in actual and potential human rights risk in its supply chain, highlighting conflict minerals.[37]

Opportunities for Future Investor Action

Since companies first started reporting to the SEC in 2014, over 1,200 companies have submitted conflict minerals disclosures each year. Publicly traded companies submitting disclosures include Intel, Apple, HP, Ford,

and Tiffany's. RSN has issued annual versions of its report *Mining the Disclosures*,[38] which provides for investors an analysis of the largest companies' activities and Conflict Minerals Reports submitted to the SEC.

Many companies submitted their third disclosure in 2016, but the majority are still only fulfilling the minimal compliance requirements.

The U.S. Chamber of Commerce, the Business Roundtable, and the National Association of Manufacturers filed a lawsuit that resulted in a 2014 U.S. Court of Appeals of DC ruling that struck down a part of the SEC regulation that required companies to use the language "conflict-free" or "not conflict-free" when they submitted their disclosures to the SEC. In 2016 and 2017 actions were proposed or taken by Congressional, Executive Branch, and SEC representatives to revisit, defund, and/or suspend the law.

Apple, Intel, Tiffany, and other companies have come out to publicly support Section 1502; [39] and over 127 companies representing $4.8 trillion AUM are defending the law.[40] According to the Enough Project, over 140 mines that were previously controlled by rebel groups are now considered "conflict-free."[41]

Despite this progress and public support, the gains in transparency for investors and stability in the region supported by Section 1502 are under attack, creating additional opportunities for investors to leverage their influence.

Cocoa: Investor Community Action to Combat Forced Labor and Child Labor in the Ivory Coast and Ghana

The Ivory Coast and Ghana are the first- and second-largest cocoa exporters, respectively, and together produce more than half of the world's cocoa. In both countries, child labor in cocoa production is widespread. More than 1.1 million children worked on Ivory Coast cocoa plantations and 900,000 children worked on Ghana cocoa plantations from 2013 to 2014, a situation the United Nations recognizes as one of the "worst forms of child labor". The children are trafficked from neighboring countries by brokers or smugglers and sold to plantations, where they are forced to work with dangerous tools, carry heavy loads, and are exposed to toxic substances.

Investors' long history of engagement to end child labor in West Africa

In the 1990s, the Interfaith Center on Corporate Responsibility (ICCR) started engaging chocolate companies like the Hershey Company, Mars, Cadbury, Nestlé, and others to improve their cocoa supply chains. Investors had to push hard to encourage corporate action in those early years and large, vocal consumer campaigns that included demonstrations in the street—especially around Halloween—also played an important role.

This combined investor and NGO activism spurred companies and their stakeholders to form the World Cocoa Foundation in 2000, which has since reached over 540,000 cocoa farmers through fieldwork and scientific programs aimed at reducing child labor and promoting sustainable cocoa communities.[42]

As of today, eight chocolate companies have signed the Harkin-Engel Protocol, a "protocol for the growing and processing of cocoa beans and their derivative products in a manner that complies with ILO

Convention 182 concerning the prohibition and immediate action for the elimination of the worst forms of child labor" that was enacted in 2001, spearheaded by Congressmen Eliot Engel and Tom Harkin.[43]

Investment Community in Action

Along with ICCR, CREA, Mercy Investments, Calvert Investments, and Boston Common Asset Management have been strong, ongoing voices speaking out against child labor in the Ivory Coast and Ghana. This sustained engagement has continued to push the sector to address the most endemic and challenging issues related to forced labor in the cocoa industry.

Shareholder Resolutions

The Hershey Company: Shareholder resolutions went to a vote twice in 2006 and 2008, but they had very little support since Hershey Trust has almost complete control of the company's shares. Progress was reflected in 2014, however, when Hershey stated in a shareholder meeting that the company was getting 40 percent of cocoa from producers certified by Fair Trade, Rainforest Alliance, and UTZ, and that its commitment was only limited by the lack of certified beans.

Opportunities for Future Investor Action

Despite success by investors and NGOs to get chocolate companies engaged in finding solutions to child labor in Ghana and the Ivory Coast, demonstrating positive change on the ground remains challenging. A 2015 survey by Tulane University and funded by the U.S. Department of Labor reported a 21 percent increase in the total number of children found to be subject to child labor over the previous survey five years earlier.[44]

Each of the five biggest chocolate companies—Mars, Mondelēz, Nestlé, Ferrero, and the Hershey Company—have plans in place to quell the human rights abuses that occur in their chocolate supply chains, though some are more in-depth and committed than others. For instance, Mars has simply pledged to get 50 percent of its cocoa certified in 2016, while Nestlé has committed more than $100 million over 10 years to its Cocoa Plan. In 2015, 83 percent of the cocoa that was purchased through Nestlé's Cocoa Plan (30 percent of the total supply) was certified. Even with its ambitious goals, improvements on the ground through the Cocoa Plan have been reported to be minimal.[45]

There are two active court cases against major chocolate companies, one seeking companies to be held liable for the use of child slaves to harvest cocoa in the Ivory Coast[46], and the other accusing the Hershey Company, Mars, and Nestlé of failing to disclose their use of child labor and tricking their customers into unknowingly supporting slave labor. This case is also still active.[47]

These active lawsuits, along with enactment of the California Transparency in Supply Chains Act (SB 657) and the UK Modern Slavery Act, are likely to bring renewed attention to child labor in the cocoa industry and opportunity for investors. The investor community has a long history of engagement in this important commodity and is in a strong position to impact an issue that is complex, intractable, and directly tied to the development of the entire region.

Trafficking through Labor Brokers: Investor Community Action to Oppose Debt Bondage Across the Globe

Internationally, millions of workers are exploited and enslaved by unethical labor brokers who charge inflated "recruitment fees" to migrant workers trying to secure jobs. The fees can cover expenses for travel, passport, and visa processing, medical exams, as well as unspecified service charges. Frequently, the brokers do not provide written contracts, or they change the contract terms, and impose unreasonable deductions from promised wages. Often passports, visas, or other documents are confiscated until a debt is paid back.

Once a worker has a job, he or she may be charged expenses for a dormitory, meals, transportation, and medical services. These expenses can reduce the workers' wages to well below the minimum standard as they try futilely to pay back their debt. Initial loans can range from hundreds to tens of thousands of dollars, and paying them off sometimes takes years—or even more than a generation. These workers are also often told that if they leave the worksite they will get paid nothing at all and can be tracked down in violation of contract.

Given the exploitation that workers are subject to with a large debt to secure a job, this "debt bondage" is classified by the International Labour Organization (ILO) as a form of forced labor, or modern slavery.

Investors across industries increase awareness of labor broker corruption

Individual labor brokers and labor broker companies are widely un-scrutinized and unmonitored by governments, making it easy for them to exploit foreign-born, poor workers looking for opportunities. The brokers face little-to-no consequences. Industries found particularly susceptible to labor brokers in their supply chains include: palm oil, seafood, agriculture, tobacco, automotive, apparel, travel, and electronics.

The NGO Verité has issued several reports on the exploitation of workers by labor brokers and has also developed the Fair Hiring Framework for Responsible Business.[48] Responding to investor pressure to date, 40 companies have adopted elements of an ethical recruitment policy; 18 of those adopted a No Fees pillar. They are now developing plans for implementation monitoring, verification, and public reporting. The Interfaith Center on Corporate Responsibility (ICCR) continues to organize investors around the topic of responsible recruitment, pushing companies and industry associations to adopt a No Fee Recruitment Policy.

Investment Community in Action

Investor Campaign

No Fees Campaign: In 2014, the ICCR launched a campaign targeting 14 companies in the food and agriculture sector, urging them not to do business with labor brokers who charge recruitment fees to workers. Mercy Investments, Christian Brothers, Tri-State Coalition for Responsible Investment, Basilian Fathers of Toronto, Sisters of St. Francis of Philadelphia, Seventh Generation Interfaith Coalition for Responsible Investment, Trinity Health, the Congregation of St. Joseph, the Socially Responsible Investment (SRI) Coalition, Boston Common Asset Management, Calvert Investments, RobecoSam, and Domini are some of the investors who have participated in dialogues on this issue, and the campaign has expanded to target 71 companies throughout the automotive, apparel, travel, and electronics sectors.

Investor-supported Corporate Initiative

Leadership Group for Responsible Recruitment (LGRR): The Coca-Cola Company, HP, Hewlett Packard Enterprises, IKEA, and Unilever launched this collaboration in May 2016, with ICCR and other human rights organizations as full committee members. The initiative is founded on the "employer pays principle", which obligates employers to cover any recruitment costs.[49]

Opportunities for Future Investor Action

With widespread reporting and acknowledgement by the private sector of the exploitative nature of recruitment fees, the current environment is ripe for continued and expanded investor action to stop corrupt labor recruitment, and the ICCR's No Fees campaign continues to educate and advocate for companies to engage on this issue.

Over the last decade, numerous multimillion-dollar lawsuits have been filed and won on behalf of workers who were recruited into the U.S. under false premises by corrupt labor brokers,[50,51] and corrupt labor recruitment and its prevalence have been gaining more attention in the media.[52]

Under the Obama Administration, the U.S. government also began taking steps to stop corrupt labor recruitment practices in government contracting. President Obama signed a 2012 Executive Order 13627—Strengthening Protections Against Trafficking in Persons in Federal Contracts, and subsequent rulemaking by the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration is designed to clarify and enforce contractors' anti-human trafficking obligations under government contracts. The Responsible Sourcing Tool was developed to assist companies to comply with these new regulations.[53]

Sex Trafficking: Investor Community Action to Oppose Sex Trafficking in the United States

Human trafficking is the act of recruiting, harboring, transporting, providing, or obtaining a person for compelled labor or commercial sex acts through use of force, fraud, or coercion. According to the International Labour Organization (ILO), approximately 4.5 million people are subject to forced sexual exploitation. Sex trafficking is ubiquitous, occurring around the world in urban and rural communities. Its victims are women, men, and children. There is no official estimate of the total number of human trafficking victims in the U.S., though the nonprofit Polaris estimates that the total number of victims nationally reaches into the hundreds of thousands when estimates of both adults and minors and sex trafficking and labor trafficking are aggregated.[54]

Investors influence transportation, travel, and hospitality industries

The U.S. Department of State has emphasized the importance of training for individuals whom may encounter victims of human trafficking and has identified transportation and hotel professionals as being particularly well-placed to identify sex trafficking victims. Truckers Against Trafficking[55] is a nonprofit organization that trains truck drivers to recognize and report instances of human trafficking, and ECPAT USA[56] belongs to an international network of organizations in 75 countries working to end the sexual exploitation of children. Transportation and hospitality companies have engaged with both organizations at the request of shareholders.

Investment Community in Action

Since 2012, Mercy Investment Services has led more than a dozen faith-based institutions in approaching approximately 25 hotels, airlines, and trucking companies about what they can do to prevent sex trafficking. Some of the specific engagements include:

Shareholder Resolutions

Transportation Industry: Mercy Investment Services, the Church Pension Fund, Adrian Dominican Sisters, and the Presbyterian Church USA filed shareholder resolutions at Covenant Transportation, Old Dominion Freight Line, Landstar, J.B. Hunt, XPO Logistics (formerly Con-way), and Swift Transportation. The resolutions asked companies to adopt anti-trafficking policies, partner with organizations like Truckers Against Trafficking, and dedicate resources to combat human trafficking. The resolutions were withdrawn as the companies agreed to develop or amend human rights policies to specifically mention anti-trafficking and to conduct company trainings on the issue.

The Interfaith Center on Corporate Responsibility (ICCR), Christian Brothers, Trinity, Socially Responsible Investment (SRI) Coalition, Wespath, Boston Common Asset Management, and Trillium supported the resolution and dialogue.

Hotels: Investors held dialogues with Hyatt, Las Vegas Sands, Starwood, Wyndham, Choice Hotels, Marriott, MGM, Hilton, and Disney. A resolution was filed and withdrawn at LV Sands.

Airlines: Investors have engaged with United, American, Delta, JetBlue, Spirit and Southwest. United's resolution was withdrawn. Three of six airlines have established policies and are doing employee trainings.

Opportunities for Future Investor Action

Sex trafficking is an issue that companies have been more willing to open dialogues about than issues of forced or exploitative labor, although the steps they take—such as training on trafficking awareness—are relatively easy steps to take. Multiple factors, including media and consumer attention, have enhanced corporate resolve to find solutions to human trafficking, opening opportunities for investor involvement to encourage more robust commitments.

End Notes

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