

Assent®

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eBook

Human Trafficking, Slavery & Your Supply Chain

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CHAPTER 01



Understanding Human Trafficking & Slavery

Today, it is estimated there are 40.3 million people who are experiencing some form of modern slavery, which includes human trafficking and other forms of forced labor.[1] While active international efforts to end the practice have had notable success, this illegal industry continues to generate over $150 million in annual profits.[2]

A person can be considered to have been trafficked if they work in a position of forced labor, including domestic servitude, bonded labor, forced child labor, and sex trafficking, among other examples. Most often, trafficking occurs when this labor is the result of physical or other threats, psychological coercion, deception, debt bondage, and various other forms of exploitation. In this way, human trafficking can involve the movement of people, yet movement is not a requirement for proving that it has occurred.

1 The Global Slavery Index. (2016). *2016 Global Slavery Index*. http://www.globalslaveryindex.org/findings/

2 The Global Slavery Index. (2016). *2016 Global Slavery Index*. http://www.globalslaveryindex.org/findings/

Why Is Human Trafficking & Slavery Important to Manufacturers?

Human trafficking and slavery risks typically hide in the deepest areas of global supply chains. It's estimated that 90 percent of all forced labor is found in private enterprise supply chains,[3] and 71 percent of companies feel there is credible reason to believe modern slavery occurs at some stage in their supply chain.[4] And yet, it's hard for manufacturers to get reliable, timely data from their furthest removed suppliers.

Despite these difficulties, increased international focus on human trafficking and slavery has made due diligence a cost of doing business.[5] Beyond the ethical motivations to address this risk, human trafficking and slavery presents serious financial, legal, reputational, and operational risks if not properly identified and addressed.

In the EU, mandatory human rights due diligence regulations have made these risks tangible.[6]

Even for manufacturers outside the scope of worldwide human trafficking and slavery regulations, due diligence is still an expectation and/or requirement from key stakeholders who now consider environmental, social, and governance (ESG) efforts to be mainstream practice.



3 International Labour Organization. (2012). *21 Million People Are Now Victims of Forced Labour, ILO says.* http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_181961/lang--it/index.htm.

4 Lake, Q., MacAlister, J., Berman, C., Gitsham, M. and Page, N. (2015). *Corporate Approaches to Addressing Modern Slavery in Supply Chains: A Snapshot of Current Practice. London, UK: Hult International Business School.* https://www.ashridge.org.uk/insights/blog/august-2016/corporate-approaches-to-addressing-modern-slavery/

5 BusinessHumanRights. (n.d.). *Business & Human Rights Resource Centre.* https://www.youtube.com/user/BusinessHumanRights

6 United Nations. (2021, July 2). *EU Mandatory Human Rights Due Diligence Directive: Recommendations to the European Commission.* https://www.ohchr.org/Documents/Issues/Business/ohchr-recommendations-to-ec-on-mhrdd.pdf

Failure to assess human trafficking and slavery risks can result in an array of consequences:



Operational risk

Supply chain disruption is likely if a supplier is accused of human rights violations.



Reputational damage

Manufacturers failing to take steps to combat these activities within their supply chains risk damage to their brand as regulators, consumers, and investors become more aware of human trafficking and slavery.



Loss of contract or investment

Tendering processes for some of the world's most lucrative public procurement and private contracts require that companies demonstrate the nature of their efforts and policies regarding human rights. Failing to present information on human trafficking and slavery in supply chains could exclude a company from eligibility.



Loss of competitive advantage

Investors have stated they consider due diligence and supply chain transparency as strong indicators of a company's management quality, and use these indicators to make investment decisions. Manufacturers that do not perform human rights due diligence are less attractive to customers and investors.



Legal Risk

The growing list of rules and regulations on human trafficking and slavery means there is a real risk of litigation, penalties, fines, and reputational damage for non-compliance.

By taking steps to reduce the risk of human trafficking and slavery in their operations, manufacturers not only protect themselves, but also become industry leaders through the establishment of supply chains that respect, promote, and defend the rights of its labor force.

Which Manufacturers Are Most at Risk?

Today's supply chains present hidden risks for manufacturers that don't have deep, timely data from suppliers, so human trafficking and slavery must be factored into due diligence planning at all tiers of the supply chain.

There are, however, particular risk factors linked to specific sectors. Informed by up-to-date industry research, some key risk factors for manufacturers include those associated with:[7]

- Particular products or industries involving low-skilled labor or dangerous work
- Offshore manufacturing or complex supply chains where transparency is low
- Use of certain vulnerable social groups such as migrants, or impoverished workers
- Operations in countries deemed "high-risk"
  - Examples include Thailand, Russia, Venezuela, the Central African Republic, Algeria, Syria, Kuwait, and others, according to U.S. 'Tier 3' classifications[8]

7 Forced Labor and Human Trafficking Archives. (n.d.). https://www.verite.org/category/forced-labor-and-human-trafficking/

8 U.S. Department of State. (2019). *Trafficking in Persons Report - June 2019*. https://www.state.gov/wp-content/uploads/2019/06/2019-Trafficking-in-Persons-Report.pdf



CHAPTER 02



The Human Trafficking & Slavery Regulatory Environment

In recent years, governments have been strengthening regulations related to human trafficking and slavery, forced labor, and child labor. In 2015, the UK introduced its landmark UK Modern Slavery Act, compelling companies to report annually on measures to mitigate the illegal practice in corporate supply chains. That law was followed by many others, including acts in Australia, the Netherlands, and Switzerland.

In 2021, Germany passed the German Supply Chain Act (GSCA), known as Lieferkettensorgfaltspflichtengesetz (LsKG). The law mandates strict human rights due diligence processes, detailed annual reporting, and carries tough penalties for non-compliance.[9]

The following section offers a brief insight into the most important regulations governing human trafficking and slavery in supply chains.

9 Business & Human Rights Resource Centre. (2021, June 16). *German parliament passes mandatory human rights due diligence law*. https://www.business-humanrights.org/en/latest-news/german-due-diligence-law/

U.S. Federal Acquisition Regulation (FAR)

The Federal Acquisition Regulation (FAR) applies to all contractors, subcontractors, and employees providing goods and services to the U.S. government.[10] It prohibits government contractors and subcontractors from:[11]

- Engaging in severe forms of trafficking in persons during the contract period
- Procuring commercial sex acts during the contract
- Using forced labor in the performance of the contract

Federal contractors, their subcontractors, and employees are also prohibited from:

- Destroying, concealing, confiscating, or otherwise denying an employee's access to their identity or immigration documents (e.g., passports, driver's licenses)
- Recruiting workers using misleading or fraudulent practices such as failing to disclose accurate wages, working conditions, hazards, and more in a language the worker can understand, as well as using recruiters that do not comply with local labor laws
- Charging employee recruitment fees
- Failing to provide return transportation to an employee's home country if they are not a national of that country and were brought there to provide labor for U.S. government contracts or subcontracts
- Failing to provide or arrange housing that meets minimum housing and safety standards in the host country
- Failing to provide a written employment contract, recruitment agreement, or any other required work document to the employee

The regulation also contains a host of other responsibilities, including notification of potential violations and remedial actions.

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10 Federal Acquisition Regulation; Ending Trafficking in Persons. (2015, January 29). https://www.federalregister.gov/documents/2015/01/29/2015-01524/federal-acquisition-regulation-ending-trafficking-in-persons

11 Part 22 - Application of Labor Laws to Government Acquisitions. (n.d.). https://www.acquisition.gov/content/part-22-application-labor-laws-government-acquisitions

U.S. Defense Federal Acquisition Regulation Supplement (DFARS)

For contractors doing business with the U.S. Department of Defense (DoD), compliance with the Defense Federal Acquisition Regulation Supplement (DFARS) is essential. The requirements under DFARS are similar to those of FAR, with a few additions, such as:[12]

- Ensuring their employees are aware of their rights at work, such as the right to receive agreed-upon wages on time and to take breaks in their work. This should be achieved by openly posting information about employee rights in work spaces to encourage enforcement
- Displaying DoD hotline posters in employee spaces
- Including a contractor representation on anti-human trafficking policies if the contract is expected to exceed the simplified acquisition threshold

Additionally, if the value of a DoD contract for a non-commercial item exceeds $5 million USD, the contractor must also display "Combating Trafficking in Persons and Whistleblower Protection" posters at all worksites (in addition to the "rights at work" posters).

Defense contractors are particularly vulnerable to human trafficking violations given the heightened risks associated with work on military bases in conflict areas. Human trafficking can become commonplace among low-income earners within poor countries. The DFARS intends to prevent its proliferation through well-rounded monitoring and prevention mechanisms.[13]

What Are the Penalties for Non-Compliance?

All manufacturers that do business with the government should be prepared for the possibility of a supply chain audit. If an audit or regulatory body finds the company is non-compliant with regulations, the company risks contract termination, government-imposed penalties, criminal or civil investigations, and/or suspension or debarment from government contract, grant, and loan eligibility.

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12 Defense Federal Acquisition Regulation Supplement (DFARS). (n.d.). https://www.federalregister.gov/defense-federal-acquisition-regulation-supplement-dfars-

13 Newman, J. (2012). *America's Shame: The U.S. Government's Human Trafficking Dilemma. Huffington Post.* http://www.huffingtonpost.com/joe-newman/americas-shame-the-us-gov_b_1478136.html

UK Modern Slavery Act

Introduced in 2015, the UK Modern Slavery Act requires companies to perform due diligence to assess risk and provide a statement on their policies and efforts with regard to eliminating human trafficking and modern slavery from their supply chains.[14]

The UK Modern Slavery Act statement must address key topics mandated in the act and meet three important requirements:

- A company's disclosure be updated every financial year
- All businesses that supply goods or services in the UK are in-scope
- All disclosures must be signed by at least one executive member of the company and approved by the Board of Directors, making them directly responsible for the content of the statement

Which Companies Are in Scope?

Companies with a total turnover equal to or greater than £36 million, or 45 million USD, are in scope. This threshold is set by the Secretary of State.

14 Modern Slavery Act 2015. (n.d.). http://www.legislation.gov.uk/ukpga/2015/30/enacted

What Is Required?

According to Section 54 of the act, the mandatory statement should include the following information:

- Company overview
- Due diligence
- Effectiveness Review
- Policies
- Risk assessment
- Training

Additional Statement Requirements

The statement must be clearly accessible from the company's website, and if the company does not maintain a website, must be made available in written form for anyone who requests it. Statements must also be submitted to a government-owned database. This centralized repository of statements makes it easier for the government to track compliance and will be publicly searchable by non-governmental organizations (NGOs), investors, and consumers. Furthermore, depending on the nature of the company, the statement must be signed by executive staff.



The Countering America's Adversaries Through Sanctions Act — Sanctions With Respect to North Korea[15]

The Countering America's Adversaries Through Sanctions Act (CAATSA) imposes sanctions on Iran, Russia, and North Korea. It reiterates the need for comprehensive due diligence by U.S. companies and on behalf of U.S. companies involved in importing goods.[16]

Under the CAATSA Section 321(b) (22 U.S.C. § 9241a) "significant goods, wares, merchandise, and articles mined, produced, or manufactured wholly or in part by North Korean nationals or North Korean citizens anywhere in the world are forced-labor goods and are prohibited from importation under the Tariff Act of 1930 (19 U.S.C. 1307) and shall not be entitled to entry at any port of the United States and may be subject to detention, seizure, and forfeiture."[17]

What Are the Penalties for Non-Compliance?

Violations of the North Korean Forced Labor Sanction can include civil monetary penalties at either double the value of the goods transaction, or $295,141 USD per violation, with the option to recommend criminal prosecution.[18]

There are a number of U.S. agencies that uphold these regulations, including; the Office of Foreign Assets Control (OFAC), Immigration and Customs Enforcement (ICE), and Customs and Border Protection (CBP).

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15 One Hundred Fifteenth Congress of the United States of America. (2017, January 3). U.S. Department of the Treasury. https://www.treasury.gov/resource-center/sanctions/Programs/Documents/hr3364_pl115-44.pdf

16 U.S. Department of the Treasury. (n.d.). https://www.treasury.gov/resource-center/sanctions/programs/pages/nkorea.aspx

17 CAATSA Title III Section 321(b) FAQs. (2018, August 14). https://www.dhs.gov/news/2018/03/30/caatsa-title-iii-section-321b-faqs

18 U.S. Department of the Treasury. (n.d.). https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20180723.aspx

Other Human Trafficking & Slavery Regulations Around the World

Increased awareness of ethical supply chain sourcing among international governments, consumers, and investors has inspired the rise of voluntary and mandatory compliance planning and reporting in a number of markets, including the U.S. and EU.[19]

19 Davis, P. and Becker, L. (2016). *The Ever-Changing Compliance Landscape: What Is the Next Wave? Organisation for Economic Co-operation and Development.* http://www.oecd.org/cleangovbiz/Integrity-Forum-16-Pamela-Davis-Lily-Becker.pdf

United States

Forced Labor Prevention Act[20]

Goal of the regulation: To eliminate the presence of goods manufactured through forced labor originating from the Xinjiang region of China.

Status: Active as of June 2022

Nature: Mandatory for companies importing into the U.S. to demonstrate goods sourced from China's Xinjiang province were made without forced labor.

Companies in scope: Companies importing into the U.S.

Requirements: Produce a report — minimum once per year — that demonstrates significant due diligence to prove goods sourced from the region of concern were made without forced labor.

Penalty for non-compliance: Non-compliance will result in the seizure or exclusion of the imported goods and possible criminal investigation into the importer. The act also allows for sanctions and other measures where applicable.

The U.S. Tariff Act of 1930[21]

Goal of the regulation: To facilitate and streamline the flow of legitimate trade, strengthen protections against human trafficking and slavery, and enforce existing U.S. trade laws.

Status: In effect.

Nature: Mandatory for companies to be able to demonstrate legal sources for all products. Voluntary audit and verification programs can be used to do this.

Companies in scope: All companies involved in imports to the U.S.

Requirements: Companies in scope must work with their suppliers to ensure their products are not made using forced or child labor.

Penalty for non-compliance: The act gives the U.S. government the ability to hold items at the border that it reasonably suspects were made wholly or in part with forced labor.

20 Congress.Gov.(2021, December 8). *H.R. 1155 "Uyghur Forced Labor Prevention Act".* https://www.congress.gov/bill/117th-congress/house-bill/1155/text

21 CBP and the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA). (n.d.). https://www.cbp.gov/trade/trade-enforcement/tftea

European Union

EU Non-Financial Reporting Directive

Goal of the regulation: To increase the transparency of the social and environmental information provided by businesses in the EU (including those related to human trafficking).

Status: In effect and increasingly reflected in legislation within EU member states.

Nature: Mandatory due diligence.

Companies in scope: Large public-interest companies with over 500 employees, and a balance sheet of at least €20 million or net turnover of at least €40 million.

Requirements: Annual publishing of risk assessment and reports on environmental and social issues, including human rights, anti-corruption, and anti-bribery measures.

Penalty for non-compliance: To be determined by national legislation.

Germany

German Supply Chain Act

Goal of the regulation: To hold businesses accountable for their actions, direct and indirect, that negatively impact human rights and environmental health.

Status: Enters into force January 1, 2023.

Nature: Also known as Lieferkettensorgfaltspflichtengesetz (LsKG). Mandatory due diligence activities and detailed reporting for companies and their direct suppliers.

Companies in scope: As of January 1, 2023, companies with head offices or operations in Germany with over 3,000 employees. As of January 1, 2024, companies with head offices or operations in Germany with over 1,000 employees.

Requirements: Produce an annual report containing detailed human rights due diligence activities, including any identified risks and actions taken to mitigate those risks.

Penalty for non-compliance: Up to €800,000 per year or two percent of annual turnover.





France

French Corporate Duty of Vigilance Law

Goal of the regulation: To reduce or eliminate human and environmental harms (including human trafficking) in corporate supply chains and related activities.

Status: In effect.

Nature: Mandatory due diligence.

Companies in scope: French parent and subcontracting companies with at least 5,000 employees, and foreign companies with at least 10,000 employees.

Requirements: Companies in scope must create and publish due diligence plans.

Penalty for non-compliance: Max fine of €10 million.

CHAPTER 03



Maintaining Compliance

Due Diligence in Action

While regulations to combat human trafficking and slavery in public and private sectors vary between countries, the central components of a strong due diligence program do not. Implementing such a program helps ensure manufacturers do not suffer the financial, legal, reputational, and operational risks that can arise if they fail to sufficiently protect workers in their supply chain.

High-Level Commitment

The development of a policy document is often the first step manufacturers undertake with regard to due diligence on human trafficking and slavery, but this may not be the best starting point if a real commitment to eradicating these issues has not yet been established among high-level executives.

The tone set by executives with regard to human trafficking and slavery is an important precursor to ensuring manufacturers take meaningful action to protect workers in their supply chain. An important part of setting this tone will be educating executives and management staff about the issues and the risks they pose to the company. To this end, expert consultation provides significant advantages in building a strong foundation for due diligence.

Policy Creation & Dissemination

Creating a clear policy on human trafficking is an important step in ensuring your company protects the workers in its supply chain and complies with the anti-human trafficking regulations applicable in the countries where you do business.

A policy provides the basis for embedding worker protection measures within the company's business functions. Additionally, the very process of developing a policy often has positive spin-offs by helping to build enthusiasm and internal understanding around the topic. A strong human rights policy doesn't just include a general prohibition on trafficked and forced labor, but also contains specific provisions on factors that are considered key enablers of these practices.

To develop this policy, senior management (potentially with the input of outside counsel) should work to develop a strong document that not only meets regulatory requirements, but also reflects an awareness of the combination of unique vulnerabilities associated with the industry, sector, or country in which the company operates. The policy must clearly state how it applies to your company's relationships with suppliers and to the other entities with which it does business. It should then be communicated effectively to all staff, contractors, suppliers, and partners so it is understood that guarding against human trafficking and slavery is everybody's responsibility.

Risk Identification

The factors that pose the greatest risks to the workers in your supply chain are intrinsically linked to the factors that pose the greatest risks to the financial, legal, reputational, and operational health of your company. Risk identification in the context of human trafficking and slavery requires manufacturers to engage at the deepest levels of the supply chain with a documented and systematic approach that works to identify hidden "red flags," including those associated with particular industries, production lines, countries, and worker types.

A standard supplier risk assessment survey, like the Slavery and Trafficking Risk Template (STRT),[22] can help companies achieve this. By enabling manufacturers to collect standardized data from its suppliers on a range of risk factors relating to human trafficking and slavery, they can prioritize the suppliers in their chain for whom further due diligence action needs to be taken. Using this approach, manufacturers are able to understand where the highest risks may be so they can better target their resources and efforts.

22 The Slavery & Trafficking Risk Template. (n.d.). https://www.assentcompliance.com/slavery-and-trafficking-risk-template-strt/

Risk Mitigation & Prevention

Once a company has identified high-risk suppliers, it then needs to begin risk prevention and mitigation activities. Prevention and mitigation efforts are focused on attempting to stop forced and trafficked labor from taking hold, and are therefore proactive in nature. A company's influence over its suppliers can often be used to strategically influence supplier behavior with the goal of increasing compliance with human trafficking and slavery regulations and best practices.

Raising awareness among suppliers and offering training on human rights due diligence will help give them the tools to recognize and mitigate labor-related risks. Manufacturers are increasingly collaborating with other companies, suppliers, governments, trade unions, and NGOs to develop effective solutions to combat human trafficking and slavery.

Worker Remediation

In instances where trafficked or forced labor is identified despite efforts to prevent it, manufacturers need to ensure victims are adequately compensated, protected, and supported, and should put in place effective remediation measures to ensure such issues do not recur. Importantly, companies need to think about compensation proactively and should have all relevant remediation processes in place before the need to use them arises.

Another important part of remediation involves the need for companies to ensure the workers in their supply chain have a trusted system through which they can raise concerns and complaints relating to human trafficking and slavery without fear of retribution or punishment. This should be supported by an effective system to process, address, and resolve the claims they may make.

Reporting & Continuous Improvement

Manufacturers should establish robust review and monitoring systems such as audits to monitor their due diligence performance, both against internal benchmarks for labor rights and against international regulatory standards. Showing continued improvement is crucial, not only to effectively eliminating human rights violations from supply chains, but to producing the deep ESG reports regulators, customers, and investors are looking for.

Importantly, an approach that focuses on comprehensive continuous improvement typically receives more honest buy-in from suppliers, as they aren't incentivized to misrepresent their processes as they are in a pass/fail system. This kind of approach is capable of facilitating regulatory compliance and worker protection while also shifting a company's relationship with its suppliers from "policeman" to "partner," thereby producing more sustainable change.



Meeting the Compliance Challenge

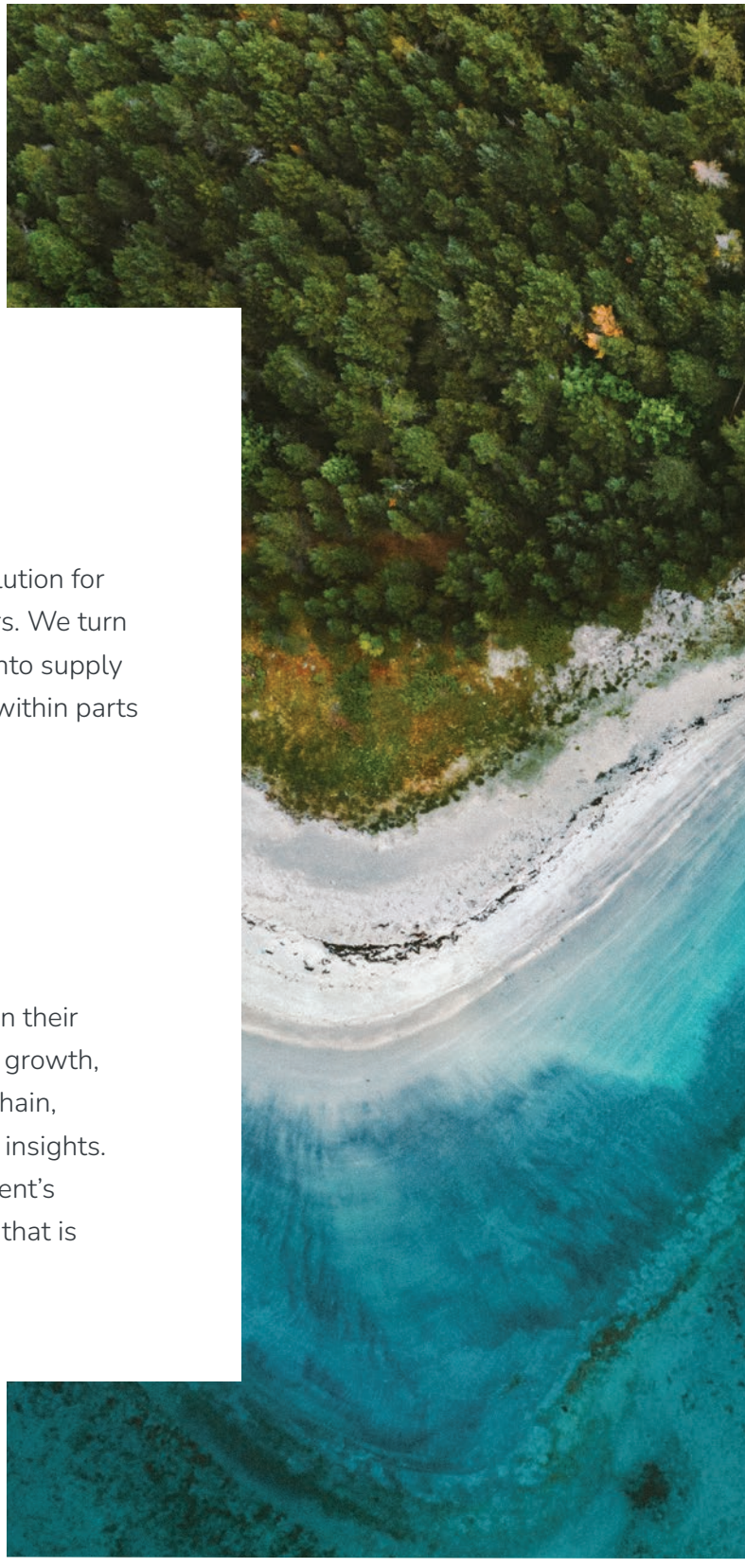
Driven by growing consumer, investor, and governmental awareness of human trafficking and forced labor around the world, the trafficking and slavery regulatory landscape is rapidly expanding. Complex manufacturers are the most vulnerable to these hidden risks and will have the most difficult time addressing them through internal solutions.

Failure to comply with new laws or industry expectations can cause significant financial and operational harm to manufacturers. Compliance is a critical matter that manufacturers must address if they wish to remain sustainable and competitive in a market that is driven by more ethical consumer preferences.

Assent's leading-edge solution is driven by a global team of experts with hands-on experience building human rights due diligence programs. With the ability to dive deep into supply chains, Assent helps you build a foundation for robust ESG reporting that addresses growing regulatory requirements and unlocks data-driven decision making for your entire enterprise.

Contact us today for more details about Assent's ESG solutions and for information on how you can assess and mitigate human rights risks in your supply chain.

Assent®



Who Is Assent?

Assent is the supply chain sustainability management solution for the world's most forward-thinking complex manufacturers. We turn sustainability goals into tangible action by delving deep into supply chains, identifying suppliers, parts, and even substances within parts to map the entire complex manufacturing genome.

What We Do

We help companies spot sustainability risks hiding deep in their supply chains and identify new areas of focus to enhance growth, efficiency, and value. By digging deep within the supply chain, we pull and validate more actionable data to provide real insights. Guided by regulatory experts with a diverse skill set, Assent's solution delivers a cross-enterprise view of sustainability that is necessary for true leadership in the field.



[Assent is] a low touchpoint program with very high results and program growth, year in and year out.

— Ryan Zelhofer, Former Product Compliance Manager, Plexus

Over **200,000** parts managed

80% reduction in staff management hours

The Assent Solution

The journey toward sustainability demands a new way of thinking about supply chains. Assent turns your supply chain data into a critical tool to make safe, sustainable, and ethical products by providing:

- Clean data collected from the source using automated engagement techniques that dive deeper into supply chains
- Crucial, at-a-glance supply chain sustainability data through streamlined dashboards
- An adaptable program that evolves alongside regulations and industry trends

People are the beating heart of any sustainability program. Assent combines its leading technology with expert guidance, ensuring each program is tailored to your specific needs. Dedicated customer success managers make sure you have a familiar face to speak to about changing program goals or enhancements.

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