



January 2018

Governance & Accountability Institute shares timely news, insights and perspectives with corporate managers in key topic areas:

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- ⦿ *Corporate Responsibility,*
- ⦿ *Corporate Sustainability,*
- ⦿ *Community Affairs, and*
- ⦿ *Sustainable Investing.*

To the Point! is a fee-based educational resource for corporate executives and managers distributed each month with periodic brief updates for critical items.

**Published by
Governance &
Accountability Institute, Inc.**
New York, New York

Researchers, Consultants & Strategists

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CAUTIONARY NOTES FOR SUPPLY CHAIN MANAGERS & Others Involved in Global Sourcing & Partnerships (Human Trafficking & Modern Slavery Conditions Raise Reputational Risks)

A number of multilateral organizations, social issue activists, nongovernmental organizations (“NGOs”), UN

agencies, media organizations, and investor coalitions are focused on the rising risks posed to society - and to businesses - of modern slavery and human trafficking.

This will be a 2018 risk management issue raised by shareholders and stakeholders with corporations with global sourcing and supply chains.

Prudent business leaders are aware of and have been taking steps to deal with these issues. For example, **My Sister** apparel (a business headquartered in Minneapolis) is combating human trafficking “one T-shirt at a time” by devoting 6% of sale proceeds to fund the work of the non-profits “**MN Girls Are Not For Sale,**” and “**Maiti Nepal**” — which help to address trafficking in women and girls.

“**Outland Denim**” was an initiative launched by **CEO James Bartle** to provide vulnerable girls in Cambodia, Thailand and Burma a “path out of poverty” by setting up pedal-press sewing machines and a teaching program in 2011 to help females get a sustainable career and living wage. There’s a flagship store in Australia marketing the goods. The denim goods have been marketed in the USA since 2016.

Human Rights activists advise that red flags have increased for these global industries: food; agriculture, aquaculture, fishing; manufacturing; development and construction; mining and resource extraction; utilities; apparel and fashion.

Companies in these industries and other enterprises with worldwide sourcing networks are on notice by shareholders and stakeholders that human





trafficking and modern slavery is on the rise in parts of the world – and global businesses can be easily sucked into the vortex of sensational, and justifiably negative media coverage of the issue.

We're presenting here for corporate managers information about some of the global players in the social and governance sectors that are focused on the modern slavery and human trafficking issues in 2017 and into 2018.

Important: Tune in to “Alliance 8.7”



ALLIANCE

(A reference to **SDG 8**)

This is a new effort led by the **International Labour Organization (“ILO”)**, which is working to eliminate forced labor and human trafficking. (Note “labour” is the organization’s official title; we will generally use the spelling “labor” in our narrative.)

The ILO-led initiative is tied to the **UN Sustainable Development Goals (SDGs)**; the Target 8.7 reference is:

“Leaders are committed to take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition of and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all of its forms.”

The Alliance for Target 8.7 (launched in September 2016) is focusing on accelerated timelines, conducting research and sharing knowledge, driving innovation, and increasing and leveraging resources.



SDG Target 8.7: Eradication of forced labor, modern slavery, human trafficking, and child labour.

Alliance 8.7 points that in 2016-2017:

- There may be as many as 150 million children ages 5-to-17 years in child labor worldwide.
- And, 40 million people in modern slavery conditions. Of this total, 25 million were in forced labor conditions. Consider that as much as \$150 billion is generated in illegal profits from forced labor.

*See notes below.

There are national consultations ongoing with sovereign nation leaders; a **Supply Chains Action Group** was formed, with four other groups planned for launch; and, regional consultations have been on going in Southeast Asia, West & Northern Africa, the Pacific Basin, Latin America, the Caribbean Basin, Europe, and Central Asia.

Alliance 8.7 has had meetings in New York City, Berlin, Vienna, Budapest, Geneva, Addis Ababa, Buenos Aires, London, Fiji, and other urban centers in 2016 and 2017.

The thematic focal point of Alliance 8.7 strategy and actions include:

Rule of Law and Governance; Conflict and Humanitarian Settings; Migration; Commercial Sexual Exploitation; Rural Development; and, Supply Chains.

NOTE THIS:

Major human rights organizations and activist investors participating include: the **Interfaith Center on Corporate Responsibility (ICCR)**; the **Institute for Human Rights and Business; Anti-Slavery International**; the International Labour Organization (ILO); **UNICEF; Human Rights Watch; UN Global Compact**; and, **UN Women**.

Companies participating in the Supply Chain Action Group Strategic Workshop in June 2017 included: **Coca Cola; Mars Inc; Primark; Inditex** (Spain); **BMZ** (Germany); **FTA** (Belgium).

US interests included the **US State Department** and **US Department of Labor** representatives.

**** In September 2017, ILO released the “Global Estimates of Modern Slavery: Forced Labour and Forced Marriage”.**

Two important data points:

- The Estimate of those in modern slavery around the world total 40 million.
- And, the number of persons in child labor around the world is 152 million.

You can access the report here: http://www.ilo.org/global/publications/books/WCMS_575479/lang-en/index.htm



For Global Companies — Organizations to Pay Attention To: The United Nations Office of Drugs and Crime - UNODC

This is the “guardian” of the UN Standard Minimum Rules for the Treatment of Prisoners (also known as the “Nelson Mandela Rules”). The goal is to encourage a more rehabilitative approach to prison management.



Recently, the representatives of 33 countries in the Americas signed on to a “Hemispheric Declaration” against human trafficking, including the **National Security Commission of Mexico**, which organized the campaign in the hemisphere. The U.S. State Department financed the campaign, to encourage participating nations to protect victims, prevent human trafficking and prosecute traffickers – these are the core elements of UNODC.

The UNODC 2016 annual report stated that from 2012 to 2014, more than 500 different trafficking flows were detected in countries in Western and Southern Europe, with victims being from 137 different citizenships. The huge increase in refugee movements was a contributing factor.

The United Nations Trafficking in Persons Protocol

This is the “Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children” adopted in September 2000. According to the **UN Office on Drugs & Crime** web site, the count on signatories stood at 113. Note that numerous nations have both expressed support of or stated reservations about the Protocol in signing on.

The important takeaway: No country is immune today from trafficking in persons - including North America, Europe and South America.

This is an effort that began in November 2000 at the United Nations. The United States expressed reservations about the Protocol, but stated the following:

The United States of America reserves the right to assume obligations under this Protocol in a manner consistent with its fundamental principles of federalism,



pursuant to which both federal and state criminal laws must be considered in relation to conduct addressed in the Protocol.

U.S. federal criminal law, which regulates conduct based on its effect on interstate or foreign commerce, or another federal interest — such as the Thirteenth Amendment’s prohibition of “slavery” and “involuntary servitude” — serves as the principal legal regime within the United States for combating the conduct addressed in this Protocol, and is broadly effective for this purpose.

And... consider this official “Understanding:”

“The United States of America understands the obligation to establish the offenses in the Protocol as money laundering predicate offenses, in light of Article 6, paragraph 2 (b) of the United Nations Convention Against Transnational Organized Crime, as requiring States Parties whose money laundering legislation sets forth a list of specific predicate offenses to include in such list a comprehensive range of offenses associated with trafficking in persons.”

The International Labour Organization (ILO)

This is the organization (founded in 1919) that became the first specialized agency of the then-new United Nations in 1946. ILO brings together governments (187 member states), employers and labor unions and worker organizations to develop standards, policies and programs to promote “decent work” for men and women around the world.



The Agency has 600-plus programs and initiatives in 100-plus countries and works with 120 development partners around the world.



The ILO and other stakeholders were among those actively participating in the development of the **2030 Agenda for Sustainable Development** (and the SDGs) — the theme it promoted was “Decent Work – Key to Sustainable Development.” (SDG Goal #8.)

ILO actions impact on other SDGs (such as #2 – Ending Hunger; #3 – Ensure Healthy Lives...and many more).

It's worth noting here that millions of responses were received by the United Nations; the General Assembly formally approved adoption of the SDGs.

The United States of America - Department of State

The **Office to Monitor and Combat Trafficking in Persons** (the “J/TIP”) is an agency within State that investigates and creates programs to prevent human trafficking domestically and globally. The Agency issues a report on the subject and its activities – a broad and ambitious agenda including guidance for media reporting on the issues and a host of business topics.



These include:

1. The Link Between Extractive Industries and Sex Trafficking;
2. Paying to Work: The High Cost of Recruitment; and
3. US Entities Combating Human Trafficking.

Comprehensive information for you at: https://www.transparency.org/news/feature/corruption_perceptions_index_2016

Recent News on January 5, 2018 - US Senate Action: Corker Cosponsors Bills To Strengthen Anti-Human Trafficking Measures

Thursday, June 8, 2017 – as published in *The Chattanooga* (Tennessee)



US Senator Bob Corker joined a bipartisan group of his Senate colleagues in introducing the ***Abolish Human Trafficking Act*** and the ***Trafficking Victims Protection Act of 2017***, which will strengthen and reauthorize key programs that support survivors of human trafficking and provide important resources to law enforcement agencies in the fight to end modern slavery.

“These two pieces of this legislation will play an important role in the fight against modern slavery within the United States by helping victims and giving law enforcement the tools they need to combat this brutal industry,” said Senator Corker.

“This scourge on humanity knows no borders or boundaries, and I remain committed to efforts that will help end trafficking and modern slavery worldwide.”

Senator Corker is a leader in efforts to end modern slavery at home and abroad. In addition to cosponsoring both bills to strengthen anti-human trafficking measures domestically, he previously proposed the End Modern Slavery Initiative, which was designed to leverage limited foreign aid dollars and galvanize tremendous support and investment from the public sector, philanthropic organizations and the private sector to eliminate modern slavery and human trafficking around the globe. In December, the president signed legislation into law that included authorizing language for the initiative.

The Abolish Human Trafficking Act was authored by: Senators John Cornyn (R-Tx.), Amy Klobuchar (D-Mn.), Chuck Grassley (R-Ia.) and Dianne Feinstein (D-Ca.) and cosponsored by Senators Corker, Sherrod Brown (D-Oh.), Dean Heller (R-Ne.), Ron Wyden (D-Or.), Marco Rubio (R-Fl.), Chris Coons (D-De.), Orrin Hatch (R-Ut.) and Richard Burr (R-N.C.).

Key points of the legislative move:

- Extends the Domestic Trafficking Victims’ Fund through 2023
- Reauthorizes key *Trafficking Victims Protection Act* programs
- Requires mandatory restitution for victims of commercial sexual exploitation offenses
- Enhances statutory maximum penalties for several human trafficking offenses
- Ensures law enforcement agencies nationwide are trained to recognize human trafficking victims, refer them to services, and avoid arresting or prosecuting them
- Expands the authority of state and local governments to seek wiretap warrants in sexual exploitation and prostitution cases
- Establishes human trafficking coordinators at every U.S. attorney’s office and at the **Department of Justice**
- Improves data collection and reporting on the number of human trafficking crimes
- Permanently authorizes the Human Trafficking Advisory Council
- Continues a Department of Human Services pilot program to provide training to health care providers on human trafficking

The Trafficking Victims Protection Act of 2017 was authored by Senators Grassley, Feinstein, Cornyn and Klobuchar and cosponsored by Senators Corker and Rubio. The legislation:

- Reauthorizes important *Trafficking Victims Protection Act* programs
- Extends a grant program for training school personnel on recognizing and responding to human trafficking
- Allows prosecutors to enjoin conduct that violates human trafficking statutes
- Formally allows the **U.S. Secret Service** to offer investigative and forensic assistance to other law enforcement agencies to combat human trafficking



- Improves grant programs and education on best practices for screening and identifying trafficking victims
- Improves coordination among federal agencies through consolidation of federal agency data reporting at the **FBI** and by requiring the **Homeland Security Department** to submit annual assessments of the human trafficking investigations.

The original text is here: <http://www.chattanooga.com/2017/6/8/349459/Corker-Cosponsors-Bills-To-Strengthen.aspx>

See the bill mark up at **Govtrack**: <https://www.govtrack.us/congress/bills/115/s1312/text/rs>

Relevant Story - *The New York Times*, December 1, 2017: “Europe Wanted Migrants Stopped. Now Some Are Sold As Slaves”

Writing from London, **David Kirkpatrick** reported that African migrants coming through **Libya** have “unimaginable horrors and despicable conditions,” including some being sold into slavery. In the middle of October **CNN** broadcast an “auction slave market” in Libya; men and women were being sold at \$100 each.

Human Rights activists are on the issue, criticizing European government leaders for not doing enough to protect those fleeing conditions in their home nations on the African continent – **Human Rights Watch** especially in the lead in publicizing conditions.

The International Organization for Migration publishes news reports and statistics on “slave markets” which is picked up by various media like CNN.

The absence of a functioning government in Libya has meant that hundreds of thousands of migrants can move into and through that strategically-located country on the Mediterranean Sea – just across the waters from the vulnerable “belly” of modern Europe.

The crowding in Libya results in lawlessness, brutality, forced labor, kidnapping, rape, torture, extortion, and detention & imprisonment. Those escaping can die of drowning in the open waters.

G&A Institute Perspectives

As companies large and small and a host of entrepreneurial ventures expand their global sourcing, institute processes to better manage their supply chain activities, and develop partnerships and collaborations with distant entities, the risk increases that at some point, a situation may arise where the legitimate business interest is dragged into a negative / sensational media headline that casts a dark shadow on the business enterprise.

For example, there may be accusations of serious human rights violations; involvement in human trafficking; condoning or turning a blind eye to *known* unfair labor conditions; complaints voice by unpaid workers, or “impressed workers” – or other versions of what is considered to be “modern slavery” conditions are present.

The ILO and the U.S. State Department and other societal interests have identified industries / sectors where human trafficking conditions are prevalent; these tend to include: agriculture, farming, ranching; utilities’ mining and other





extractive industries; a range of manufacturing (remember the Apple/FoxConn stories?); and, construction. Activists have recently been identifying others — such as fishing & aquaculture; apparel and fashion and footwear.

Investors are tuning in to the issues – the Interfaith Center on Corporate Responsibility (ICCR) is a prime example. This coalition of faith-based and other investing institutions with greater than \$200 billion in Assets Under Management engaged with more than 50 public companies on the issues and has been encouraging the US Congress to enact measures to ensure greater supply chain transparency (such as the Business Supply Chain Transparency on Trafficking and Slavery Act).

The signatories of the Principles for Responsible Investment (PRI) are asked to report on their activities regarding labor rights in investor-company dialogues.

Lauren Compere, Director of Shareholder Engagement at NGO **Ceres** has this advice: *investors can press companies to address forced labor and related issues and not wait for scandals to hit the headlines or regulators to address the issues.*

And, investors should be more public about their expectations of global companies regarding conditions in their sourcing and supply chains. (She published a commentary on **Huffington Post**: “Investors Must Hold Food Companies Accountable for Forced Labor in their Supply Chains,” in November 2016.

G&A Institute EVP Louis Coppola is a member of the Board of Directors of the **Global Sourcing Council** whose mission is to educate, advocate and inspire global business enterprises and other stakeholders to pursue profit with purpose through sustainable and socially responsible sourcing (“3S”) practices.. More Information: <http://www.gsccouncil.org>
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NOTE: The following author and subject matter expert on the issues also contributed to this article: our colleague **William Jannace** (Adjunct Professor at **Fordham University School of Law**). We thank him for his valuable contribution to this management brief.

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- Information on Alliance 8.7 is at: https://www.alliance87.org/Alliance87_Vision_Document_EN.pdf
- There’s information about enlightened business leaders and their entrepreneurial fashion ventures to address worker exploitations at “Racked” (Vox Media) at: <https://www.racked.com/2017/11/16/16645842/human-trafficking-fashion>
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