

Assessing Forced Labor Risks in the ICT Sector as COVID-19 Raises Risks

KnowTheChain 2020 ICT Benchmark

June 11, 2020



INTERFAITH
CENTER ON
CORPORATE
RESPONSIBILITY



INVESTOR ALLIANCE
FOR HUMAN RIGHTS

Our Speakers



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Business & Human Rights
Resource Centre



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Chain Responsibility and
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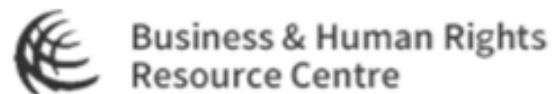




KnowTheChain is a resource for **companies and investors** to understand and address **forced labor** risks within their global **supply chains**.

Benchmarks corporate practices in three **high-risk sectors**:

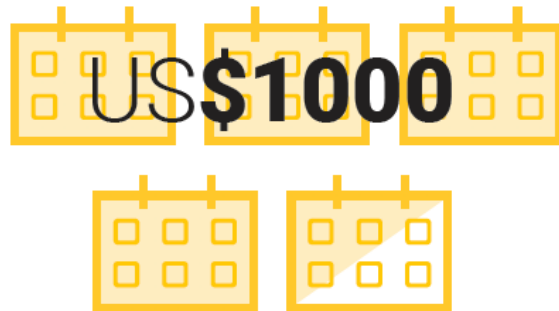
- Information and Communications Technology
- Food & Beverage
- Apparel & Footwear



FORCED LABOR RISKS IN THE ICT SECTOR

Benchmark included
allegations regarding
14 companies
– up from 3 in 2018

One study linked the supply
chains of more than one quarter
of benchmarked companies (14
out of 49) to sourcing from
factories employing forced labor
in China



Electronics workers
in Malaysia reported
paying
4-5 months wages
(approximately
US\$1000) in fees

HEIGHTENED RISKS DUE TO COVID-19

Reported labor conditions:

- loss of wages (where production stops)
- restriction of movement (inability to return home and/or to leave internships)
- request to return to work despite health and safety risks

Responsible Business Alliance factory survey:
Only 35% of factories are paying workers who have not returned to work

Worker in electronics factory in Vietnam:

“Some enterprises have to close ... and offer workers to take off without salary payment from 1-3 months... Workers cannot return to their hometowns due to social distancing and [have to call] for their families to send rice and food.”

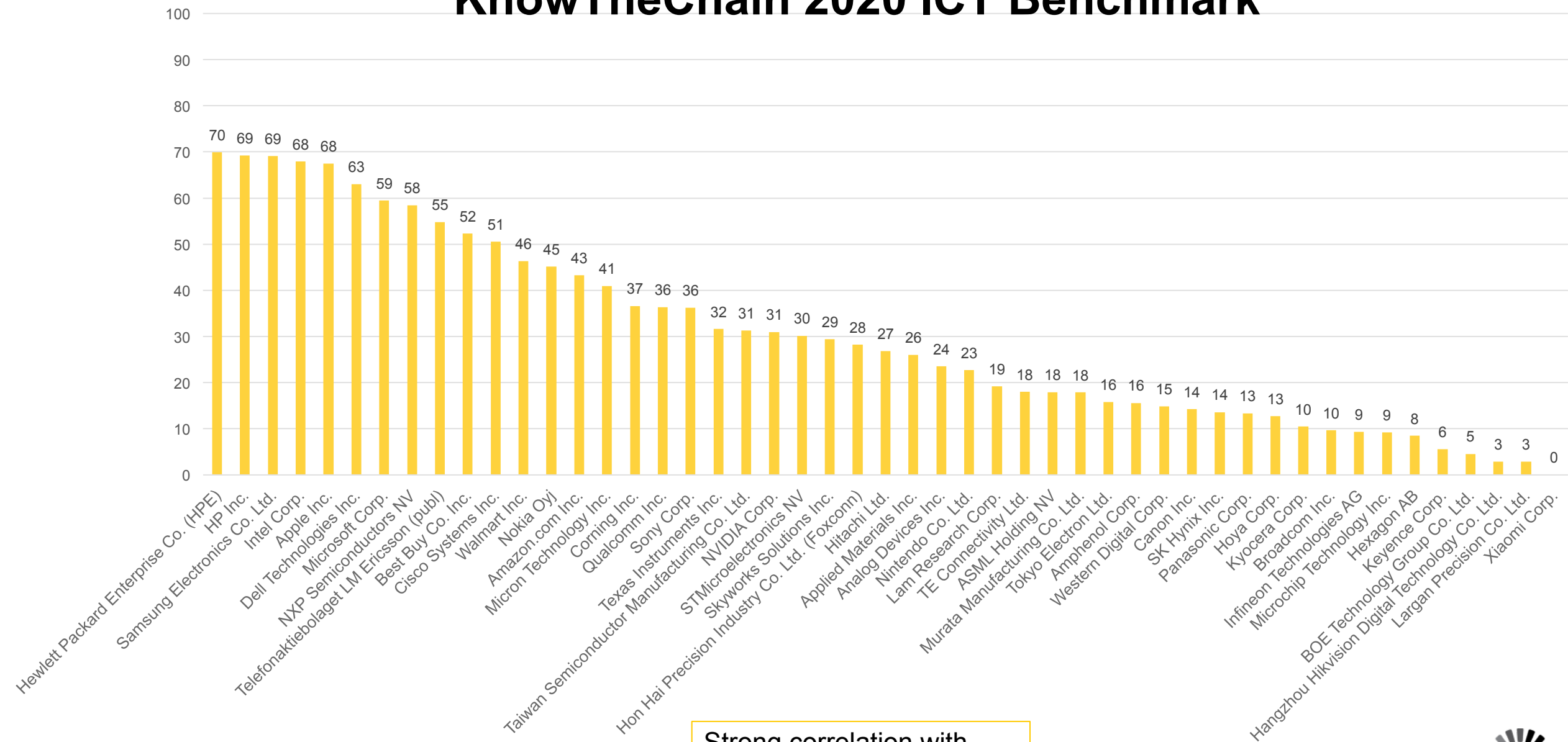
WHAT DOES A HIGH SCORE MEAN?

Strong efforts made to address forced labor risks in its supply chains – NOT a slavery-free supply chain

The benchmarks operate under the assumption that forced labor is likely present in all large global supply chains – this is why we assess allegations of forced labor, but also ask companies for which no allegations were identified to provide examples of remedy outcomes for supply chain workers.

Formal Engagement	Informal Engagement	No Engagement
50% (38% provided additional disclosure)	27%	23%

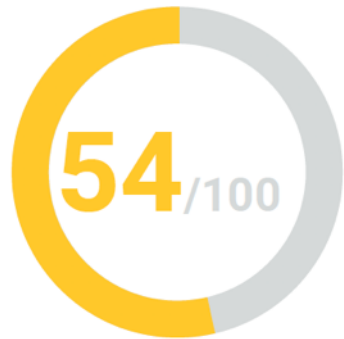
KnowTheChain 2020 ICT Benchmark



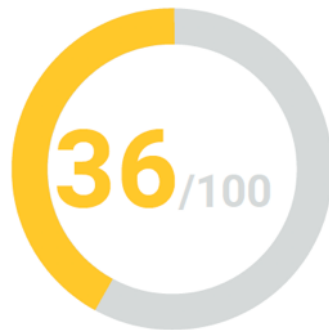
Strong correlation with
CHRB findings – 0.89

SCORES PER THEME

COMMITMENT &
GOVERNANCE



TRACEABILITY &
RISK ASSESSMENT



PURCHASING
PRACTICES



RECRUITMENT



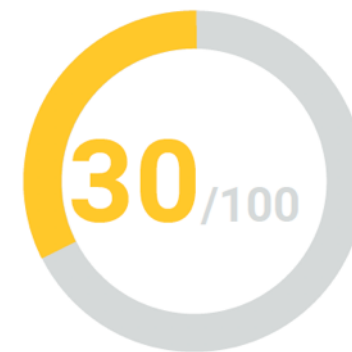
WORKER VOICE



MONITORING



REMEDY

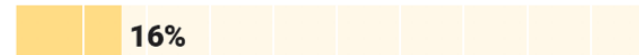


IMPLEMENTATION GAP

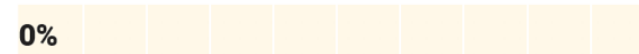
POLICY INCLUDES
EMPLOYER PAYS PRINCIPLE



ADOPTS RESPONSIBLE
PURCHASING PRACTICES



INTEGRATES EMPLOYER
PAYS PRINCIPLE INTO
PURCHASING PRACTICES



14 Companies with Allegations

ENGAGE WITH AFFECTED
STAKEHOLDERS

1/14

REPORT OUTCOMES
OF REMEDY

3/14

REPORT IF REMEDY
WAS SATISFACTORY
TO VICTIMS

1/14

GRIEVANCE MECHANISM

AVAILABLE TO
SUPPLIERS' WORKERS

35/49

COMMUNICATED TO
SUPPLIERS' WORKERS

7/49

EVIDENCE MECHANISM
IS USED

5/49

THE AVERAGE COMPANY

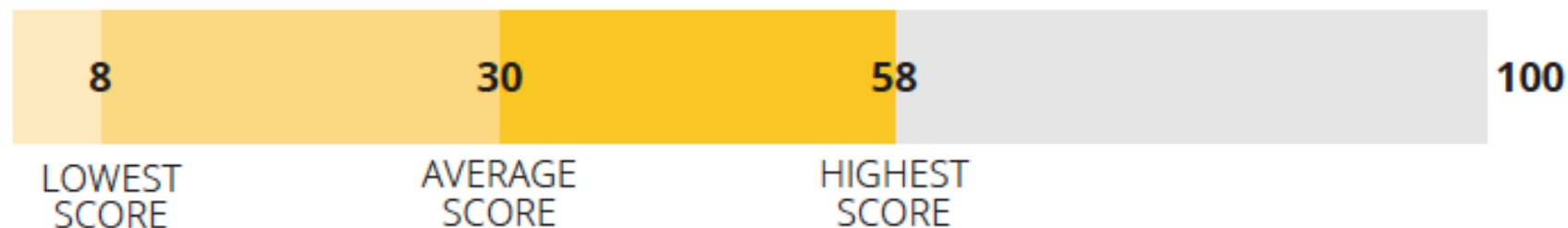
Is likely to disclose:	Typically does not disclose:
A Supplier Code of Conduct that prohibits forced labor	A supplier code addressing all four ILO core labor standards, incl. the right to freedom of association and collective bargaining
Training for procurement staff and suppliers on forced labor policies	Training for procurement staff on the Employer Pays Principle and its implementation
A supplier code that prohibits worker-paid recruitment fees in its supply chains.	Evidence of implementation of a no-fee policy
A grievance mechanism for suppliers' workers.	Evidence that grievance mechanism is communicated to and used by supply chain workers
An audit process to assesses suppliers for incidences of forced labor.	Use of worker-driven monitoring and/or action taken beyond social auditing (engaging with workers)

REGIONAL SCORES

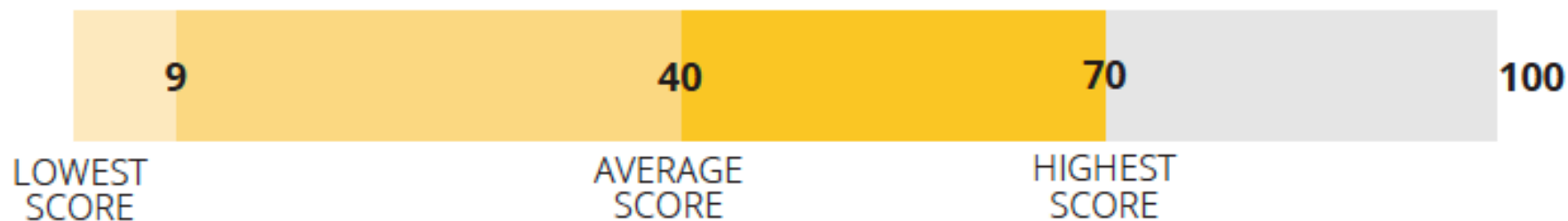
ASIA



EUROPE



NORTH AMERICA



CHANGES SINCE 2018

If methodology had not been strengthened, some improvements could be seen across themes and average score would have improved from 32/100 to 36/100

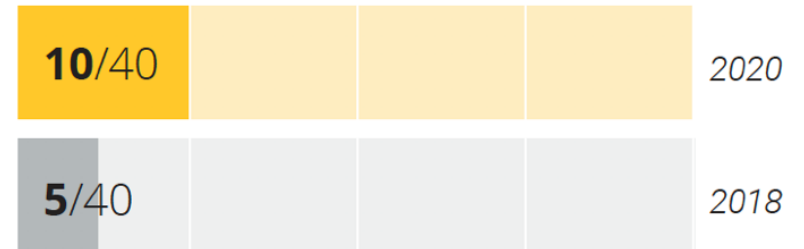
Despite methodology changes,
improvements on recruitment

But: Pace of change remains slow, and
all companies still score zero on
freedom of association

NO-FEE POLICY



EVIDENCE FEES
ARE REPAYED



GOOD PRACTICE EXAMPLES: RECRUITMENT

- Intel discloses remediation of fees to workers in the second and third tier of its supply chains – first time we have seen remediation in lower tiers in the sector
- HPE discloses that in collaboration with Verite it mapped the legal regulations and financial costs of recruitment along a number of common recruitment corridors and in collaboration with peers developed guidance on remediating recruitment fees
- Apple discloses the cumulative amount of fees that have been repaid to workers since 2008 (US\$30.9 million) as well as the process it uses to calculate reimbursement amounts.
- HP discloses that it worked with suppliers to improve their forecasting ability on how to track working hours more accurately. Suppliers have implemented new IT systems to improve the management of shifts. Workers are now assigned eight hour instead of 12-hour shifts. HP also discloses outcomes for migrant workers: 450 workers received training on their rights, and temporary workers were transitioned to be hired directly.

EXAMPLES: WORKER VOICE

- Worker Engagement: Dell reports that training was provided to 50,000 workers on their labor rights and measured the improvement in workers' understanding – on recruitment fee policies, this increased from 87% to 93%.
- Grievance Mechanism: Microsoft reports the number of supply chain workers who received training on how to use its worker voice hotline, and also discloses data on the hotline. It states that it received 152 reports in 2019
- Supplier code: Hewlett Packard Enterprise updated its supplier code of conduct to remove a restriction on freedom of association, which required suppliers to conform to local law only.

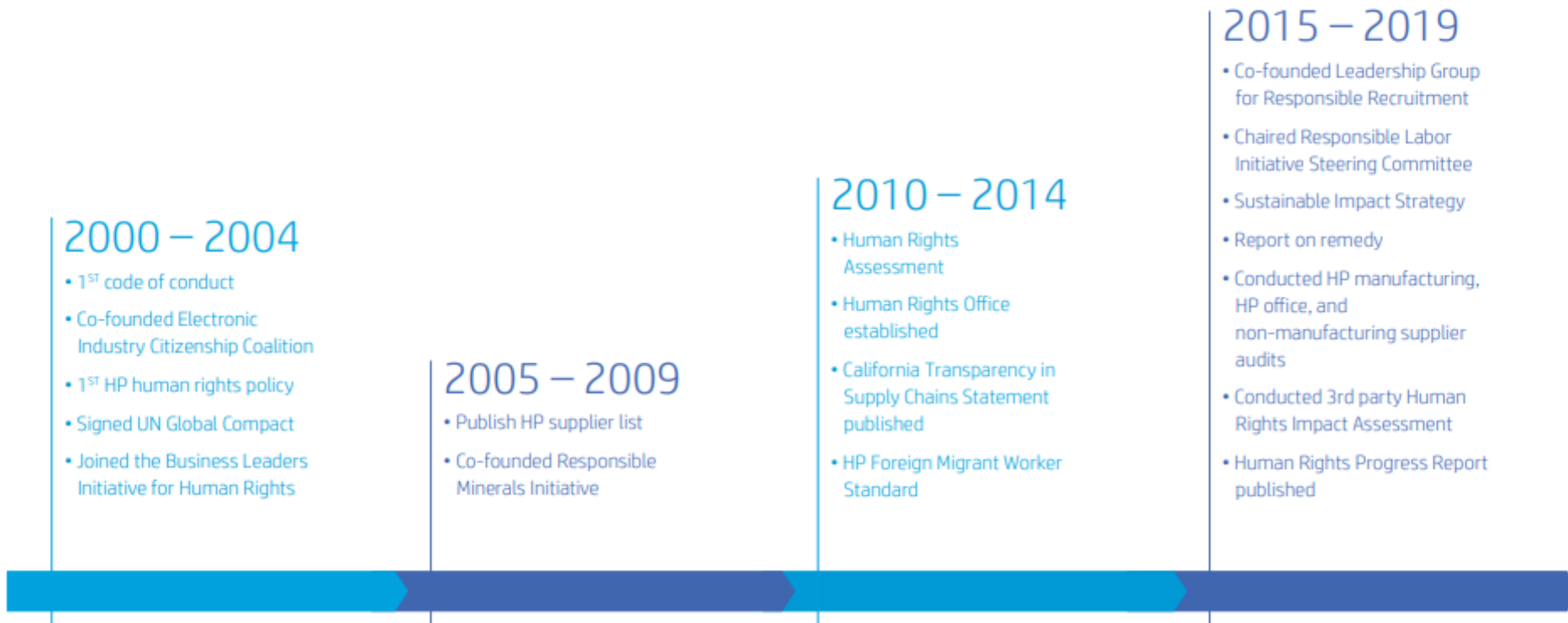


HP Human Rights, Supply Chain Responsibility

Annukka Dickens, Director Human Rights and Ethical Sourcing
June 11, 2020



HUMAN RIGHTS JOURNEY



Annual, company-wide risk assessment aligned with [United Nations \(UN\) Universal Declaration of Human Rights \(UDHR\)](#), the [UN Guiding Principles on Business and Human Rights](#), and the [UN Global Compact](#):

- embedding responsible business conduct,
- ceasing, preventing, or remedying the impact,
- reporting on implementation and results.

SUPPLY CHAIN RESPONSIBILITY PROGRAM




Management system, goal setting, public disclosure / annual reporting, stakeholder engagement



PARTNERSHIPS





Thank you.



ADAM KANZER

**HEAD OF STEWARDSHIP - AMERICAS,
BNP PARIBAS ASSET MANAGEMENT**

Q & A session



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FOR HUMAN RIGHTS**

RESOURCES FOR INVESTORS

Visit: <https://knowthechain.org/resources/investors/>

- Investor Briefs on ICT, Construction, and Forestry Sectors
- KnowTheChain Investor Statement – supported by 140+ global investors with US\$5.8trillion
- Quarterly Investor Newsletter
- ICT Benchmark findings, incl. company specific scorecards

Some resources available in Japanese, simplified and traditional Chinese, French, Spanish, Arabic, German

Contact: Felicitas Weber, at: weber@business-humanrights.org



COMPANY SCORECARD EXAMPLE



Information and Communications Technology Benchmark
COMPANY SCORECARD 2020

STMicroelectronics NV

TICKER
PAR:STM

MARKET CAPITALIZATION
US\$21 billion

HEADQUARTERS
Switzerland

DISCLOSURES

UK Modern Slavery Act: Not applicable¹

California Transparency in Supply Chains Act: Not applicable

TARGETS
Yes

OVERALL RANKING

22 out of 49

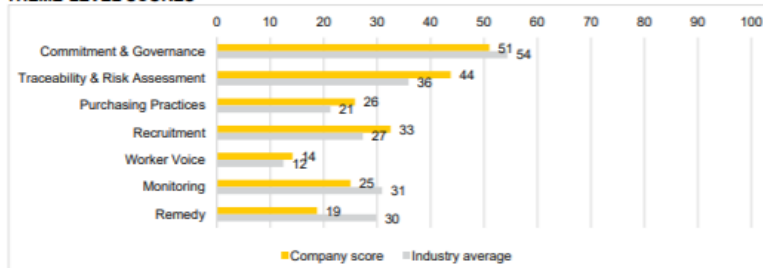
OVERALL SCORE

30 out of 100

SUMMARY

STMicroelectronics NV (STMicroelectronics), a semiconductor supplier to companies including Amazon and Apple, ranks 22nd out of 49 companies, disclosing about the same amount of information on its forced labor policies and practices as its peers. Its score is based on its slightly higher-than-average performance on the themes Traceability & Risk Assessment, Purchasing Practices, Recruitment, and Worker Voice. KnowTheChain identified one allegation of forced labor in the company's supply chains. The company discloses that it collaborated with the Responsible Business Alliance to address the allegation and, notably, that salaries for two months had been paid to impacted workers. However, the company does not disclose engagement with affected stakeholders nor further details on remedy outcomes for workers. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of Commitment & Governance, Recruitment, and Worker Voice.

THEME-LEVEL SCORES



Research conducted through October 2019 or through January 2020, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company's positive and negative human rights impact, see the Business & Human Rights Resource Centre [website](#).



Information and Communications Technology Benchmark
COMPANY SCORECARD 2020

KEY DATA POINTS

SUPPLIER LIST
No

AVERAGE SUPPLIER SCORE
N/A

HIGH-RISK SOURCING COUNTRIES
Malaysia²

NO-FEE POLICY
Yes (Employer Pays Principle)

REMEDY FOR SUPPLY CHAINS WORKERS
Yes

LEADING PRACTICES

None.

NOTABLE FINDINGS

Supplier Code of Conduct: STMicroelectronics uses the Responsible Business Alliance code (version 6) as its supplier code of conduct. It is easily accessible on the company's website, and it prohibits forced labor and requires suppliers to cascade its content to their next-tier suppliers. The company notes that 93% of its material suppliers and 89% of its equipment and parts suppliers have signed an agreement to comply with this code, which is also integrated into supplier contracts.

Risk Assessment: STMicroelectronics discloses that it conducted a risk-mapping exercise on its direct suppliers in 2018. The company discloses that forced labor was one of the top five risks identified in its supply chains, based on an analysis of 349 direct suppliers' self-assessment questionnaires. It further states that it has "clamped down on foreign worker recruitment fees."

Recruitment Fees: STMicroelectronics' supplier code includes a provision that workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment, and that where paid, such fees shall be reimbursed to the workers. The company discloses the implementation of this policy, noting that it verified the reimbursement of fees to workers at a supplier in Singapore.

OPPORTUNITIES FOR IMPROVEMENT

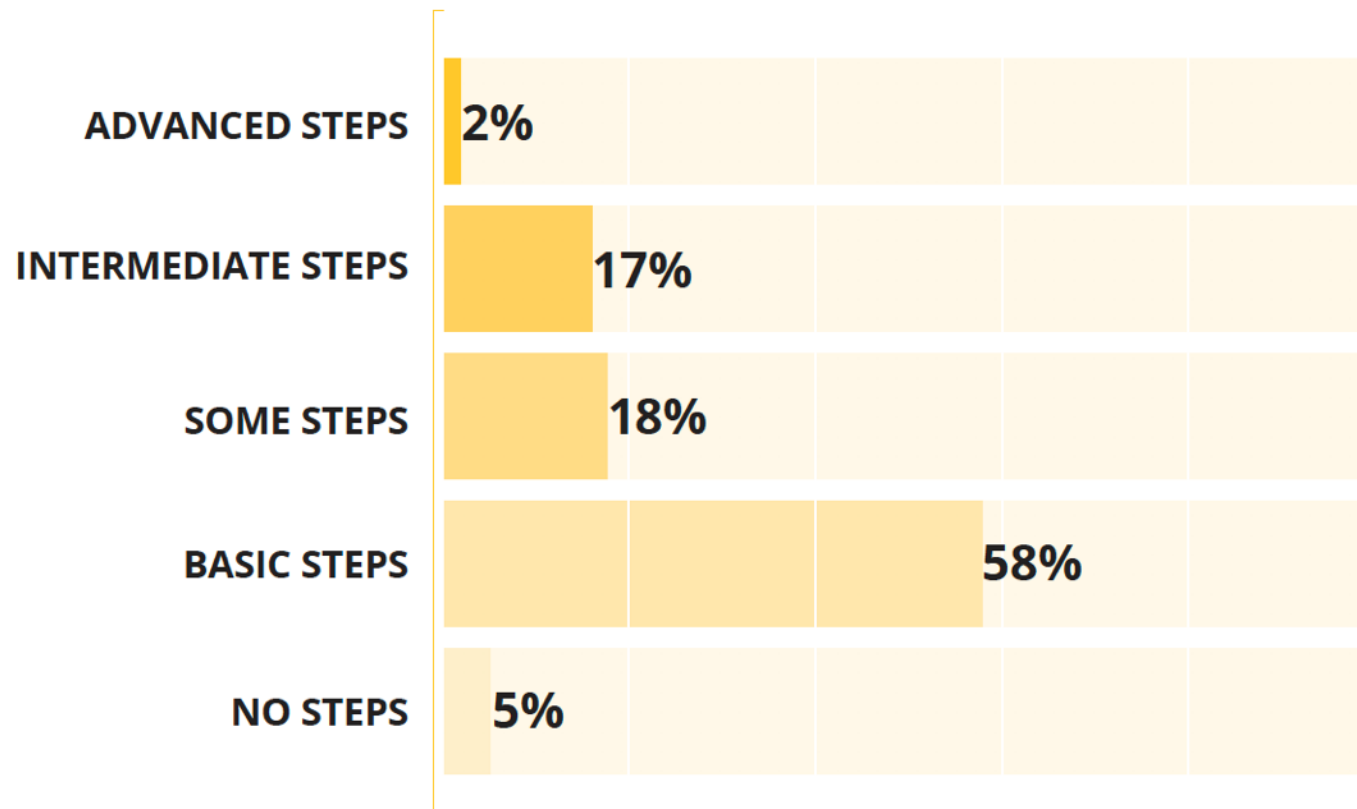
Commitment & Governance: The company is encouraged to provide oversight of its supply chain policies that address forced labor at the board level. The company may further consider establishing training programs to ensure that relevant decision-makers within the company and its supply chains are aware of the risks related to forced labor and human trafficking and are effectively implementing the company's policies. It is also encouraged to engage in capacity building so that its suppliers can cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or train suppliers below the first tier on such policies.

Recruitment: To avoid the exploitation of migrant workers in its supply chains, the company is encouraged to ensure that employment and/or recruitment agencies used in its supply chains are monitored. It may also consider providing details of how it supports responsible recruitment in its supply chains (for example, by sharing due diligence findings on recruitment fees with peers or by supporting the development of responsible recruitment schemes).



ANALYSIS AGAINST SUBSET INDICATORS

PERCENTAGE OF COMPANIES PER TIER



➤ Correlation using assessment of 49 companies benchmarked against full methodology: 0.98

Thank You to our speakers and participants

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