Emerging Practices in Addressing Modern Slavery Risks for Companies

Today’s Presenters

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Agenda

1. Modern Slavery in the Business Context
2. Vital Learning on Modern Slavery
3. Corporate Drivers
4. Building a Compliance Program
   a. Slavery & Trafficking Risk Template (STRT)
5. Guidance for Success
6. Questions & Answers

Introduction
Who We Are

- High-performance RF and Microwave heritage
- "Fab-rite" manufacturing with differentiated technologies
- Strong intellectual property portfolio with high barriers to entry
- Advanced compound semiconductor materials, processes and specialized packaging

Serving a Broad Frequency Spectrum...From RF to Light

Large and Diverse End Markets

Addressing next generation infrastructure buildouts across a broad array of customers and applications
Overview

- 75% Assent Works with 75% of Fortune 500 Manufacturers
- 300k 300,000 Supplier Companies
- Market-Leading Supply Chain Data Management Platform
- Global Footprint
Social Responsibility Alliance
Helping companies build socially responsible supply chains

**Mission** is to provide companies throughout the supply chain with the data tools needed to build socially responsible supply chains. By facilitating the collection of human and labor rights data, we catalyze continuous improvement in global supply chains and the lives of those working within them.

**Vision** is to provide trusted, open-source tools that facilitate the collection of complete, responsible sourcing data from supply chains.

Modern Slavery in the Business Context
The Economics of Forced Labor
A profitable industry

Annual global profit, in US dollars (2012 estimates)

- Tobacco: $35B
- Google: $50B
- Big Oil: $120B
- U.S. banking: $141.3B
- Slave labor: $150.2B


Forced Labor Is Global & in Every Sector
Worldwide exploitation of forced labor, 2016

By means of coercion

- Withheld Wages: 23.6%
- Threats of violence: 17.0%
- Physical violence: 16.4%
- Threats against family: 11.8%
- Had to repay debt: 9.1%
- Too far from home and nowhere to go: 6.7%
- Locked in work or living quarters: 6.7%
- Punished through fine/financial penalty: 6.6%
- Threat of legal action: 5.7%
- Punished through deprivation of food, sleep, etc.: 5.0%
- Withheld passport or other documents: 4.3%
- Sexual violence: 4.1%
- Kept drunk/drugged: 0.6%

By sector

- Construction: 18%
- Manufacturing: 15%
- Agriculture, forestry, and fishing: 11%
- Accommodation and food-service activities: 10%
- Wholesale and trade: 9%
- Personal services: 7%
- Mining and quarrying: 4%
Supply Chains Are Perfect Conditions for Exploitation

77% of companies believe there is a likelihood of modern slavery occurring at some stage in their supply chains.

Source: Ethical Trading Initiative

Migrant Worker Recruitment
A case study of modern slavery

**Country:** Taiwan  
**Type of Facility:** Bottling and bottle manufacturing plant  
**Workforce:** 300 workers (55 percent migrant workers from Asia-Pacific region)

- **Means of detection:** Audit  
- **Issue:** Migrant workers were subject to 24 different fees (recurring & one-time) over their three-year contract.  
- **Impact:** Workers “confirmed a significant financial burden imposed by the recruitment fees.”  
- **Response:** Coca-Cola issued a non-conformance report, facility reimbursed workers ($894,000 total).

Source: Best Practice Guidance on Ethical Recruitment of Migrant Workers by ICCR (2017)
Workers Shoudering the Financial Burden of Corruption

Means of detection:
- Victimized to their manager about their situation

Issue:
- Landlord brought worker to the UK from Poland - retained his passport, kept wages

Impact:
- Worker held in a situation of modern slavery

Response:
- Worker entered protective custody, landlord pleaded guilty to human trafficking and forced labor


Migrant Worker Recruitment
A case study of modern slavery

Country: England (Nottinghamshire)
Type of Facility: Produce packhouse and farm
Workforce: Unknown

- Means of detection: Victim confided to their manager about their situation
- Issue: Landlord brought worker to the UK from Poland - retained his passport, kept wages
- Impact: Worker held in a situation of modern slavery
- Response: Worker entered protective custody, landlord pleaded guilty to human trafficking and forced labor

Abusive Working Conditions

Country: China  
Type of Facility: Apparel factory  
Workforce: 80

- **Means of detection:** Audit
- **Issue:** Two dozen violations of international labor standards including forced and excessive overtime (82 hours), abusive working conditions
- **Response:** Factory brought on more workers to reduce overtime

Risk in Developed Countries

Main trend from national estimates of modern slavery
The prevalence of modern slavery in highly-developed, high-income countries is higher than previously understood.

Labor Supply Chains

Why businesses fail to detect modern slavery at work
The problem is that current approaches to responsible sourcing tend to focus on tracing the product supply chain. But the key issue in tackling modern slavery is in understanding the labour supply chain. These are often unregulated networks through which forced or trafficked workers may be recruited, transported, and supplied to business by third party agents.

A labour supply chain consists of a sequence of relationships a worker might go through to end up in work. The chain might be short, consisting simply of a producer and a worker. Or, particularly where international movement is involved, there may be multiple layers of intermediaries, agents, brokers, traffickers and gang-masters.

Source: The Conversation
Indirect Supply Chains

Invisible Supply Chain Workers Vulnerable to Labor Exploitation: Where Are Your Blind Spots?

Workers operating in “blind spots” typically fall outside of a company’s core production and processing activities, and are usually subject to little (or no) due diligence.

This can include low-skilled, low-paid, temporary and sometimes migrant workers who provide support services in economies characterized by minimal risk levels, such as trucking and transportation, cleaning, catering and security.

Source: Assent Compliance Blog

Corporate Drivers
Types of Laws & Regulations

- Trade Compliance
- Disclosure Requirements
- Due Diligence

A Proliferation of Laws & Regulations

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<thead>
<tr>
<th>Law/Mandate</th>
<th>Date</th>
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<tbody>
<tr>
<td>California Transparency in Supply Chains Act</td>
<td>September 2010</td>
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<tr>
<td>U.S. Federal Acquisition Regulation Final Rule</td>
<td>January 2015</td>
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<td>on Combating Trafficking in Persons (52.222-50)</td>
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<td>UK Modern Slavery Act</td>
<td>March 2015</td>
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<tr>
<td>U.S. Trade Facilitation and Trade Enforcement</td>
<td>February 2016</td>
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<td>Act, elimination of consumptive demand exception</td>
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<td>EU Non-Financial Reporting Directive</td>
<td>January 2017</td>
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<td>French Corporate Duty of Vigilance Law</td>
<td>February 2017</td>
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<tr>
<td>Countering America’s Adversaries Through Sanctions Act (CAATSA)</td>
<td>August 2017</td>
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<td>New South Wales Modern Slavery Act</td>
<td>June 2018</td>
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<td>Australia Modern Slavery Act</td>
<td>January 2019</td>
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<td>Dutch Child Labor Due Diligence Law</td>
<td>Forthcoming</td>
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<td>Swiss Responsible Business Initiative</td>
<td>Forthcoming</td>
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Corporate Drivers

Risk Exposure

- Investor & Lender Scrutiny
- Customer Requirements
- Regulation & Standards
- Company Purpose
- Reputation

Building a Compliance Program
Self-Assessment Questions

1. Do you know the labor conditions under which your goods are being made?
   a. Have the workers in your suppliers’ facilities been charged recruitment fees?
   b. Have their identity documents been withheld?
   c. Do they have accurate employment agreements they understand?

1. Do your supply chain due diligence processes cover slavery and human trafficking?

1. Are you meeting your compliance responsibilities?
   a. Final Rule on Combating Trafficking in Persons of the U.S. Federal Acquisition Regulation?
   b. UK Modern Slavery Act?
   c. U.S. imported goods are not produced by North Korean labor?
   d. Will you be ready to report under the Australian Modern Slavery Act?

1. What are your customers’ requirements on modern slavery?
   a. Are you meeting them?

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The Standard for Due Diligence

Organization for Economic Co-operation and Development (OECD)

Source: OECD Due Diligence Guidance for Responsible Business Conduct
KnowTheChain Benchmark

Commitment & Governance
- Company publicly demonstrates its commitment to address slavery.
- Company has a supply chain standard that requires suppliers to uphold labor rights (e.g. prohibit fees).
- Company has established clear responsibilities and accountability for policy implementation.
- Company has training programs for employees and suppliers.
- Company engages with relevant stakeholders (ex: policy makers) on slavery.

Traceability & Risk Assessment
- Company demonstrates an understanding of its suppliers.
- Company has a process to assess slavery risks, and it publicly discloses them.

Purchasing Practices
- Company integrates supply chain standards into supplier contracts.
- Company requires its first-tier suppliers to ensure that their own suppliers meet labor rights standards.

KnowTheChain Benchmark

Recruitment
- Company ensures recruitment agencies used in its supply chains are monitored to assess for slavery risks.

Worker Voice
- Company ensures a formal mechanism to report a grievance is available to its suppliers' workers.

Monitoring
- Company audits its suppliers to measure compliance with its supply chain standards and regulations.

Remedy
- Company has a process to create corrective action plans with suppliers.
- Company has a process to provide remedy to workers in its supply chain in cases of slavery.
Aligning Your Processes With Standard Practice

Slavery and Trafficking Risk Template (STRT)

- A 23-question survey with requests for supporting documentation (free).
- Actively maintained by a multistakeholder committee.
- Reach is in the five digits.
- Used by companies to comply with regulations, improve their public disclosures and drive change in their supply chain.
- downloadable at sraglobal.org.

Geographical, workforce and industry-related risk
Policies
Supply chain management
Risk identification and management

- Training
- Reporting and internal accountability
- Certification
- Public disclosure
- FAR compliance plan requirements

STRT Development Committee
Housed by the Social Responsibility Alliance (SRA)

- Twenty-one members: 48 percent industry and 52 percent non-industry.
- Established in October 2016.
- United in its mission to eradicate human trafficking from supply chains.
STRT Workflow Meets OECD Due Diligence Process

**SCOPING**
- Profile Suppliers
  - Establish initial risk score.
  - Determine workflow process.

**DIRECT ENGAGEMENT**
- Conduct Outreach Using the STRT
  - Gather details on management system using the Slavery and Trafficking Risk Template.
  - Supplier training.

**TRIANGULATION**
- Gather External & Internal Data
  - Review past audit findings.
  - Review prior media coverage.

**RISK SCORING**
- Establish Supplier Score
  - Prioritize supplier risk, leverage STRT scoring guide (sraglobal.org).

**REMEDICATION**
- Corrective Action Management
  - Manage corrective actions.

A Case Study of Company Using the STRT

**Company**: Consumer goods company with a global presence and annual sales in the billions (USD).

**Issue**: Operate in a high risk industry and are subject to reporting obligations. Needed to expand their supply chain due diligence process to cover slavery and human trafficking.

**Solution**: Automated risk assessment of their supply chain (~400 suppliers) using the Slavery & Trafficking Risk Template (STRT).

**Results**: Identified ~80 high-risk suppliers for further investigation and secured actionable data to embed in follow-up corrective action plans.
Success Factors

#1 - Align your actions with standard practice
- OECD Due Diligence process.
- Slavery and Trafficking Risk Template (STRT).
  - Automated interrogation, good supplier support.
  - Proven, defendable and easy-to-use and analyze.
  - Reduced burden, quality data, better response rates through economies of scale.

#2 - Take a programmatic approach
- Clear responsibility and accountability.
- Include in corporate compliance program.
- Document program management process.
- Data-driven approach.
Success Factors

#3 - Leverage existing business framework

- Vendor contracts.
- Purchase terms and conditions.
- Vendor qualification process.
- Vendor and employee training mechanisms.
- Supply chain survey.
- Supply chain audit.
- Supply chain corrective action process.
- Whistleblower mechanisms.
- Corporate reporting mechanisms.