PROMOTING RESPONSIBLE RECOVERY

Detecting, Mitigating, & Remediating Modern Slavery in Supply Chains
Briefing note: Webinar Four
Modern Slavery Risk Mitigation: A Candid Conversation on Changing the Way We Do Business

Introduction to the series
This briefing is part of a broader five session series of webinars designed to address contemporary issues related to modern slavery in supply chains, calling for candid discussion and pragmatic solutions. The goals of these sessions are to:

• Discuss pragmatic actions in modern slavery risk assessment, mitigation, and remediation
• Identify gaps in guidance, services, or products to address modern slavery in supply chains
• Produce briefing documents following each webinar with actionable recommendations for supply chain stakeholders

A full overview of the series is provided at:
www.gfems.org/event-webinar-series-responsible-recovery
About webinar session four:

In previous sessions, we discussed how worker voice and predictive modelling tools can improve our ability to detect exploitation in supply chains. But detection is not enough. Companies must take proactive and preventative measures. In this session, we will discuss tangible examples of action that companies can take to reduce risk and prevent the occurrence of modern slavery in their supply chains.

1. The webinar was held Thursday, July 30, 2020, 9:00-10:30am EDT.

Moderator:
- Rosey Hurst (Founder and Director, Impactt)

Panelists:
- Shubha Chandra (Manager- Human Rights, Global Business Coalition Against Human Trafficking)
- Tu Rinsche (Vice President- Strategic Engagement & Partnerships, Transparentem)
- Mike Scaglione (VP Sales & Marketing- North America, WRP)
- Kevin McClain (Vice President of Resourcing - Bumble Bee Seafoods / Board of Directors at Seafood Task Force)
- Marte Johnsen Stensrud (Vice President- Human Rights, Equinor)
Understanding the core issues at stake: A discussion

The demand for cheap goods and services is at the very heart of forced labor. A buyer wanting to pay less, a supplier needing to cut costs, and complex supply chains that create challenges for companies to identify when labor abuses are present in the development of their product.

Over 25 million people are estimated to be in forced labor worldwide. COVID-19 has heightened vulnerabilities, reflected in a rising number of businesses indicating economic downturns or bankruptcy. Approximately 81% of the global workforce has been impacted, and the ILO estimates an equivalent to the loss of 400 million full-time jobs. In addition, global movement restrictions have had devastating impacts on the personal freedoms for migrant workers. There is a pressing need to engage in candid conversations on improving the way we do business to better protect workers across supply chains.

All employees across supply chains have a right to fair, living wages. Where goods and services are produced by modern slavery, there is - first and foremost - a legal and ethical violation of worker rights, which must be addressed and reconciled. Further, as modern slavery gains traction as an interest of investors and consumers as well as the target of enforcement bodies, the bottom line of businesses is bound to suffer in the long-term if these issues are not properly mitigated now.

“The risk of modern slavery in supply chains is real. And the risks must be mitigated”.

(Webinar Discussant)
“In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should: (a) Draw on internal and/or independent external human rights expertise; (b) Involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation”.

(UN Guiding Principles, Principle 18)

There are corporate responsibility obligations to respect human rights as defined in international principles such as UN Guiding Principles, International Bill of Human Rights, and the principles concerning fundamental rights set out in the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work.

The UN Guiding Principles on Business and Human Rights (hereafter UN Guiding Principles) set out a framework approach for protecting, respecting, and remediating the human rights risks — including risks of modern slavery — so that businesses are informed on their role, responsibilities, and expectations in mitigating and eventually supporting its eradication. UN Guiding Principle 18 outlines the specific requirements of businesses,

Importantly, the principle lays out the need to understand human rights risks, both present and future, when establishing risk mitigation plans. It also emphasizes the need to consult with internal and external human rights experts and affected groups to help identify these risks and map out strategies to prevent exploitation from occurring in one’s supply chain.
Challenges to understanding & mitigating risk across the supply chain

While there is growing awareness of a rights-based approach to business, the process of investigating, mitigating, and ultimately supporting efforts to eradicate modern slavery in supply chains can be challenging.

• Global and local trade is complex and risk management can be costly and labor intensive. In multinational and multi-tier supply chains it can be challenging to ensure and maintain full oversight over each stage of production, each supply chain actor, each employee, because of remote locations and access constraints. This can be particularly challenging where there is sub-contracting occurring within a supply chain. Businesses may find that they lack capacity, resources, and expertise to monitor their entire supply chains.

“The physical distance, cultural distance, and often time zone difference have all meant that there are inherent challenges in understanding the labor conditions in any manufacturer supply chain”.

(Benjamin Skinner, Founder and president of Transparentem, quoted by the New York Times*)
Remote locations and access constraints can further impede the ability to conduct on-site due diligence measures that check for risks of modern slavery and enable actions to mitigate these risks. Relatedly, even when onsite social auditing is occurring, the weaknesses of traditional social auditing mechanisms can mean that forced labor is not being properly identified.

There are also systemic challenges around doing business, including business models (i.e. seasonal, migrant labor) and risky recruitment practices, which may impede identification and prevention.

A lack of transparency across the supply chain — and specifically into Tier 2+ operations, remote recruitment practices, and informal operations — may lead to companies, retailers, and consumers having limited visibility into where their products actually originate.

Where organizational culture does not promote opportunities for workers and other supply chain actors to speak out, either because of a lack of grievance mechanisms, incentive, or lack of trust and confidence, there may be missed opportunities to identify risks and thereby mitigate modern slavery through collective information-sharing, learning, and assessment.

Where businesses do not see a financial or industry-level incentive — or ‘win’ — to report modern slavery, this limits the potential for disclosure, mitigation, and broader industry-level prevention efforts. There may be delays or inaction in making change.

The costs of inaction

Failures to mitigate risks to prevent modern slavery come with a number of costs:

- **Human & societal cost**: Workers rights are violated, as well as their safety and security. This may lead to a loss of livelihood, dignity, or even life. This extends beyond the individual worker, impacting the sustainable development of families and communities.

- **Business cost**: Where risks to modern slavery are seen as systemic within industry due to an inability to effectively and efficiently mitigate and ultimately prevent practices which violate human rights, the impacts are manifold- ranging from State-imposed sanctions, reductions in revenue, high financial and human resource costs related to legal and/or civil action, or lack of retailer or consumer trust in the product(s) or service(s).

In many instances, the costs associated with retroactively addressing violations after they arise are higher – much higher - than the costs associated with taking proactive action to mitigate and prevent.


“People first; profit second. Humanize and care”. (Webinar discussant)
How to mitigate risk to prevent modern slavery

Businesses seeking to take proactive action — that is, establishing measures to prevent modern slavery — have a number of concrete tools and actions to draw upon. They include:

- **Clear policies and practices** that can help to ensure a business-wide understanding of how to define, identify, mitigate and remediate modern slavery, as well as ensure all employees and contractors are aware of their roles and responsibilities. Some companies have developed and published a statement of commitment to ending modern slavery, with an overview of measures taken.

- **Human-rights based assessments**, when undertaken prior to commencing new business activities, can help companies and supply chain actors understand the potential risks to modern slavery, so that proactive measures can be taken and integrated into business models to prevent doing harm from the outset. The use of artificial intelligence and data analytics may be supportive to understanding industry-wide as well as more contextual risks and trends in modern slavery; for example, businesses seeking to establish new activities in the fishing industry can draw upon previously undertaken assessments to identify potential red flags across the sector or certain geographical areas of future operation (as further detailed in webinar briefing note three).

- **Continued monitoring and due diligence** enables businesses to have a regular, updated understanding of how risks may be presenting, evolving, or increasing across the supply chain and, consequently, how these risks can be remediated and mitigated.

- **Worker voice** tools can help support a real-time understanding of issues at an operational level and may help to mitigate risk through enhanced credibility and trust. Briefing note two provides more specific promising practices on worker voice tools and platforms.

- Routine reflection on businesses processes, adapting structures that mitigate against modern slavery risk in the supply chain — including but not limited to supplier authentication, bid conditioning on human rights standards, and inclusion of contract provisions that mandate human rights reporting requirements, flowing down mandates to sub-contractors

- Engagement with independent or third-party entities specialized in human rights and forced labor can bring expertise, accountability, and transparency across all areas of operations.

- **Commitment and responsibility** by senior management and company boards of directors can help
increase confidence, trust, and accountability. Such ownership of issues is even more critical where instances of modern slavery are identified and need to be formally reported and remediated.

- **Strategic partnerships** with other businesses can help amplify advocacy on modern slavery risks across supply chains as well as leverage collective action for change. Further, working with other partners may help share the financial costs associated with mitigating and preventing modern slavery to, as many discussants noted, better level the playing field.

The responsibility of course does not sit with businesses alone. States are the primary duty bearers of human rights and have an obligation to protect and uphold the rights of all in their territory. States and businesses can work together on incentives to investigate, communicate, mitigate, and remediate forced labor. Doing so promotes mutual accountability and ownership of risks.

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3. The UN Guiding Principles recommend that “Because human rights situations are dynamic, assessments of human rights impacts should be undertaken at regular intervals: prior to a new activity or relationship; prior to major decisions or changes in the operation (e.g. market entry, product launch, policy change, or wider changes to the business); in response to or anticipation of changes in the operating environment (e.g. rising social tensions); and periodically throughout the life of an activity or relationship.”
Recommendations – what can businesses do to better mitigate risk in supply chains?

Know the industry-level risks to modern slavery by being informed and placing prevention at the center

- Undertaking human-rights based assessments prior to starting new business activities can provide an efficient and effective means to identify future risks to modern slavery.
- The findings from these assessments can further be utilized to inform and implement preventative measures prior to commencement of new activities or enact corrective measures where risks are identified in ongoing operations.

- Technology may help businesses to think outside the box and better understand risks at scale and with regularity through the use of AI and data analytics in risk assessment and mitigation.

Prioritize partnerships with independent actors who are knowledgeable on supply chains and human rights to help understand, identify, mitigate and remediate risks

- There are a number of third-party consultancy firms and/or other external entities with expertise on modern slavery. Such organizations can work with businesses to help provide necessary inputs on risk mitigation.
Prior to commencing new activities and/or to monitor ongoing operations (see the resources section, below). Engaging with these actors may also support enhanced access across more remote or complex parts of the supply chain.

• Independent actors specialized in modern slavery prevention can also support businesses with remediation, where needed, enhancing expert understanding and bringing transparency and even credibility through connections to experienced, local stakeholders.

• Independent actors can also help companies establish (and review for effectiveness) grievance mechanisms, data from which can help identify worker feedback trends and modern slavery risk

**Review internal business operations to identify practices that may be elevating modern slavery risk**

• Review purchasing practices, analyzing lead time given to suppliers to fulfill orders. Short lead times and erratic requests can force suppliers to sub-contract (to lesser scrutinized suppliers) to quickly meet the demand, increasing the risk of modern slavery.

• Consider revising procurement practices, requiring bidders to provide disaggregated labor costs. Greater detail can help businesses monitor wage payments and identify where exploitation risk warrants further examination.

**Prioritize partnerships with supply chain actors (for recruitment, procurement, production) who have a proven track record of ethical practices and can demonstrate policies and procedures against forced labor**

• Prior to commencing activities, businesses can request all supply chain partners to demonstrate how they ensure ethical recruitment and fair working conditions of all employees.

• Supply chain actors, and their employees, can be supported with training on labor standards and modern slavery risks to support and monitor compliance to policies.

“Fixing at one factory doesn’t level the playing field. There needs to be collaboration; beyond a single instance of change, to industry-wide change involving all stakeholders. The scale and complexity of the issue is daunting; but if everyone takes responsibility for their bit, the whole will feel easier”.

(Webinar discussant)
• An obligation to reporting on modern slavery can be included as a contractual requirement to further support compliance, and incentive measures (e.g. non-penalisation for reporting) can be considered for supply chain partners.

• Companies can also consider reducing the complexity of their supply chains by reducing the number of suppliers with whom they work, prioritizing partnerships with those that can meet standards on assessment and reporting related to modern slavery risk.

Enhance business-wide partnerships with other companies to promote industry-level leverage, advocacy, and action
  • There are broader business benefits to doing business better, together. Forming strategic partnerships with other industry stakeholders on certain topics (i.e. fair wages, ethical recruitment, non-retention of identify documents) can help amplify a collective voice against modern slavery, supporting systemic change and sharing the burden with smaller businesses who may lack the resources to identify, mitigate and remediate risk.

  • Maintaining a candid, transparent discussion on how to mitigate forced labor is critical to its prevention.

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Key Themes For Supply Chain Actors

• Know the industry-level risks to modern slavery by being informed and placing prevention at the center

• Prioritize partnerships with independent actors who are knowledgeable on supply chains and human rights to help understand, identify, mitigate and remediate risks

• Review internal business operations to identify practices that may be elevating modern slavery risk

• Prioritize partnerships with supply chain actors (for recruitment, procurement, production) who have a proven track record of ethical practices and can demonstrate policies and procedures against forced labor

• Enhance business-wide partnerships with other companies to promote industry-level leverage, advocacy, and action
### Resources

For guidance on how to ensure human rights considerations, businesses can refer to:

- The [International Labor Organization](https://www.ilo.org/global/index/lang--en/index.htm) has a number of tools and guidelines.
- The [International Organization on Migration](https://www.iom.int) has specific guidance on ethical recruitment practices to mitigate modern slavery.
- The US Department of Labor [iLab Comply Chain tool](https://www.dol.gov/ilab)

For practical support from independent organizations, businesses can consider, for example:

- The [Global Business Coalition Against Trafficking](https://gbct.org) and their [resource tool for suppliers](https://gbct.org/toolkit)
- [Impactt](https://impactt.org) and their support to independent risk assessments.
- The [Ethical Trade Initiative’s Modern Slavery Base Code Guidance](https://www.ethicaltrade.org/guidance/smart-base-code/guidance)
- [Good Practice Note on Managing Risks Associated with Modern Slavery](https://www.ethicaltrade.org/guidance/smart-base-code/guidance)

For specific case examples, businesses can consult, for example:

- The [Modern Slavery Map](https://www.modernslaverymap.org), where one can search by industry, geographical focus, issue.
- [Transparentem](https://www.transparentem.com) for their exposure of modern slavery risks and practices.