

CORPORATE STRATEGIES TO ADDRESS HUMAN TRAFFICKING

INVESTOR RECOMMENDATIONS FOR LONDON OLYMPIC
SPONSORS AND HOSPITALITY COMPANIES





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SUMMARY

According to the International Labor Organization (ILO), nearly 21 million people worldwide are trapped in situations of forced labor, bonded labor, child labor and sexual servitude. Unfortunately, major sporting events may potentially lead to a short-term increase in the demand for prostitution and other forms of sexual exploitation, as well as forced labor. Therefore, it is critical for companies to take action to mitigate potential risk.

With the complexity of supply chains and the multitude of contractors, recruiters, and suppliers used throughout a production process, there can be great risks to companies from human trafficking¹, including financial, regulatory, legislative, legal and reputational risks. Attention to this issue, as well as an understanding of the ways that traffickers may use a company's products, services, or workplaces, can help companies to eradicate egregious human rights abuses. As socially responsible investors, we believe that companies are better able to avert risk by creating an effective human rights due diligence process, whereby they become aware of, prevent, and address their adverse human rights impacts, and in turn, more adequately protect shareholder value.

To draw corporate attention to the potential increase in human trafficking and slavery violations at large international sporting events, the "Celebration without Exploitation" campaign was created, starting with a successful investor initiative in advance of the 2010 South African World Cup and continuing with the last two U.S. Super Bowls.

THE LONDON OLYMPIC INITIATIVE

As part of this ongoing work, in March, 2012, Christian Brothers Investment Services (CBIS) formed a coalition of 39 U.S.- and U.K.-based human rights and advocacy-focused organizations and sustainable and responsible investment firms representing \$58 billion in assets under management to focus attention on human trafficking risks in advance of the London Olympics. The coalition² includes members of the Ecumenical Council for Corporate Responsibility (ECCR), the Interfaith Center on Corporate Responsibility (ICCR), U.S. SIF: The Forum for Sustainable and Responsible Investment, FairPensions, The Code, and ECPAT-USA.

Collectively, the coalition sent letters to the following 20 sponsors of the London Olympics and to 13 hospitality companies, including hotels with chains in the London area that may be at a higher risk for on-premise child and labor trafficking:

Olympic sponsors: Acer, Adidas, Arcelormittal, BMW, Cadbury/Kraft Foods, Cisco, Coca-Cola, Dow Chemical, Freshfields, General Electric, John Lewis, McDonald's, Next, Omega/Swatch, Panasonic, Procter & Gamble, Rio Tinto, Sainsbury's, Samsung, and UPS.

Hospitality companies: Accor, Best Western, British Airways, Carlson, Choice Hotels, Hilton, Hyatt, Intercontinental Hotels Group, Marriott, Starwood, Thomas Cook, Whitbread, and Wyndham.

The letters asked companies to provide a written response to questions concerning their anti-trafficking policies and programs and encouraged immediate and transparent action regarding human trafficking risks within their operations such as staff and supplier training to recognize and avoid the trafficking of workers, monitoring their supply chains, examining hiring and recruitment practices, and reporting publicly on policies and actions.

CBIS, ECCR, ICCR, and FairPensions also wrote two letters³ to the International

Olympic Committee (IOC), urging the IOC to establish guidelines for Olympic sponsors, host cities and business partners covering the complete project life cycle of the Olympics, including the adoption of a policy prohibiting trafficking and slavery, assessments of actual and potential human trafficking risks, and public reporting on performance. The IOC responded to the first letter, but failed to address the need for guidelines to address human trafficking risks.

Finally, a “Celebration Without Exploitation” website was designed to increase public awareness of these crimes by providing resources for further education as well as opportunities to support the initiative via letter-writing campaigns on public platforms.



THE REPORT

To clarify investor expectations of companies in preventing and addressing human trafficking, the coalition sets out six recommendations in this report, which is intended to provide a high level rather than in-depth analysis, due to the multitude of sectors represented and the varying strength of company policies and programs.

A number of companies have provided in their responses, or disclosed more comprehensively through public reporting, good practice in relation to one of the topic areas investors outlined in their letters. Therefore, throughout the report, select companies are noted for an aspect of good practice related to a particular area. We highlight these examples to encourage all companies across industries to develop and fully disclose their practices in order to close the gap that currently exists in terms of the strength of policies and practices, including transparency.

It is also important to note that while many of the responding companies have important programs and policies that demonstrate their commitment to corporate responsibility, this document centers solely on those corporate actions directly related to human trafficking. Therefore, the report does not mention or provide examples of certain corporate initiatives that would be worthy of attention in other contexts.

While every attempt has been made to accurately reflect company policies and practices, despite our best efforts, the report may contain inaccuracies for which we apologize.

METHODOLOGY

The coalition created a framework based on the responses as well as publicly available information of focus companies.

The 33 focus companies were selected based on a variety of criteria, including:

- Olympic sponsors operating in sectors and industries that may be at a higher risk for on-premise child and labor trafficking;
- Hospitality companies with hotel chains near London Olympic venues; and
- Companies held in the portfolios of the investor members of the coalition.

The report cites only aggregated information since companies were informed that their responses would remain confidential in order to encourage a robust response. This is a limitation, particularly in the analysis of the hospitality company responses, since publicly available information on human rights policies and programs from this sector is generally lacking and, as the report points out, in need of improvement.

RESPONSES

The coalition received an overwhelmingly positive response from companies -- only Dow did not reply, despite numerous requests and a petition on Change.org.

SUMMARY CONCLUSION AND RECOMMENDATIONS

We offer the following recommendations for companies based on our analysis of the responses and of publicly available information.

1. Include and define human trafficking in human rights policies: Many of the Olympic sponsors and hospitality companies evaluated are developing or already have evidence of policies and programs to assess and address human rights abuses, although few include and define human trafficking. We recommend that companies include the term and definition of human trafficking in human rights policies and consistently use the internationally agreed definition of trafficking contained in the Protocol to Prevent, Suppress, and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention Against Transnational Organized Crime⁴ (commonly referred to as The Palermo Protocol) to create a common understanding and framework.

2. Expand human rights policies and programs to include fair and responsible hiring practices: Human rights policies and programs should define fair and responsible hiring practices and standards of recruiters or any party in order to secure a job to ensure that trafficking risks are avoided.

3. Utilize human rights impact assessments to more thoroughly identify and address trafficking risks: Companies should disclose the process used to assess human rights risks and to address how findings are incorporated in policies and programs. This helps demonstrate accountability to investors and stakeholders. Understanding impacts and risks can also help companies to design effective training programs, focus audits, and implement “The Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework.”

4. Disclose additional information on anti-trafficking training programs for staff and suppliers: Companies should provide information on education and capacity building programs for workers that include training on workers’ rights, overtime, the elimination of harassment and other forms of abuse, local and national trafficking laws, and how to report potential incidents.



5. Provide greater detail on the audit process, including performance, integration of findings, and relationships with suppliers: Companies should disclose how they manage their supply chains, including factors they assess in audits, the number of factories utilized and audited, primary countries where they source products, and how they work with suppliers that conduct audits on their behalf.

6. Improve public reporting on steps taken to combat human trafficking to demonstrate accountability to stakeholders: Shareholders and stakeholders would benefit from more detailed disclosure specific to the steps companies are taking to detect and prevent human trafficking risks. Disclosure helps investors assess a company’s progress over time, and serves as a basis to evaluate a company against its industry peers.

DETAILED RECOMMENDATIONS

1. INCLUDE AND DEFINE HUMAN TRAFFICKING IN HUMAN RIGHTS POLICIES

Companies should use the term and define human trafficking as contained in the Palermo Protocol in order to create a common understanding and framework. The definition contained in Article 3 of the Palermo Protocol is meant to provide global consistency and consensus on trafficking in persons. By using a common language and by educating staff, suppliers, contractors and vendors on the prevalence, causes, and consequences of human trafficking, companies can make great strides in increasing both awareness and understanding of the scope of the problem and the harm it inflicts. Policies should also be reviewed and updated periodically to incorporate lessons learned from the corporation's experiences and to ensure they address the current state of affairs facing the industry.

In addition to the definition of trafficking, good practice includes reference to relevant conventions of the ILO, including:

ILO Convention on Forced Labour, No. 29, where forced labor is “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily,”; ILO Convention No. 105, that specifies that forced labor, as defined in Convention 29, can never be used as a means of political coercion, for the purpose of economic development, discrimination, labor discipline, or as a punishment for having participated in strikes; and ILO Convention No. 182, Article 3, which outlines the worst forms of child labor⁵.

Good Practice: Adidas and ArcelorMittal are among the companies that utilize the term human trafficking in their human rights policies. Adidas' Group Policy on Forced Labour and Human Trafficking clarifies the company's position, defines terms, and links to related guidelines, standards and programs. Adidas and The International Tourism Partnership, which includes Hilton, InterContinental Hotel Group (IHG), Carlson/Rezidor, Hyatt, Marriott, Wyndham, Whitbread and Starwood as members, reference the Palermo Protocol.

COMPANY	EXAMPLE: INCLUSION OF HUMAN TRAFFICKING IN HUMAN RIGHTS POLICIES
Adidas	Adidas' Group Policy on Forced Labour and Human Trafficking states that the company "strictly prohibits the use of forced labour and human trafficking in all company operations and in our global supply chain." The company defines human trafficking, forced labor, states ILO Forced Labour Convention, 1930 (No. 29), and Abolition of Forced Labour Convention, 1957 (No. 105), and links to standards, guidance and accountability mechanisms.
Arcelor Mittal	"Our human rights policy affirms that we are opposed to the use of forced labor, child labor, and by implication, human trafficking, and will work with our subcontractors and suppliers to avoid benefitting from or promoting such illegal activities."
The International Tourism Partnership (ITP)	ITP's Statement on Human Trafficking, referenced by a number of hospitality companies in their responses, defines human trafficking and references the Palermo Protocol.

Resources:

- A Guide For Business: How to Develop a Human Rights Policy. UN Global Compact, 2012.
- The Corporate Responsibility to Respect Human Rights: An Interpretive Guide. United Nations Human Rights Office of the High Commissioner, 2012.
- Some Key Business and Human Rights Guidance Materials and How to Use Them. The Global Compact. May, 2012.
- Tourism Concern: Industry Briefing - Why the Tourism Industry Needs to Take a Human Rights Approach: The Business Case.

2. EXPAND CORPORATE HUMAN RIGHTS POLICIES AND PROGRAMS TO INCLUDE FAIR AND RESPONSIBLE HIRING PRACTICES



According to the International Labour Organization, there are approximately 175 million migrants around the world. Migrant workers (those who migrate for employment) and their families account for about 90 percent of the total. Migrant workers are vulnerable to exploitation and at risk of excessive charges for services, worker fees, wage deductions, recruitment debt, contract fraud and exploitative working arrangements. Since exploitation often begins during the recruitment process, attention to the role of the recruitment agencies and labor brokers that supply services and workers to the industry is just as important as reviewing employment and labor practices. While most hospitality companies have policies repudiating child sexual exploitation and the vast majority of 2012 Olympic sponsors have human rights policies prohibiting child and forced labor, few of the examined human rights poli-

Among hospitality companies, there is a need to expand human rights policies beyond repudiation of child sexual exploitation to establish protections for workers who are recruited or undertake contract work via agencies and in outsourced operations.

cies sufficiently address the full cycle of human trafficking, starting with the recruitment stage. By viewing human rights policies through the lens of human trafficking, many companies will find that their existing human rights policies do not sufficiently clarify fair and responsible hiring practices and standards. Nor do many current audit practices effectively identify or address the vulnerability of workers to exploitation during recruitment. Due diligence around recruitment should feature as a key element of social audits. Clearly defined recruitment processes and related training may also need to be developed to raise awareness and provide technical guidance to management teams and staff.

In addition to their own policies, companies involved in cross-border recruitment must ensure that recruitment companies they employ protect workers from abuse and have their own robust procedures for enforcement, training, monitoring and reporting. Among hospitality companies, there is a need to expand human rights policies beyond repudiation of child sexual exploitation to establish protections for workers who are recruited or undertake contract work via agencies and in outsourced operations. The coalition raised this issue in its letter to hospitality companies and encourages the sector to address fair hiring practices. A key resource is the Staff Wanted Initiative, developed by the Institute for Human Rights and Business, and Anti-Slavery International, which includes a set of guidelines developed especially to raise awareness of and prevent exploitation, forced labor and trafficking for the hospitality industry. It proposes a SEE formula – Scrutinize, Engage, Ensure – to remind hotels of their responsibilities to all their staff including those employed through agencies, including simple checks for hotel managers and supervisors to prevent exploitative practices. The guidelines recommend effective human rights due diligence by companies to prevent the exploitation of workers, and as a consequence, reduce reputational and legal risk for business.

SEE formula leaflets (approx 1500) were sent to every hotel in London prior to the Olympics Games. In addition, in June 2012, an Early Day Motion tabled by John Cryer, Member of Parliament (MP), expressing concern about the exploitation of hotel staff in the U.K. and support for the Staff Wanted Initiative, attracted the support of 50 U.K. MPs.

Good Practice: Few Olympic sponsors and no hospitality company evaluated provide sufficient reporting on efforts to eliminate the exploitative actions of unscrupulous employment agencies and to ensure freedom movement and employment of transnational migrant workers. Procter & Gamble mentions fair hiring in its audit process, and while not reporting on performance, Coca-Cola notes challenges.

"More and more of our stakeholders want reassurance that we provide decent working conditions for all of our employees, manage our risks with all our business partners and make sure the rights of the local people where we operate are protected. While we work towards covering these areas in our contract terms and conditions we accept we have much more to do."

- INTERCONTINENTAL HOTELS
GROUP CORPORATE RESPONSIBILITY
REPORT - HUMAN RIGHTS

COMPANY	EXAMPLE: EXPAND POLICIES AND PROGRAMS TO INCLUDE FAIR AND RESPONSIBLE HIRING PRACTICES
Coca-Cola	<p>"In 2010, we expanded research into the recruitment and employment practices of migrant labor in our supply chain and Persian Gulf area. We will use this research to develop expanded efforts to combat forced labor."</p> <p>"Like many companies, our Company and bottling partners employ contract and agency labor. We believe there are many legitimate uses of contract labor, and we expect contract workers, through third-party providers, to continue to play an important role in our business. We do not track the aggregate number of contract laborers working in our system due to the highly seasonal nature of our business in many parts of the world, and because of the varying circumstances in which our bottling partners and business units engage with contract labor. We are providing our largest bottling partners with contract labor risk-mitigation checklists and other similar tools to help them manage contract labor appropriately."</p>
Procter & Gamble	<p>"One area that the auditor assesses is whether "employment is freely chosen," i.e., that there is no forced, bonded, or involuntary prison labor, and workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice."</p>

Resources:

- The Staff Wanted Initiative, Institute of Human Rights and Business.
- An Ethical Framework for Cross-Border Labor Recruitment: An Industry Stakeholder - Collaboration to Reduce the Risks of Forced Labor and Human Trafficking, Manpowergroup and Verité. 2012.
- Frameworks for Change: The Tourism Industry and Human Rights. Meeting Summary Report. May 29, 2012.
- Migrant Workers in the International Hotel Industry by Tom Baum, The International Labour Organization, International Migration Paper No. 112, International Migration Branch and Sectoral Activities Department. 2012.



3. UTILIZE HUMAN RIGHTS IMPACT ASSESSMENTS TO MORE THOROUGHLY IDENTIFY AND ADDRESS TRAFFICKING RISKS

Establishing a human rights due diligence process, including periodic assessments of actual and potential human rights impacts of company activities and relationships, is a key requirement outlined in “The Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework,” the global standard for governments and business to address human rights abuses involving corporations.

According to Professor John Ruggie, the former Special Representative to the UN Secretary General for Business and Human Rights, human rights due diligence includes four basic elements:

1. “A statement of policy articulating the company’s commitment to respect human rights;
2. Periodic assessments of actual and potential human rights impacts of company activities and relationships;
3. Integrating these commitments and assessments into internal control and oversight systems; and
4. Tracking as well as reporting performance.”

Human rights impact assessments help companies become aware of, manage, and eliminate human trafficking risks in their supply chains by determining a number of important elements, including high-risk sectors and regions, level of impact, likelihood of occurrence, and mitigating factors. We encourage companies to use human rights risk and impact assessments with greater frequency and to publicly report how and when they are conducted, along with the process used for incorporating findings into business operations.

Only seven of the analyzed companies referenced the use of human rights risk and/or impact assessments in their public disclosures. Of these, only four provide detailed information explaining the process to assess and address human rights risks related to human trafficking. It is unclear the extent to which companies are conducting human rights impact assessments and how findings are being integrated into due diligence frameworks due to minimal company disclosure. Understanding impacts and risks can help in identifying the most effective training programs, collaboration opportunities, and auditing and reporting procedures. As companies begin to implement the UN Guiding Principles which were unanimously endorsed in June 2011 by the United Nations Human Rights Council, we expect greater adherence to and reporting on this key requirement outlined in what has become the global standard for governments and business to address human rights abuses.

Good Practice: Adidas, ArcelorMittal, and GE are among the 2012 Olympic sponsors that refer to the use of human rights risks assessments in their corporate public reporting. While 63% of Olympic sponsors mentioned the UN Guiding Principles in their responses to the coalition and/or in public reports, no hospitality company referred to them.

Human rights impact assessments help companies become aware of, manage, and eliminate human trafficking risks in their supply chains by determining a number of important elements, including high-risk sectors and regions, level of impact, likelihood of occurrence, and mitigating factors.

“As yet, tourism has not been in the spotlight, but a high profile case of alleged adverse human rights impacts can change the game as it has in other sectors. Identifying and managing these risks through a process of human rights due diligence is therefore essential.”

– JOHN MORRISON, EXECUTIVE DIRECTOR, INSTITUTE FOR HUMAN RIGHTS AND BUSINESS. FROM FRAMEWORKS FOR CHANGE: THE TOURISM INDUSTRY AND HUMAN RIGHTS. MEETING SUMMARY REPORT. MAY 29, 2012.

COMPANY

EXAMPLE: HUMAN RIGHTS RISK ASSESSMENT

Adidas

“Whenever we can, we reduce our exposure to human rights concerns by identifying and weighing up the risks and, where necessary, taking steps to mitigate or eliminate any potential adverse impacts. For example, whenever a new manufacturing relationship takes place in a country not previously producing for the Adidas Group, our Social & Environmental Affairs department will conduct a review and engage with embassies, government agencies and local non-government organisations, to consider the risks associated with such a sourcing relationship and locality.”

GE

“Risk assessments should consider the available human rights records of public security forces, paramilitaries, local and national law enforcement, as well as the reputation of private security. Awareness of past abuses and allegations can help companies to avoid recurrences as well as to promote accountability.”

“In 2009 we committed to enhancing our efforts to undertake human rights due diligence, including consideration of human rights risk assessments where appropriate. Working through the company’s Human Rights Champions in place within each business, we encouraged due diligence processes through checklists and other instruments and have issued guidance on human rights risk assessment processes.”

ArcelorMittal

“After completion of the training of purchasing management employees, ArcelorMittal intends to begin performing risk assessments of the suppliers in our supply chains for compliance with our policy. These assessments will be based on factors such as potential spend, nature of product or service and country of origin.”

“The assessments will be conducted internally but may utilize third party information sources including the U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor, the U.S. Department of State’s Trafficking in Persons Report, Tier Placements and the International Labour Organization’s Combating Forced Labour, A Handbook for Employers and Employees. We intend to prioritize our approach to selectively engage with our suppliers, and focus attention on those parts of the supply chain where risk of violation of our policy is the highest. For suppliers identified as high risk, supplier’s performance would be assessed against the responsible sourcing criteria established in the Code and Guidance Document.”

Resources:

- Guide to Human Rights Impact Assessment and Management (Hriam) Online Tool. International Business Leaders Forum and International Finance Corporation, 2012.
- Guide to Corporate Human Rights Impact Assessment Tools. Aim For Human Rights, 2009.
- The “State Of Play” of Human Rights Due Diligence – Anticipating the Next Five Years. Institute of Human Rights and Business. 2010.
- European Commission Guidance on the Implementation of the UN Guiding Principles Report of the First ICT Sector Multistakeholder Roundtable May 31, 2012.
- Human Rights Compliance Assessment Quick
- The Danish Institute for Human Rights and the Human Rights and Business Project, 2006.

4. DISCLOSE ADDITIONAL INFORMATION ON ANTI-TRAFFICKING TRAINING PROGRAMS FOR STAFF AND SUPPLIERS

“... I would wish to confirm that ACCOR UK has already made contacts with the UK representatives of ECPAT, and has started to implement the first steps to sign up to the Code of Conduct before the London Olympic Games and Paralympics Games start. Such signature would obviously trigger several procedures and training sessions on which we are currently working.”

- LETTER FROM DENIS HENNEQUIN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ACCOR, DATED MARCH 26, 2012.

Many of the focus companies have evidence of or are currently developing programs to train staff on human rights issues. Among the Olympic sponsors, 84% reported having overall human rights training programs for staff and 63% had training programs on human rights issues for suppliers. While these numbers demonstrate strong action, shareholders and stakeholders would benefit from detailed and ongoing public disclosure specifically on the steps companies are taking to detect and prevent human trafficking. In addition, few sponsors provided detailed information on the number of staff and suppliers trained annually on human trafficking issues or the specific components and method of the training.

Companies should provide information on education and capacity building programs for workers, including training on workers’ rights, limits on overtime, local and national trafficking laws, reporting potential incidents, and the elimination of harassment and other forms of abuse. Training of this kind can help to detect and correct violations and offers an important way for companies to communicate expectations to their suppliers and business partners.

A high number of the hospitality companies – 11 out of 13 – reported having conducted staff training on the issue of child sexual exploitation in advance of the Olympics. The training included a specific focus on identifying potential victims and reporting incidents. This information was primarily disclosed in written responses to the coalition, but unfortunately the websites of these same hospitality companies provide no indication of the training.



While three-quarters of the analyzed hospitality companies have either become members of the International Tourism Partnership, which includes a statement on human trafficking, or have demonstrated leadership by joining the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism, the vast majority of hospitality companies are not publicly disclosing how child protection standards of their human rights policies are being implemented, including how human trafficking risks are assessed; how staff are trained; or the frequency and components of training programs. In addition, hospitality companies should develop systems to collect data and report on the number, frequency and type of staff trained to demonstrate policy adherence and effectiveness.

Good Practice: ArcelorMittal, Adidas, and GE are among the few Olympic sponsors that disclose data on the number of people trained on the company’s human rights policy. ArcelorMittal achieved a significant accomplishment in training 140,000 employees. Accor was the only hospitality company to provide specific information regarding the number of staff trained, including staff trained by region.

COMPANY

EXAMPLE: TRAINING

Arcelor-Mittal

"Each employee has received a copy of the Human Rights Policy in their local language. In addition, we set an objective for all employees to receive formal training by the end of 2011, and developed an online training course as well as face-to-face training materials. In addition, a guidance manual has been published for ongoing support and reference on each of the areas of the Policy and potential dilemmas employees may face. In 2011, over 140,000 employees of ArcelorMittal received specific Human Rights Policy training."

GE

"In 2010 we produced a 20-minute training video to educate business leaders on human rights in business contexts, advise why human rights are important to the company, identify the legal and reputational risks, and call them to action on steps they should take to be a GE leader in the 21st century—sensitive to the role human rights plays in our business model. This video was rolled out to 5,000 company leaders, including to all Executive Band and above employees, all professional employees in relevant functional areas like risk, compliance and legal, as well as to an increasing number of professional employees assigned to GE locations in emerging markets."

Accor

"At year-end 2011:

- 49% of hotels had committed to protecting children and during the year nearly 23,500 employees received training in identifying and responding to situations in which a child was at serious risk;
- 36 countries had signed the Code of Conduct for the Protection of Children issued by ECPAT and the World Tourism Organization; By 2015, 70% of hotels will be committed to protecting children; and
- Accor was continuing to share its experience and training tools to combat sexual tourism involving children with the hotel industry, in particular at international sporting events, as it did during the FIFA 2010 World Cup."

Training to fight child sex tourism	France	Rest of Europe	North America	Latin America & Caribbean	Asia	Pacific	Africa/Middle East	2011
# of employees trained	412	3,988	307	5,583	8,929	1,047	3,193	23,459

Adidas

Adidas reports on the number of annual training sessions for suppliers, workers, licensees, agents and Adidas Group employees by region and type of training, distinguishing between "fundamental" training (workplace standards and policies) versus "performance" training (specific labour, health, safety and environmental issues).

"During 2011, 1,591 factory visits (including 1,501 factory audits) were undertaken for management and worker interviews, reviews of policies, practices and documents, facility inspections and training sessions at different levels in our supply chain. The SEA team conducted 170 training sessions and workshops for suppliers, licensees, workers and Adidas Group employees.

For 2011, there were fewer training sessions conducted by SEA than in the previous two years, but the number of training participants increased significantly, by nearly 800 people.

Resources:

- Human Trafficking and Business: An Elearning Course on How to Prevent and Combat Human Trafficking
- For Information on Training Programs for Hospitality Companies, see ECPAT UK National Training Centre, ECPAT-USA, Polaris Project, and ABTA - The Travel Association.

5. PROVIDE GREATER DETAIL ON AUDITS, INCLUDING THE PROCESS, PERFORMANCE, AND INTEGRATION OF FINDINGS, AND ON RELATIONSHIPS WITH SUPPLIERS

While over three-quarters of the Olympic sponsors disclose information related to the audit process of suppliers, companies are encouraged to disclose greater detail on how they manage their supply chains, including factors they seek to assess in audits, the number of factories utilized and audited, the main countries where products are manufactured, and how they work with suppliers to ensure the rights of workers are protected. Stakeholders are especially interested in knowing the percentage of high-risk factories that were audited (and how high-risk factories were determined) and how overall findings from audits result in changes to policies, programs and performance. Additional details – including the countries where factories are located, the number of audits by region and type of audit, audit results, and corrective actions – help provide stakeholders with reassurance that management is proactively monitoring and managing these risks.

Once audits have identified problems or instances of non-compliance, corrective action plans should be developed jointly with the supplier and brand and implemented in a timely manner. This involves identifying root causes to prevent instances of recurrence. Brands should give appropriate support to enable suppliers to implement corrective action plans, with termination of contracts only being taken as a last resort.

Stakeholders would also find helpful company disclosure on ways in which the audit process attempts to uncover abuses such as coercion or harassment, which are difficult to detect but which are common to human trafficking, including special training programs for internal and external auditors on documentation review and worker interview methods. Since some workers may be reluctant to bring up serious concerns in interviews, companies should ensure that all factories have clearly defined written grievance mechanisms and complaint procedures in place.

Good Practice: Next, Adidas, Procter & Gamble and GE are among the Olympic sponsors that provided information related to their audit practices and results. It was not evident from public reporting that hospitality companies are conducting audits, a process we strongly urge the industry to implement.

COMPANY**EXAMPLE: THE AUDIT PROCESS**

Next

"A Next auditor attends the supplier's factory to carry out the audit, reviews their employment records, talks to factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. By carrying out the audit ourselves we immediately get a clear view of how our suppliers are complying with our COP requirements, as well as direct exposure to the challenges they face in achieving compliance to our Code."

"Any areas of concern raised at the audit are discussed with the supplier, and a corrective action plan with timescales is agreed with a date for a follow-up audit. The audit team monitors the supplier's progress and works with the supplier, offering help and support for the implementation and completion of the action plan to bring the factory up to the required standard of operation to comply with our Code... Disengaging with a supplier is a last resort."

Performance: 2011/2012 <excerpt>

Countries where product is manufactured: 46

Suppliers worked with: 591

Factory sites audited: 1514

Total audits carried out: 1732

Supplier factories disengaged for non-compliance with our Code: 25

Adidas

"During 2011, 1,591 factory visits (including 1,501 factory audits) were undertaken for management and worker interviews, reviews of policies, practices and documents, facility inspections and training sessions at different levels in our supply chain. In total, there was audit coverage of 61% of all active suppliers in 2011 The audit coverage of all active suppliers in region Asia increased by 3% to a total of 77%, with higher risk countries like China, India, Indonesia, Thailand and Vietnam showing more than 80% audit coverage."

"There was a total of 476 initial assessments, of which about 80% were in Asia, with China accounting for nearly 50% of all assessments conducted. Overall 20.8% of candidate factories were rejected either outrightly, or for failure to remediate threshold issues in a timely manner."

"In 2011, we issued a total of 48 warning letters across eight countries. The largest number of warning letters continued to be issued in Asia, where nearly 70% of all supplier factories are located.... The range of issues that resulted in warning letters in 2011 included poor management commitment, excessive working hours, non-payment of wages and benefits...."

Procter & Gamble

"Every two years we evaluate our suppliers and identify high-risk suppliers on a number of parameters including known risks and country location. Forced and child labor is included in the known-risk category, and we use the U.S. Department of Labor's Bureau of International Labor Affairs (ILAB) "List of Goods and Countries" (PDF) as an aid in the evaluations.... P&G requires that high-risk suppliers are audited by an independent, third-party auditor at least every two years. These audits are announced beforehand, and the auditors utilize the Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidelines and audit report format."

GE

"Auditor training provides detailed instruction on GE's on-site assessment questionnaire; how to inspect facilities, review documents and conduct interviews to identify substandard EHS conditions, human rights issues and noncompliance with minimum wage, minimum age and maximum hour requirements; and how to encourage suppliers to implement corrective actions."

Resources:

- Fair Hiring Toolkit. Verité, 2011 and Guidance for the Social Auditing of Forced Labor and Human Trafficking of Migrant Workers, Verite Website
- Social Accountability International
- Electronic Industry Citizenship Coalition (EICC)
- Supplier Self-Assessment Questionnaire (SAQ): Building the Foundation for Sustainable Supply Chains, Ceres and Verite

6. IMPROVE PUBLIC REPORTING ON STEPS TAKEN TO COMBAT HUMAN TRAFFICKING TO DEMONSTRATE ACCOUNTABILITY TO STAKEHOLDERS



Providing information about a company's process to implement its human trafficking policies and programs will permit stakeholders to gain a more informed opinion about corporate performance.

Companies should improve their public reporting of the steps they are taking to combat human trafficking. For stakeholders, a crucial priority is gaining greater evidence that anti-trafficking policies are being implemented. This can enhance credibility and increase consumer confidence in a company's systems and processes. Providing information annually to the public with detail on such things as how human rights risks were determined, the locations or aspects of operations presenting the highest trafficking risks, the number of staff and suppliers trained on human trafficking, the specific components of training programs, and how training effectiveness is evaluated can help to inform stakeholders while enhancing the company's public profile with current and future customers, reducing reputational risk, and creating a competitive advantage within the sector.

The use of legislation to call attention to public reporting on corporate anti-trafficking measures originated with the California Transparency in Supply Chains Law (SB 657), which took effect on January 1, 2012. It requires manufacturers and retailers that do business in California and have over \$100 million in global gross receipts to disclose on their corporate websites the extent to which they verify their supply chains to evaluate and address risks of human trafficking, including: whether the verification was conducted by a third party; conduct unannounced and verified audits of suppliers; train employees; certify that materials incorporated into the product comply with trafficking laws; and maintain internal accountability standards and procedures for employees or contractors failing to meet company standards. A similar bill, which was modeled on the California law, was introduced in the United Kingdom House of Commons in 20 June, 2012.

Given the enactment and proposal of similar laws protecting human rights, including Section 1502 of the Dodd-Frank Act on conflict minerals and HR 2759, The Business Transparency on Trafficking & Slavery Act⁶, it has become clear that human rights risks within business value chains are becoming more widely acknowledged and require additional public disclosure.

Providing information about a company's process to implement its human trafficking policies and programs will permit stakeholders to gain a more informed opinion about corporate performance. Over time, this information should help a company to establish an easily understood track record against its stated policies and more effectively measure its own performance. Collecting and analyzing performance data, including disclosing a list of suppliers, labor recruiters, contractors, and subcontractors as part of a company's efforts to be transparent can enhance and strengthen internal training programs, alert the company to the need for different types of educational materials, and possibly lead to the creation of new programs.

For hospitality companies, the level of transparency and disclosure must improve. While many hospitality companies have a policy repudiating child sexual exploitation, most do not report on their programs and practices to implement the policy. While our discussions with some hotel companies reveal that important steps are being taken around

implementation, without better information we are unable to judge the quality of a company's commitment or its techniques to implement, evaluate and enforce its policies and programs.

In addition, when providing information about hospitality industry association initiatives, such as membership in the International Tourism Partnership, it is important to include details that explain such things as the company's level of involvement, how often the company participates in or leads events and meetings, and how the initiative is incorporated into the corporation's overall sustainability programs.

We recommend that the following information be provided in corporate sustainability reports, annual reports, and/or corporate websites:

1. A description of company anti-trafficking policies and programs and ways in which they are implemented and monitored to demonstrate evidence of adherence to policy.
2. Establishment of long- and short-term goals, benchmarks and indicators to demonstrate accountability, measure progress, and evaluate the effectiveness and results of the company's programs;
3. An overview of the company's human rights due diligence process, including implementation of the elements outlined in the UN Guiding Principles, including details on how human rights risks are assessed, audits and monitoring and oversight mechanisms, as well as training programs for both staff and suppliers, including recruitment agencies;
4. An organizational chart that defines responsibility for and oversight of policy and program development; and
5. An assessment of challenges and opportunities to accurately convey the strengths and weaknesses of policies and programs in order to provide a balanced picture and build credibility.

Moving forward, we encourage companies to shift reporting from anecdotes and activities to outcomes and impacts in order to convey how lives are being changed and trafficked individuals are being removed from the setting of exploitation.

It would also be helpful to provide information on such things as joint initiatives with law enforcement and social service agencies, and the types of internal resources provided to staff, suppliers, and franchisees, such as internal manuals and intranet portals.

To date, few companies have done a satisfactory job of communicating how their human rights policies and procedures affect executive and staff evaluation and compensation. Addressing this issue can help to demonstrate to investors that the risks associated with human trafficking are being adequately addressed. These types of measures can help communicate to employees the value that the institution places on these issues.

Moving forward, we encourage companies to shift reporting from anecdotes and activities to outcomes and impacts in order to convey how lives are being changed and trafficked individuals are being removed from the setting of exploitation.

Good Practice: The most extensive public reporting on human rights policies and programs was provided by ArcelorMittal, Adidas, and Coca-Cola. Among hospitality companies, Accor, Marriott and InterContinental publicly disclosed the most information but in general, all hospitality companies must increase their levels of transparency and disclosure to demonstrate that they have in place effective programs, policies and internal controls.

CONCLUSION

The coalition encourages all companies worldwide to develop more robust and substantive human rights due diligence frameworks to stop human trafficking and protect victims while preserving high ethical standards, better managing risks, and serving the long-term interests of customers, investors, and other stakeholders. Companies should take ongoing steps to strengthen and update human rights policies that effectively address human trafficking, create comprehensive training programs for staff and suppliers to identify potential victims and to report incidents, partner with governments and social service organizations, and report publicly on progress. As citizens, shareholders, and customers, members of the coalition view a company's commitment to eliminating human trafficking as an important element of corporate responsibility that will also help to reduce risk and improve operations.

While difficult to measure, the initiative has served to raise awareness of the issue with the IOC, companies and consumers:



- Several hospitality companies were prompted to initiate training at their London-based hotels due to our encouragement;
- The website created for the initiative, Celebration Without Exploitation, with anti-trafficking resources for consumers and companies, received over 2,000 hits;
- Articles highlighting the initiative appeared in U.S. and U.K. publications, including Responsible Investor, Catholic News Service, SocialFunds, iTraveler Times, Vatican Radio, National Catholic Reporter, and The Christian Post;
- More than 250 people have signed a petition urging Dow and Omega/Swatch to respond to the coalition's letter. A reply was ultimately received from Omega/Swatch; and
- Over 1,200 people signed a petition to the IOC encouraging human rights guidelines for host cities and corporate sponsors.

Members of the coalition will continue outreach to Olympic sponsors and hospitality companies to monitor policy development, implementation and public reporting in order to reduce the likelihood of incidents of human trafficking. Members of ICCR and ECCR will continue engaging with companies to reduce incidences of human trafficking in association with major events. Future investor work includes the Super Bowl in 2013 and 2014, the 2014 Commonwealth Games, and the Olympics in Sochi (2014) and Rio (2016). We will also work to secure future dialogue with the IOC. In addition, we look forward to receiving feedback from companies and stakeholders on the usefulness of the initiative and this report.

It is our sincere hope that with these actions, companies will continue their efforts to eradicate human trafficking and that the IOC will select Olympic sponsors that embrace Olympic ideals. Investors will be working with companies to address the challenges facing workers in complex global supply chains, seeking evidence that companies are considering the legal and reputational risks as well as the long-term impact of these issues. Together, we can work to protect people around the world, not just during the Olympics, but permanently.

For comments and additional information, please contact Julie Tanner, Assistant Director of Socially Responsible Investing at Christian Brothers Investment Services: jtanner@cbisonline.com

Additional resources:

- *Trafficking in Persons Report 2012*. U.S. Department of State Office to Monitor and Combat Trafficking in Persons.
- *ILO 2012 Global Estimate of Forced Labour Executive Summary*. International Labor Organization. *Procurement: Managing Globalized and Complex Supply Chains*. Theme Report. Eurosif, The European Sustainable Investment Forum, in Collaboration with Bank Sarasin. March, 2012.
- *Effective Supply Chain Accountability: Investor Guidance on Implementation of the California Transparency in Supply Chains Act and Beyond*. November, 2011. Christian Brothers Investment Services, Calvert Investments, and The Interfaith Center on Corporate Responsibility.
- *Luxor Implementation Guidelines to the Athens Ethical Principles: Comprehensive Compliance Programme for Businesses*. 2010.
- *2011 U.S. Department Of Labor's List of Goods Produced by Child Labor or Forced Labor*. U.S. Department of Labor's Bureau of International Labor Affairs Office of Child Labor, Forced Labor, and Human Trafficking.

ENDNOTES

- 1 For the purpose of this report, “human trafficking” is used as an umbrella term to include the worst forms of child labor, slave labor, forced labor, bonded labor and child sexual exploitation.
- 2 Members of the coalition that sent letters to Olympic sponsors and hospitality companies are as follows: Boston Common Asset Management, Calvert Investments, Inc., Catholic Diocese of Portsmouth, Catholic Diocese of Westminster, Catholic Health East, Charitable Trusts of the Congregation of Franciscan Missionaries of the Divine Motherhood, Christian Brothers Investment Services, CHRISTUS Health, Congregation of Sisters of Charity of the Incarnate Word, Congregation of St. Joseph, Dominican Sisters of Hope, ECPAT-USA, EIRIS, The Ecumenical Council for Corporate Responsibility, Evangelical Lutheran Church in America, Everence Financial, FairPensions, Interfaith Center on Corporate Responsibility, Marianist Province of the United States, Mercy Investment Services, Inc., Northwest Coalition for Responsible Investment, Pax World Management LLC, Presbyterian Church (USA), Quaker Peace & Social Witness, Rabbis for Human Rights-North America, Rathbone Greenbank Investments, René Cassin, The Representative Body of the Church in Wales, Responsible Sourcing Network, Sisters of St. Dominic of Caldwell, NJ, Sisters of St. Francis of Philadelphia, Sisters of the Incarnate Word and Blessed Sacrament, Corpus Christi, Texas, The Tourism Child-Protection Code of Conduct (TheCode.org), Tri-State Coalition for Responsible Investment, and Ursuline Sisters of Tildonk. The following organizations joined the letter to hospitality companies: CCLA Investment Management, Central Finance Board of the Methodist Church, Church of England Ethical Investment Advisory Group, and Dominican Sisters of Houston.
- 3 See letters sent to the IOC: <http://www.cbisonline.com/file/IOC%20letter-Mr%20%20Rogge.pdf>; <http://www.iccr.org/issues/subpages/pdf/070212RoggeLetter.pdf> and IOC’s response: <http://www.iccr.org/issues/subpages/pdf/060112IOCLetterToICCR.pdf>
- 4 The definition according to The Protocol is as follows: article 3 (a): the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.
- 5 According to the ILO Convention, the term “the worst forms of child labour” comprises:(a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom, and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;(b) the use, procuring, or offering of a child for prostitution, for the production of pornography, or for pornographic performances;(c) the use, procuring, or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;(d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children.
- 6 In August 2011, HR 2759 was introduced by Carolyn Maloney (D-Manhattan-Queens). Like SB 657, it would require companies to disclose measures taken to identify and address instances of human trafficking and slavery in their supply chains.



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