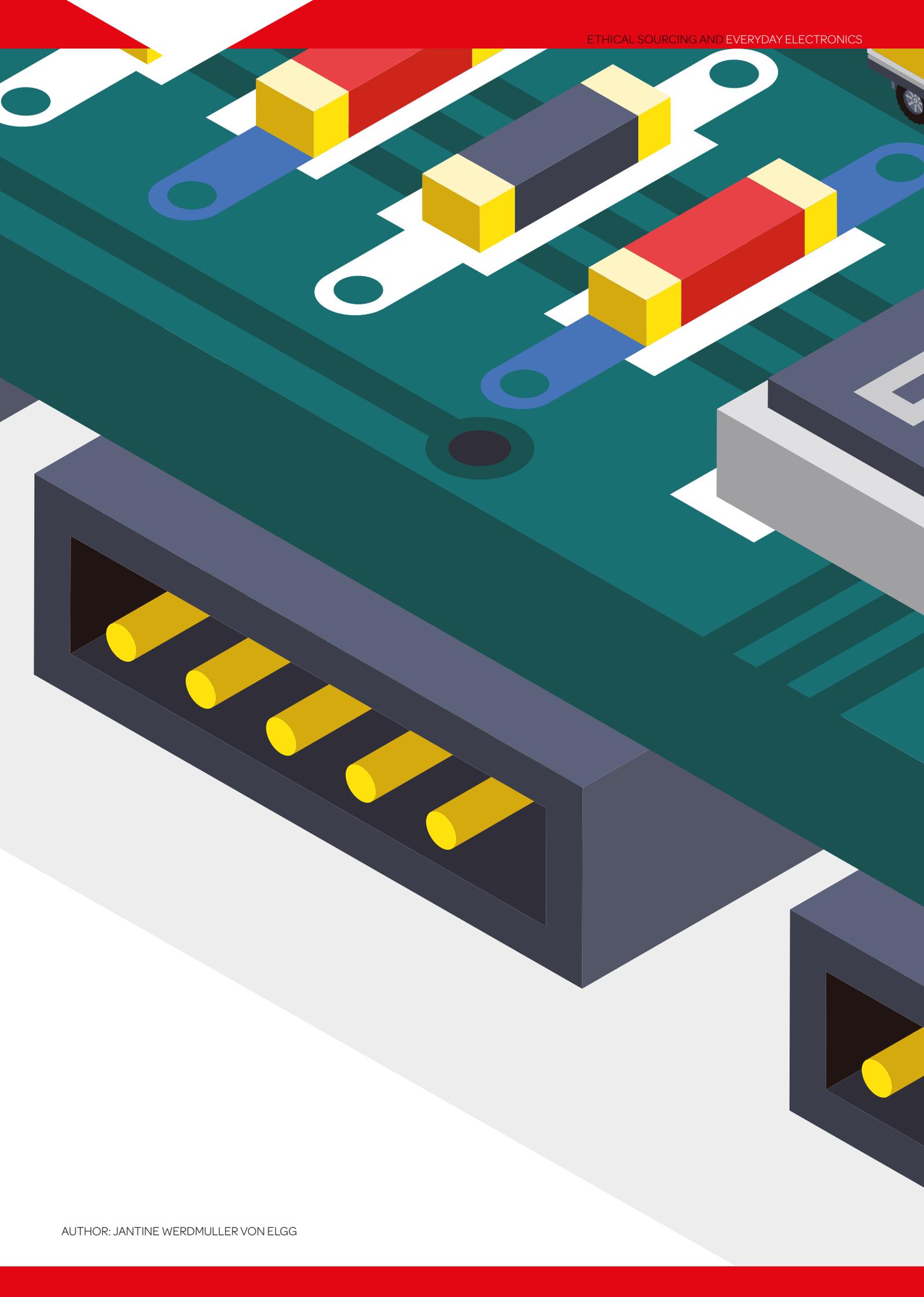


# ETHICAL SOURCING AND EVERYDAY ELECTRONICS



## EXECUTIVE SUMMARY

The global electronics industry that produces our mobile phones, laptops, tablets and many more items we use daily is one of the largest industrial sectors in the global economy, generating more revenue than any other goods-producing sector. A part of that revenue is made at the expense of people that are part of the complex electronics supply chains that can comprise multiple tiers, hundreds of supplier locations and thousands of individuals.

Businesses at the top tiers of the supply chains are increasingly held to account by their clients, investors, the media, law enforcers, NGOs and other stakeholders on ethical issues in their supply chains, whereas companies with a proactive approach regarding ethical sourcing reduce a range of business risks and increase opportunities.

Modern slavery for forced labour is one of the human rights risks in electronics supply chains. Currently over 45 million people are estimated to be entrapped in modern slavery across the world. They are deprived of their freedom by someone, for the personal or financial gain of their exploiter. They end up in this situation either by deception or coercion.

Labour intensive sectors in which temporary and irregular work are common, as well as low-skilled and low-waged jobs, are considered high risk sectors for forced labour. Several parts of the electronics sector fit this description, such as manufacturing labour in the industry as well as the extraction of raw materials.

This crime occurs on any continent, in any country; anywhere exploiters try to make money of people in which they spot a vulnerability. Two high-risk countries which are important to many electronics supply chains are the Democratic Republic of the Congo (DRC) with its abundance of raw materials and Malaysia which hosts more than 5,000 international businesses from 40 countries that rely on many subcontractors or third-party employment agencies to fill the thousands of electronics manufacturing factories with workers.

Ethical sourcing starts with commitment and strong due diligence. But with more than 50 percent of organisations discovering issues with third parties after their initial due diligence investigations, ongoing risk monitoring is required. A proactive and reactive approach within a business, at the highest level and across departments, and throughout supply chains, will help to comply with regulatory measures as well as to go beyond and improve the situation of people working in supply chains across the world.

Every day we use our mobile phones, tablets, laptops to work, communicate and entertain. Who are the people involved in making these devices; do they have opportunities to communicate and entertain or just to work? What are the conditions they work and live in and are they mining, assembling, manufacturing and testing our everyday electronics by choice or are they deceived, coerced and/or trapped in their situation?

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## DRIVERS FOR ETHICAL SOURCING

Incentives for businesses for ethical sourcing, beyond the moral and social incentives, are to mitigate risks as well as to recognise opportunities to increase business profitability.

## INCREASED SUPPLY CHAIN LEGISLATION

In recent years, a range of laws have been introduced around the world that impact businesses with global supply chains. Companies that fail to comply with regulations like these can face fines, civil, and even criminal liabilities.

### EU NON-FINANCIAL REPORTING DIRECTIVE

The EU Directive (2014/95/EU) on disclosure of non-financial and diversity information by certain large undertakings and groups (2014/95/EU) entered into force on 6 December 2014.<sup>6</sup> The disclosure requirements apply to large public-interest companies with more than 500 employees. The companies will have to apply the Directive as of 2018, on information relating to the 2017 financial year. They will have to publish reports on the policies implemented, outcomes and risks related to at least:

- Environmental protection
- Social responsibility and treatment of employees
- Respect for human rights
- Anti-corruption and bribery
- Diversity on company boards (in terms of age, gender, educational and professional background).

In June 2017, the European Commission took further steps and adopted guidelines on the disclosure of environmental and social information.<sup>7</sup>

### UK MODERN SLAVERY ACT

In October 2015, the UK Modern Slavery Act came into effect, including the Transparency in Supply Chains clause (section 54).<sup>8</sup> Section 54 of the Act requires organisations carrying on a business in the UK with an annual turnover over GBP 36 million to produce an annual slavery and human trafficking statement for each financial year, indicating the steps they are taking to prevent modern slavery abuses in their operations and supply chains. Businesses with a year-end of 31 March 2016 were the first ones required to publish their modern slavery and human trafficking statements.

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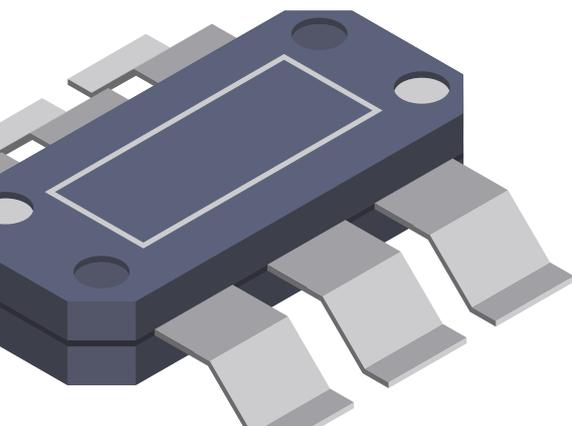
“Three key incentives for electronics businesses to source ethically are:

- 1) Brand reputation
- 2) Customers, including public procurers, are expecting assurance policies and programmes to be in place
- 3) Increased regulatory measures.

In the US, the FAR (Federal Acquisition Regulation) rule introduced in January 2015 which requires federal contractors and subcontractors to take specific proactive preventive measures to detect and eliminate human trafficking and forced labour in their supply chains, has been of particular importance. In countries including France, the UK and the Netherlands new regulation applying to business operations has been introduced as well.”

CARLOS BUSQUETS,  
DIRECTOR OF PUBLIC POLICY, EICC

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6

[https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)

7 [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01))

8 <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

## FRENCH 'DUTY OF VIGILANCE' LAW

In March 2017, the new French law "Devoir de vigilance des entreprises donneuses d'ordre" was adopted.<sup>9</sup> The law applies to companies registered in France with at least 5,000 employees including employees in direct or indirect affiliates located in France, and for non-French companies operating in France with more than 10,000 employees worldwide, including employees in direct or indirect affiliates.

It makes it compulsory for these companies to set up vigilance plans from 2017. A vigilance plan "includes reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, health and safety of persons and environment resulting from the activities of the company and of the companies it controls, either directly or indirectly, as well as the activities of subcontractors or suppliers with whom an established business relationship is maintained."<sup>10</sup> Reporting on the effective implementation of the plan will only come into effect after the report on the first financial year after the publication of the law, i.e. 2019 for companies with a financial year starting at 1 January.

### US LEGISLATION:

- **California Transparency in Supply Chains Act (2010):** applies to major manufacturers and retailers who do business in California and have a worldwide annual revenue of over USD 100 million. It requires these businesses to publicly disclose what efforts they are making to eliminate forced labour and human trafficking in their supply chains.
- **The Trade Facilitation and Trade Enforcement Act (2015):** gave the US Customs and Border Protection, in part, the right to seize, at the border, goods suspected of being made with child and forced labour.
- **Executive Order 13627, commonly known as the Strengthening Protections against Trafficking in Persons in Federal Contracts (passed in September 2012):** this Order further enhances the responsibilities and duties of federal contractors and subcontractors to prevent human trafficking.
- **The Business Supply Chains Transparency on Trafficking and Slavery Act (2015)** was introduced into the US House. If this Act passes and becomes law, it requires corporations with an annual turnover of USD 100 million or more to publicly disclose the steps they are taking to prevent labour abuses in their supply chains.

9 [www.assemblee-nationale.fr/14/dossiers/devoir\\_vigilance\\_entreprises\\_donneuses\\_ordre.asp](http://www.assemblee-nationale.fr/14/dossiers/devoir_vigilance_entreprises_donneuses_ordre.asp)

10 <http://www.jdsupra.com/legalnews/french-companies-must-show-duty-of-care-56981/>

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“Third-party relations such as labour providers and outsourced services are very prevalent in the electronics and many manufacturing sectors. Issues that occur include high recruitment fees, retention of passports, a lack of transparency about workers’ eventual working conditions, and inadequate legal protections in the countries in which they work. The EICC has made a number of normative changes to its Code of Conduct to ban recruitment fees, ensure no unreasonable restrictions on workers’ freedom of movement, including the retention of passports and provide workers a written employment agreement in their native language prior to departing from his or her country of origin.”<sup>16</sup>

CARLOS BUSQUETS, DIRECTOR  
OF PUBLIC POLICY, EICC

”

#### BUYING ETHICAL BRANDS: IMPORTANT OR VERY IMPORTANT



## INVESTORS AND CONSUMERS KEEP A CLOSE EYE

Consumer and investor behaviour is influenced by a company’s or brand’s reputation, including its reputation regarding ethical sourcing. More and more organisations are assessing and benchmarking companies’ ethical performance to give consumers, investors and other stakeholders insight. This results in a strong commercial incentive for companies to source ethically.

### INVESTORS

Investors are showing awareness and are applying pressure to ensure that businesses are actively working to mitigate human rights risks. This was apparent during the development of the UK Modern Slavery Act (2015),<sup>11</sup> during recent campaigning from 34 investors<sup>12</sup> with over USD 2 trillion in assets under management for an Australian version of the Modern Slavery Act and a recent push from 79 institutional investors,<sup>13</sup> brought together by ShareAction, to demand companies disclose “more information on how they manage their global workforce”.<sup>14</sup>

Investors have also shown an interest in businesses that are proactively supporting achievement of the UN Sustainable Development Goals (SDGs). For example, the Dutch financial sector backs the SDGs: 18 financial institutions, managing around EUR2900 billion in assets, are collaborating to invest in the SDGs. SDG 8 is “to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. It includes the objective 8.7 to “take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking.”

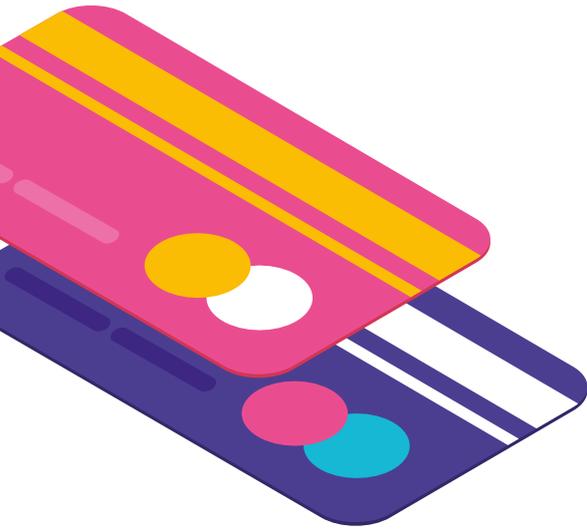
### CONSUMERS

77 percent of respondents in emerging markets said buying ethical brands was important or very important to them. In advanced markets, this is 58 percent. These are the findings from an analysis of Trajectory’s Global Foresight Survey amongst 90,000 consumers, as reported by HSBC in 2016.<sup>15</sup>

*“We are [...] seeing an evolution in consumer expectations. These include [...] those relating to transparent, ethical and sustainable business practices.”*

Paul Flatters, Chief Executive of Trajectory

- 11 [https://www.rathbonegreenbank.com/insight/investors-support-inclusion-supply-chain-reporting-modern-slavery-bill?inf\\_contact\\_key=0279017bd1ecdf192a2f8dc4b3f683c80a50f68f9c9d6f3f654ec6d01351e589](https://www.rathbonegreenbank.com/insight/investors-support-inclusion-supply-chain-reporting-modern-slavery-bill?inf_contact_key=0279017bd1ecdf192a2f8dc4b3f683c80a50f68f9c9d6f3f654ec6d01351e589)
- 12 <https://www.unpri.org/news/pri-submits-investor-statement-in-support-of-introduction-of-australia-modern-slavery-act>
- 13 [https://shareaction.org/press-release/7-9-trillion-investor-coalition-pushes-companies-for-disclosure-on-global-workforces/?inf\\_contact\\_key=26827123d90a82d37257f7de85381820c6941c010b6dd64d42b4ba8585279eb8](https://shareaction.org/press-release/7-9-trillion-investor-coalition-pushes-companies-for-disclosure-on-global-workforces/?inf_contact_key=26827123d90a82d37257f7de85381820c6941c010b6dd64d42b4ba8585279eb8)
- 14 [https://shareaction.org/press-release/7-9-trillion-investor-coalition-pushes-companies-for-disclosure-on-global-workforces/?inf\\_contact\\_key=26827123d90a82d37257f7de85381820c6941c010b6dd64d42b4ba8585279eb8](https://shareaction.org/press-release/7-9-trillion-investor-coalition-pushes-companies-for-disclosure-on-global-workforces/?inf_contact_key=26827123d90a82d37257f7de85381820c6941c010b6dd64d42b4ba8585279eb8)
- 15 [https://globalconnections.hsbc.com/grid/uploads/consumer\\_demand.pdf](https://globalconnections.hsbc.com/grid/uploads/consumer_demand.pdf)
- 16 <http://www.eiccoalition.org/initiatives/rli>



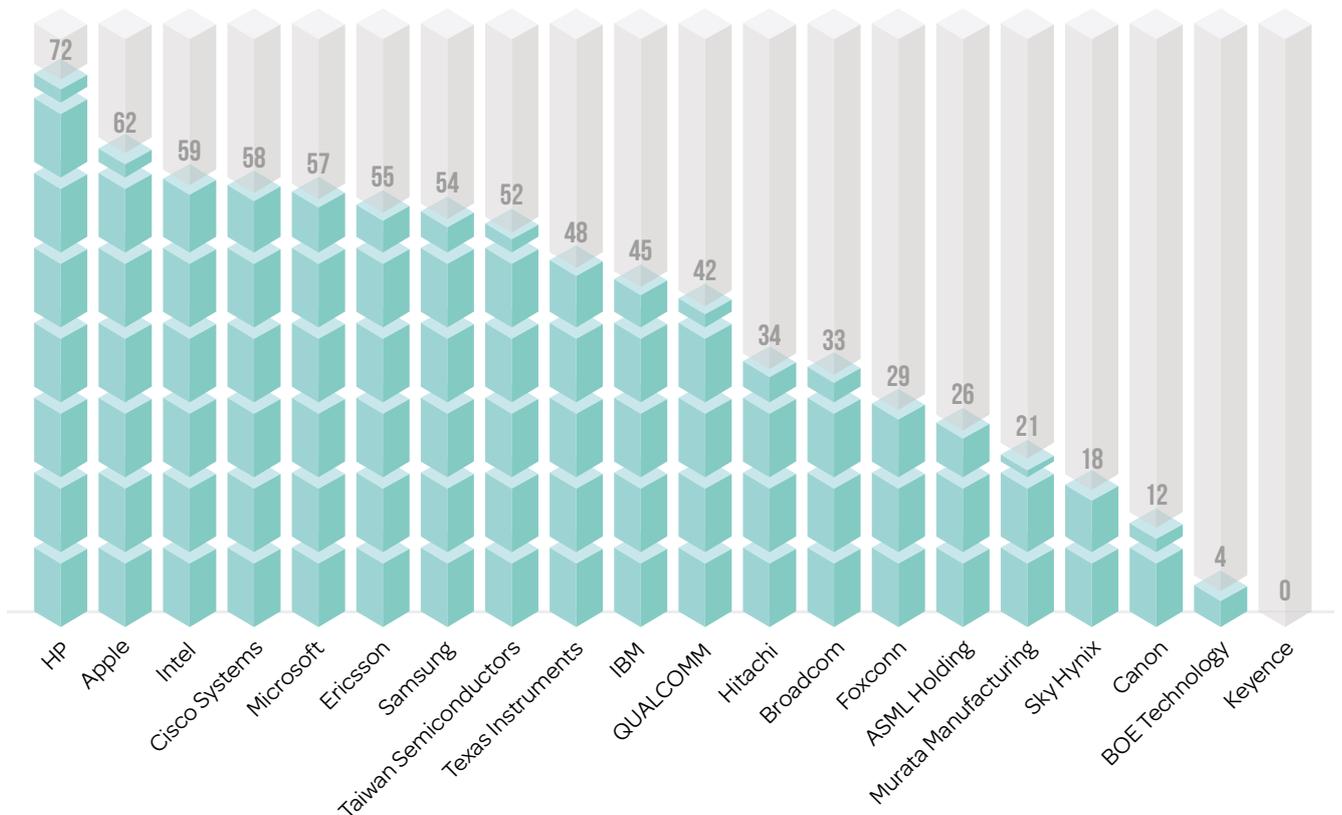
Another study, by Nielsen, surveyed 30,000 consumers in 60 countries to understand how passionate consumers are about sustainable practices when it comes to purchase considerations, came to a similar conclusion:

***“Consumers around the world are saying loud and clear that a brand’s social purpose is among the factors that influence purchase decisions. This behaviour is on the rise and it provides opportunities for meaningful impact in our communities, in addition to helping to grow share for brands.”***

Amy Fenton, Global leader of public development and sustainability, Nielsen

Increased benchmarking will acknowledge and highlight companies that are putting human rights at the core of their business. For example, the Corporate Human Rights Benchmark assesses companies from a range of sectors on their performance across six themes: governance and policy commitments; embedding respect and human rights due diligence; remedies and grievance mechanisms; company human rights practices; responses to serious allegations; transparency.<sup>17</sup> Examples of reports that have benchmarked electronics companies on ethical issues, specifically on their efforts to eradicate forced labour from their global supply chains, are KnowTheChain’s 2016 ICT Benchmark report<sup>18</sup> which looked at 20 companies and The truth behind the barcode: Electronics industry trends report (2016)<sup>19</sup> which rated 56 companies.

**KNOWTHECHAIN’S 2016 ICT BENCHMARK REPORT  
OVERALL COMPANY RANKING:**



17 <https://www.corporatebenchmark.org/>  
 18 [https://knowthechain.org/wp-content/plugins/ktc-benchmark/app/public/images/benchmark\\_reports/KTC\\_ICT\\_Benchmark\\_Findings\\_June.pdf](https://knowthechain.org/wp-content/plugins/ktc-benchmark/app/public/images/benchmark_reports/KTC_ICT_Benchmark_Findings_June.pdf)  
 19 <https://baptistworldaid.org.au/wp-content/uploads/2016/06/Feb16-Electronics-Report-Aus-version-FINAL.pdf>





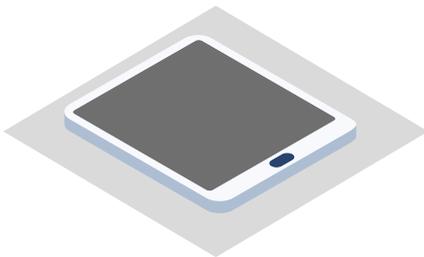
A conflict minerals survey by PwC in 2014 across businesses—with technology businesses key amongst the respondents—found that more than 80 percent of companies are dealing with quality issues in their supplier responses to reasonable inquiry of origin enquiry, indicating that monitoring in other ways is required to get a clearer picture of risks.<sup>28</sup>

## COBALT

Since 2016, NGOs and other stakeholders have raised the question whether cobalt, a key mineral in the lithium batteries used in mobile phones, laptops and tablets, and which also largely mined in DRC, should be added to the list of conflict minerals.<sup>29</sup> More than half of the world's total supply of cobalt comes from the DRC.<sup>30</sup>

Cobalt is the most expensive raw material inside a lithium-ion battery. As part of an in-depth investigation on cobalt mining in the DRC in 2016, the *Washington Post* reported that worldwide, cobalt demand from the battery sector had tripled in the past five years and is projected to at least double again by 2020, according to Benchmark Mineral Intelligence. This increase has mostly been driven by electric vehicles.<sup>32</sup>

### AMOUNT OF COBALT IN DIFFERENT DEVICES:<sup>31</sup>



**SMARTPHONE**  
**5 TO 10 GRAMS**  
(as heavy as 2 to 4 pennies)



**LAPTOP**  
**1 OUNCE**  
(a slice of bread)



**TYPICAL ELECTRIC CAR**  
**10 TO 20 POUNDS**  
(2 to 3 gallons of milk)

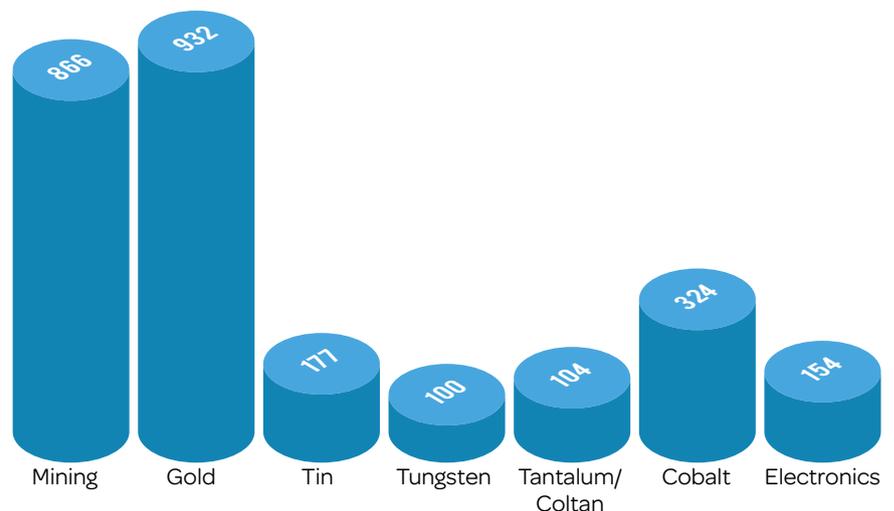
## GOOD PRACTICE

Since 2016, Apple publish a list of their 3TG smelters, which also includes their cobalt suppliers. Apple reports that 100 percent of their 3TG smelters and refiners, as well as 100 percent of their cobalt smelter and refiner partners are participating in third-party audits.<sup>33</sup>

The minerals extracted in the DRC must be refined to be used or sold on the global market. This is most commonly performed by companies in (South) East Asia, who may combine Congolese minerals with minerals from other countries.

### MEDIA ATTENTION FOR MODERN SLAVERY IN MINING IN THE DRC:

Number of articles in the last year (Aug 16–17) as identified by LexisNexis Newsdesk®



According to UNICEF, approximately 40,000 children work in mines in DRC. Amnesty International reported in its 2016 report on the conditions of miners

<sup>29</sup> <https://www.complianceweek.com/blogs/the-filing-cabinet/is-cobalt-the-next-conflict-mineral#.WY7wqVGGPIV>

<sup>30</sup> <https://www.amnesty.org/en/documents/afr62/3183/2016/en/>

<sup>31</sup> <https://www.washingtonpost.com/graphics/business/batteries/congo-cobalt-mining-for-lithium-ion-battery/>

<sup>32</sup> <https://www.washingtonpost.com/graphics/business/batteries/congo-cobalt-mining-for-lithium-ion-battery/>

<sup>33</sup> <https://www.apple.com/uk/supplier-responsibility/>



## OECD DUE DILIGENCE GUIDANCE

The Organisation for Economic Co-operation and Development (OECD) has published a practical guide on how due diligence should be carried out for minerals supply chains from conflict-affected and high-risk areas. The guidance lays out a five-step process for all companies involved in the mineral supply chain to follow. Whereas initially the Guidance's language limited its application only to the supply chains of tin, tantalum, tungsten and gold, in 2017 a new edition of the guidance was published extending the scope to all minerals.

The initial reporting period started in January 2013.<sup>39</sup> In 2017, it was reported that President Trump was considering an Executive Order to suspend the conflict minerals provision of the Dodd-Frank Act.<sup>40</sup>

A criticism to Section 1502 in the Dodd-Frank Act is that it could potentially cause a boycott on all minerals from the DRC which would have a negative effect on the miners, their families and the overall economy, with some companies noting the difficulty of verifying the source due to the extremely weak and chaotic regulatory environment. However, several companies have committed to sourcing ethical minerals from within DRC by working cooperatively in industry initiatives and/or with NGOs.<sup>41</sup> Also, a recent study conducted by the International Peace Information Service indicates positive results as it found that 79 percent of tin, tantalum, and tungsten miners surveyed now work in conflict-free mines; 204 mines have been officially certified as conflict-free; and 75 percent of smelters/refiners worldwide for the four conflict minerals have passed audits by the Conflict-Free Sourcing Initiative or associated programs.<sup>42</sup>

### EU REGULATION

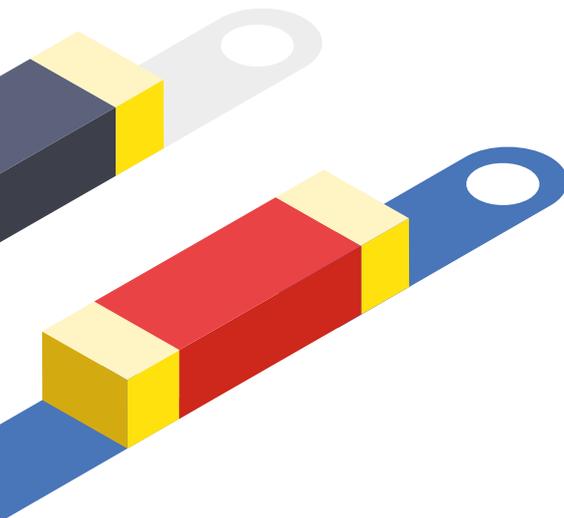
On 3 April 2017, the European Council which brings together EU leaders to set the EU's political agenda, adopted Regulation 2017/821, aimed at stopping the financing of armed groups through trade in conflict minerals.<sup>43</sup>

The regulation obliges EU companies to source their imports of tin, tantalum, tungsten and gold responsibly and to ensure that their supply chains do not contribute to funding armed conflict. These 'due diligence' rules will become binding from 1 January 2021, though importers are encouraged to apply them as soon as possible.

The regulation carries clear obligations to source responsibly for the 'upstream' part of the production process, which involves the extraction and refining of these minerals. At least 95 percent of all EU imports of metals and minerals will be covered, while small volume importers will be exempt. Companies will be required to set up supply chain policies which must be publicly shared, and report to their member state their auditing reports. The competent authorities will carry out checks to ensure that EU importers of minerals and metals comply with their due diligence obligations.

In addition, the Commission will carry out a number of other measures to further boost due diligence by both large and small EU 'downstream' companies, which are those that use these minerals as components to produce goods<sup>44</sup>.

- 39 <https://business-humanrights.org/en/conflict-peace/conflict-minerals/implementation-of-us-dodd-frank-act-rule-on-conflict-minerals-commentaries-guidance-company-actions>
- 40 [http://www.huffingtonpost.com/entry/repeal-and-replacement-of-conflict-minerals-rule-1502\\_us\\_58e34778e4b02ef7e0e6e052](http://www.huffingtonpost.com/entry/repeal-and-replacement-of-conflict-minerals-rule-1502_us_58e34778e4b02ef7e0e6e052)
- 41 [http://responsiblesourcingttool.org/download/reports/JTIP\\_ExecutiveOrder\\_Report\\_2017\\_06.pdf#page=209](http://responsiblesourcingttool.org/download/reports/JTIP_ExecutiveOrder_Report_2017_06.pdf#page=209)
- 42 [http://www.huffingtonpost.com/entry/repeal-and-replacement-of-conflict-minerals-rule-1502\\_us\\_58e34778e4b02ef7e0e6e052](http://www.huffingtonpost.com/entry/repeal-and-replacement-of-conflict-minerals-rule-1502_us_58e34778e4b02ef7e0e6e052)
- 43 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0821>
- 44 <http://www.consilium.europa.eu/en/press/press-releases/2017/04/03-conflict-minerals/>



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“Elements that make the electronics industry an at-risk sector for modern slavery include long and complex supply chains. Think about all the small components and parts that have to be manufactured. An example of a country where these components are being manufactured is Malaysia. The electronics manufacturing industry in Malaysia has been identified in research by Verité as at-risk, in particular for migrant workers.

Also, raw materials used to produce electronics come from very high-risk areas.”

CARLOS BUSQUETS, DIRECTOR  
OF PUBLIC POLICY, EICC

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## INDUSTRY COLLABORATION

Examples of collaborative initiatives are:

- Conflict-Free Sourcing Initiative<sup>46</sup>
- Electronic Industry Citizenship Coalition’s Responsible Raw Materials Initiative<sup>47</sup>
- Public-Private Alliance for Responsible Minerals Trade<sup>48</sup>
- Responsible Cobalt Initiative<sup>49</sup>
- Solutions for Hope<sup>50</sup>

“When it comes to tracing supply chains back to their sources, refiners are the critical link. After the mineral ore is refined into metal, it becomes impossible to distinguish tin or tantalum that originated in Congo from other sources, and supplies from all over the globe are mixed together at this step in the chain.”

Global Witness<sup>51</sup>

## FOCUS ON MANUFACTURING: MALAYSIA

Another point in the electronics supply chain which is at-risk of forced labour and other ethical issues, is manufacturing. The workers manufacturing components in electronics supply chains are often migrant workers. They are particularly vulnerable to exploitation during the recruitment process, which often includes several brokers and agencies, as well as in their workplaces.

According to the UN Commodities Trading database, the top countries exporting electrical and electronics in 2013 were China, the United States, Germany, South Korea, Singapore, Japan, Mexico, and Malaysia. Although high value-adding labour in this sector is concentrated in advanced economies, such as the US, Japan and several European countries, the lower value-adding, labour-intensive aspects of production in this sector increasingly take place in less advanced economies with large low-skilled workforces and lower labour costs, largely in (South) East Asia.<sup>52</sup>

45 <https://www.lexology.com/library/detail.aspx?g=80cec0d3-06ab-465c-bba9-242689d199fe>

46 <http://www.conflictreesourcing.org/>

47 <http://www.eiccoalition.org/initiatives/rrmi/>

48 [www.resolv.org/site-ppa/participation](http://www.resolv.org/site-ppa/participation)

49 [https://www.washingtonpost.com/news/the-switch/wp/2016/12/20/tech-giants-pledge-to-keep-children-out-of-cobalt-mines-that-supply-smartphone-and-electric-car-batteries/?utm\\_term=.dc4c486d7625](https://www.washingtonpost.com/news/the-switch/wp/2016/12/20/tech-giants-pledge-to-keep-children-out-of-cobalt-mines-that-supply-smartphone-and-electric-car-batteries/?utm_term=.dc4c486d7625)

50 [www.solutions-network.org](http://www.solutions-network.org)

51 <https://www.globalwitness.org/en-gb/campaigns/democratic-republic-congo/faced-gun-what-can-you-do/>

52 [http://responsiblesourcingtool.org/download/reports/JTIP\\_ExecutiveOrder\\_Report\\_2017\\_06.pdf#page=52](http://responsiblesourcingtool.org/download/reports/JTIP_ExecutiveOrder_Report_2017_06.pdf#page=52)



## INDUSTRY COLLABORATION: ELECTRONICS INDUSTRY CITIZENSHIP COALITION

The Electronic Industry Citizenship Coalition (EICC) is the world's largest industry coalition dedicated to electronics supply chain responsibility. Founded in 2004 by a group of leading electronics companies, the EICC is a non-profit coalition of electronics, retail, auto and toy companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain. EICC members commit and are held accountable to a common Code of Conduct and utilise a range of EICC training and assessment tools to support continuous improvement in the social, environmental and ethical responsibility of their supply chains.

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*“We didn't go into this research looking to name and shame. What we are concerned about is that the use of forced labour is absolutely systemic and that any company that produces or sources electronics from Malaysia must work to ensure that they are proactively taking actions to eliminate that risk.”<sup>64</sup>*

DAN VIEDERMAN, (FORMER) CEO VERITÉ

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According to research by NGO Verité in 2014, at least a third of migrant workers in Malaysia's electronics sector are in situations of forced labour; producing products for some of the world's major electronics brands.<sup>63</sup> Brands might not be aware if they do not implement robust due diligence frameworks and risk monitoring solutions, as the manufacturing companies in their supply chain often use a myriad of employment agents and/or informal labour recruiters. Employers, agents and recruiters have been known to exploit workers.<sup>64</sup>

The workers' situations can involve:

- Debt bondage: being trapped by debt owed to recruitment agents or employers for excessive recruitment fees, travel fees, visa processing
- Deception about wages, hours, overtime requirements or pay, provisions regarding termination of employment, or the nature or degree of difficulty or danger of their jobs
- Retention of identity documents: being deprived of access to their passports
- Working excessive hours for minimal pay
- Restricted movement
- Contract violations
- Poor living conditions

The Trafficking In Persons report 2017 mentions that “foreign workers in Malaysia and the companies that employ them are subject to a complex system of government fees for immigration processing, foreign worker levies, and other administrative processes. The law allows many of the fees, which are initially paid by employers, to be deducted from workers' wages, incentivising employers to prevent workers from ending their employment before fees are recouped. Authorities report large organised crime syndicates are responsible for some instances of trafficking. Official complicity and corruption among immigration and police officers remains a problem and impedes some efforts to address trafficking.”

The step by step guide, ‘Eliminating Recruitment and Employment Fees Charged to Workers in Supply Chains’ Toolkit has been developed by the Association of Labour Providers in partnership with the Institute for Human Rights and Business (IHRB) and the International Organization for Migration (IOM). The toolkit supports brands, retailers, employers and labour providers to implement the necessary standards and systems to eradicate the charging of fees to workers in their operations and supply chains and is available to download for free from [www.ResponsibleRecruitmentToolkit.org](http://www.ResponsibleRecruitmentToolkit.org).

63 <https://www.verite.org/wp-content/uploads/2016/11/VeriteForcedLaborMalaysianElectronics2014.pdf>

64 <https://www.state.gov/j/tip/rls/tiprpt/2017/index.htm>

65 <https://www.theguardian.com/global-development/2014/sep/17/modern-day-slavery-malaysia-electronics-industry>



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“To harmonize and scale efforts across industries, EICC has launched the Responsible Labor Initiative (RLI), a multi-industry, multi-stakeholder initiative focused on ensuring that the rights of workers vulnerable to forced labor in global supply chains are consistently respected and promoted. RLI solutions are based on leading EICC standards, programs and partnerships that will be extended to other industries through membership in the RLI and will work in conjunction with complementary solutions to better address these issues.”

CARLOS BUSQUETS, DIRECTOR OF PUBLIC POLICY, EICC

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## STEPS FOR ETHICAL SOURCING

The UN Guiding Principles on Business and Human Rights (UNGPs)<sup>66</sup> provide an authoritative global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity. Business-led, multi-stakeholder initiative Stronger Together<sup>67</sup> has developed six steps for businesses to implement the UNGPs regarding tackling modern slavery in global supply chains, which have been applied here to ethical sourcing:<sup>68</sup>

### 1. COMMIT

The Board and senior management should commit to ethical sourcing and assign responsibility for addressing this within the company to a senior member of staff.

### 2. ASSESS

- Map the supply chain
- Identify and prioritise risks

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*“Leverage readily available commercial business information as a first pass risk assessment of your supply chain. This includes checking for company directors who are politically exposed persons (posing a higher risk for involvement in bribery or corruption), any company sanctions etc.”<sup>68</sup>*

Chartered Institute of Purchasing and Supply (CIPS)

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### 3. ACT

Develop a strategy and action plan to mitigate and respond to identified risks. This should include for example:

- Staff training
- Buyer–supplier relationship and capacity building, by providing appropriate supplier support
- Policy development
- Industry collaboration
- Collaboration with other stakeholders such as NGOs

### 4. REMEDY

It is recommended to put a process in place for when victims of modern slavery and other human rights abuses are being found in a company’s operations or supply chain. Elements to consider are restitution, compensation, rehabilitation and satisfaction and guarantee of non-repetition.

66 [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

67 [www.stronger2gether.org](http://www.stronger2gether.org)

68 <https://www.cips.org/Documents/About%20CIPS/News/ten-tips.pdf>

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“In different countries, the issue and risks of forced labour appear in different ways, for example related to working hours, wage or working and living conditions. It can involve migrant workers but can also be domestic.”

CARLOS BUSQUETS, DIRECTOR OF PUBLIC POLICY, EICC

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“It is not enough for brands and businesses to say they don't know about it. They should take it step by step to address forced labour, starting with their operations, tier one and beyond. It is a continuous process, including risk monitoring and supply chain engagement.”

CARLOS BUSQUETS, DIRECTOR OF PUBLIC POLICY, EICC

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## 5. MONITOR

Ethical audits are one tool companies can use to gain an understanding of suppliers' working conditions and to identify major abuses including forced labour, but they only provide snapshot insights. Workers themselves are among the best monitors, so grievance efficient mechanisms and other means such as supplier staff surveys are important.

Robust due diligence is important too, but the 2017 Anti-Bribery & Corruption Benchmarking Report found that 50 percent of organisations that discovered issues with third parties after their initial due diligence investigations did so because of ongoing monitoring.<sup>69</sup> This clearly indicates that onboarding due diligence alone is not enough to mitigate risk. Companies need to integrate risk monitoring into their process to complement conventional risk scoring and to better anticipate supplier and third-party risks on a continuing basis.

*“Make it a continuous process. The majority of firms consider supply chain due diligence an annual administrative exercise rather than the on-going, reactive and proactive process that it is. Compliance is a means to an end and not an end in itself. Annual box-ticking leaves your company wide open to risk and is likely to lead to nasty surprises later on.”<sup>70</sup>*

NGO Global Witness

## 6. COMMUNICATE

Transparent communication with stakeholders about progress made and challenges found.

69 [http://storage.pardot.com/37972/184519/Kroll\\_2017\\_ABC\\_Report\\_Final\\_Web.pdf](http://storage.pardot.com/37972/184519/Kroll_2017_ABC_Report_Final_Web.pdf)

70 <https://www.globalwitness.org/en/blog/managing-risk-illegal-mining-and-conflict-minerals-global-supply-chains/>

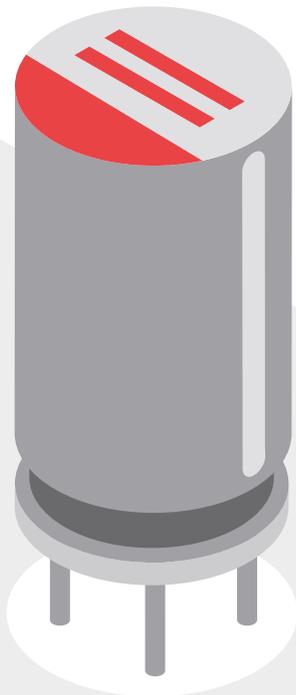
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## ABOUT LEXISNEXIS

LexisNexis, a division of RELX Group, helps our customers access the intelligence, tools and expertise they need to create and manage trusted relationships with the customers, suppliers and third-parties that are good for their business. Because good profit comes from good relationships.

Using our efficient, agile, and cost-effective due diligence and monitoring solutions empowers our customers to address critical factors in the trust and transparency framework.

- **Policies & Education**—Advisory services through an alliance with The Red Flag Group®
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