06

# IMPORTING RISK



*Huai'an, China, September 2022.*

*Workers of an electronics company work on the production line. Electronics, including laptops and mobile phones, are the highest value product at risk of forced labour imported by G20 countries. Photo credit: CFOTO/Future Publishing via Getty Images.*

# IMPORTING RISK

## Importing products at risk of forced labour

**Over the past few decades, the culture of consumerism and the demand for goods has grown substantially, particularly in developed countries. This growth has been driven by many factors, including rising incomes, increased access to credit, and advances in technology and e-commerce.[1]**

With the COVID-19 pandemic, online shopping became more popular as people sought to avoid physical stores and social distancing measures that were put in place.[2] This led to a surge in demand for products like electronics, home office equipment, and household goods.[3]

The growth of consumer culture and demand for goods has both positive and negative impacts. On one hand, it can drive economic growth and innovation, create jobs, and provide people with access to goods and services that can improve their quality of life. On the other, it can contribute to environmental degradation, social inequality, and unsustainable patterns of consumption and waste.[4] It also means that goods produced using forced labour are sold by businesses and consumed by people all over the world.

The estimates of prevalence presented in this report count forced labour where it occurs. While this is critical in identifying where the need for intervention is greatest and most pressing, it does not paint a complete picture of where responsibility lies. The production and movement of goods between countries — from the sourcing of raw materials to manufacturing, packaging, and transportation — creates supply chains connecting manufacturers, distributors, and consumers across the world. Many of these supply chains are at risk of forced labour, but their complexity makes it very difficult to trace the origin of products and the presence of forced labour.

### Understanding the risk imported by G20 countries

Although the highest prevalence of forced labour is found in low-income countries, it is deeply connected to demand from higher-income countries. Nearly two-thirds of all forced labour cases are linked to global supply chains, with workers exploited across a wide range of sectors and at every stage of the supply chain. Most forced labour occurs in the lowest tiers of supply chains; that is, in the extraction of raw materials and in production stages.[5]

While modern slavery occurs within the borders of wealthier countries,[6] the purchasing practices of their businesses and governments fuel exploitation in lower-income countries that are at the frontlines of global supply chains. G20 countries collectively account for 85 per cent of the world's GDP and over 65 per cent of the world's population.[7] Two G20 countries, China and the United States (US), remain the world's largest exporting[8] and importing[9] economies respectively. Given the G20's level of influence in the global economy, it is critical to examine their efforts to address forced labour through economic and trade measures.

In this chapter we focus on the at-risk products that are imported into G20[10] countries and their value. There are two important factors to understanding the movement of risk through supply chains to the end consumer. The first is to identify which globally traded products are likely to be at risk of being produced with forced labour and the second is to match them with their trade value. The methodology used to identify a short list of products at risk of being produced using forced labour and the extent to which they are imported by G20 countries is described in Appendix 3.

### The value of products at risk of forced labour

The sheer volume of imports into the G20 demonstrates the power these countries have to influence market standards and combat forced labour. Currently, G20 countries are importing more than US$468 billion worth of products at risk of being produced with forced labour, compared to US$354 billion estimated in the 2018 Global Slavery Index, an increase of US$61 billion when accounting for inflation.[11] This estimate considers only the top five most valuable at-risk products imported per G20 country, which for the first time includes solar panels exported from China. Broken down by country, the value of imports ranges significantly across the G20, from a minimum of US$1.6 billion spent by Argentina to a maximum of US$169.6 billion by the US (Table 22).

Electronics remained the highest value at-risk import for the majority of G20 countries, worth an estimated US$243.6 billion. This was followed by garments (US$147.9 billion) and palm oil (US$ 19.7 billion). Solar panels were the fourth highest value at-risk product (US$14.8 billion), reflecting the high global demand for renewable energy products[12] as governments begin to take steps to combat the climate crisis and seek alternative clean power sources.[13] Cocoa has dropped from 5th to 12th highest at-risk product imported by the G20 by value. This is consistent with reports that global demand for cocoa beans and chocolate fell during the COVID-19 pandemic.[14]

As in the 2018 GSI, electronics from China and Malaysia remain the highest value at-risk product imported by G20 countries (Table 23), while for 18 of the 19 G20 country members included in this analysis, electronics are among the top five at-risk products. In Malaysia, there are reported cases of forced labour and debt bondage in the electronics manufacturing industry, which is reliant on migrant labour from Bangladesh, Nepal, Myanmar, and Indonesia.[15] In China, factories manufacturing electronics for global brands reportedly force Uyghurs to work under state-imposed forced labour.[16] The forced labour of Uyghurs has been found in other sectors in China, including textiles and garment manufacturing[17] and renewable energy products.

**Table 22**
**Value of top 5 at-risk imports, by country**

| Country | Total value of at-risk imports (in billions $US) |
|---|---|
| Argentina | 1.6 |
| Australia | 17.4 |
| Brazil | 5.6 |
| Canada | 20.0 |
| China | 17.2 |
| France | 11.8 |
| Germany | 44.0 |
| India | 23.6 |
| Indonesia | 5.2 |
| Italy | 10.9 |
| Japan | 53.1 |
| Mexico | 9.2 |
| Russia | 15.2 |
| Saudi Arabia | 7.4 |
| South Africa | 4.8 |
| South Korea | 20.2 |
| Türkiye | 5.3 |
| United Kingdom | 26.1 |
| United States | 169.6 |

**Table 23**
**Value of top 5 at-risk imports, by product**

| Product | Total import value (in billions $US) |
|---|---|
| Electronics | 243.6 |
| Garments | 147.9 |
| Palm oil | 19.7 |
| Solar panels | 14.8 |
| Textiles | 12.7 |
| Timber | 7.4 |
| Fish | 6.3 |
| Gold | 5.2 |
| Cattle | 4.4 |
| Sugarcane | 2.5 |
| Coffee | 1.6 |
| Cocoa | 1.0 |
| Rice | 0.8 |
| Coal | 0.4 |

Labour exploitation is pervasive in the garment industry,[18] which is the second most valuable at-risk product. At-risk garments imported into the G20 are manufactured in Argentina, Bangladesh, Brazil, China, India, Malaysia, and Viet Nam. In India, women and girls who belong to ethnic minority groups are exploited in informal factories, which are sub-contracted by global brands' tier one suppliers to produce garments.[19] These garment workers do not earn a living wage and have no formal work agreements, while some work in conditions that amounts to forced labour.[20] A 2021 study on the Vietnamese garment industry found that 6 per cent of worker-participants were likely in a situation of forced labour.[21] Many noted that they could not refuse work or change employers due to threats of "exit costs," such as withholding valuables and wages, receiving threats of legal action, and psychological or physical violence.[22]

Textiles are within the five most valuable imported products in over 70 per cent of the 19 nation states in the G20. Textiles are imported by G20 countries to make many other products within that country, including bedding, PPE, carpeting, upholstery, and garments. Forced labour reportedly occurs in textile factories in China, where Uyghurs have been allegedly forcibly transferred and made to work in textile factories by a labour transfer program.[23]

There is evidence of widescale abuse in the fishing industry.[24] Multiple reports in the last five years have highlighted instances of forced labour onboard flagged fleets from China, Ghana, Indonesia, Thailand, and Taiwan that supply fish to a range of G20 countries, including Australia, Japan, South Korea, the United Kingdom, and the US (see Table 42 in Appendix 3). A 2021 study by Greenpeace identified fishers aboard Indonesian vessels living in forced labour across 45 ships. Workers reported multiple forms of coercion, including withholding of wages and deception.[25]

The palm oil industry harms both people and planet.[26] Nine G20 countries imported more than US$19 billion worth of at-risk palm oil from Indonesia and Malaysia. In Malaysia, migrant workers make up the majority of the palm oil workforce, and once on a plantation they can face heightened risks of debt bondage, restricted movement, confiscation of identity documents, and having their wages withheld.[27] Conversely, the Indonesian palm oil industry relies solely on domestic labour, including internal migrants, however the use of a piece-rate system of pay with no mandatory minimum wage or social protections has led workers to involve their children in the work in order to meet the high harvest quotas and earn a survival wage.[28]

*West Java, Indonesia, June 2022.*

*Palm fruit is harvested by a worker in Indonesia. Palm oil, derived from the fruit, is among the top five products with the highest risk of forced labour pervading supply chains that are imported by G20 countries. Palm oil production has also been linked to other issues, including the climate crisis. Photo credit: Dimas Ardian/ Bloomberg via Getty Images.*

## Renewable energy products

As global demand grows for governments to take immediate and impactful action to address the climate crisis, businesses are modifying their operations to adopt renewable energy practices. In 2020, the global renewable energy industry was worth US$881.7 billion and future forecasts estimate it to grow to US$1,977.6 billion by 2030.[29] However, in the worldwide push to move to sustainable energy, vulnerable workers are exposed to greater risks of exploitation in mining, agriculture, and manufacturing.[30]

From 2019 to 2021, the Business and Human Rights Centre tracked almost 200 allegations of human rights abuses related to the mining of cobalt, copper, lithium, manganese, nickel, and zinc — all essential minerals for renewable energy products.[31] Abuses included unpaid wages, underpaid wages, exploitative hiring and firing practices, child labour, and discrimination based on gender, sexuality, race, caste, or religion.[32] Widespread experiences of forced labour also occur in cobalt mining in the Democratic Republic of the Congo (DRC).[33]

Solar panels are within the top five at-risk products for 11 G20 countries: Argentina, Australia, Brazil, France, Germany, India, Japan, Mexico, South Africa, South Korea, and Türkiye. Polysilicon, a silica-product derived from quartz sand, is essential to manufacturing solar panels. China is the market leader in polysilicon production and in 2021 about 45 per cent of the world's polysilicon supply originated from the Uyghur region.[34] Forced labour is prevalent throughout the industry. Multiple reports allege that state-imposed forced labour of Uyghurs and other Turkic and Muslim majority peoples occur in the Uyghur region,[35] alongside the systematic abuse of other human rights[36] that some governments have called a genocide.[37]

Forced labour permeates all businesses operating in Uyghur region, including those that are part of the solar panel supply chain, from the collection of raw quartz and its purification into solar grade polysilicon to its transformation into ingots, wafers, cells, and eventually solar panel modules. The Chinese government states that the associated "labour transfer" schemes are intended to alleviate poverty, yet workers are reportedly unable to refuse to participate and are coerced through threats of internment within re-education camps and extra-judicial detention.[38] In June 2021, the US issued a Withhold Release Order (WRO) to prevent the import of silica-based products made by specific companies operating within the Uyghur region.[39]

The transition from fossil fuels to renewable energy should not come at the expense of human rights, including the rights of those involved in the manufacture of sustainable energy products. The interconnected relationship between the environment and human rights was acknowledged at the UN Climate Change Conference hosted in Scotland in 2021, and more than 30 countries signed a declaration to support a "Just Transition."[40] The recommendations adopted within the declaration build upon practical guidelines created by the ILO in 2015, which aimed to provide countries with practical means to work towards sustainable economies and societies[41] while meeting their commitments under the subsequent Paris Agreement to address the impacts of climate change.[42] These included supporting workers to transition into new jobs, promoting social dialogue and stakeholder engagement between governments and representatives of workers and employers, and embedding the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the Universal Declaration of Human Rights, among other rights-based instruments, within global supply chains.[43] However, fewer than half the members of the G20 have signed the Just Transition Declaration: signatories include Canada, the European Union, France, Germany, Italy, the UK, and the US.[44]

## What are G20 governments doing to address this risk?

No country in the world, including among the G20, has taken comprehensive action to stop sourcing goods made with forced labour, but there has been increased action by some countries to address forced labour risks within business and government supply chains in recent years. These actions range from voluntary guidelines and commitments and non-judicial complaints systems to laws establishing disclosure or human rights due diligence regimes and civil or criminal liability for misconduct.[45]

Among G20 countries, Australia, France, Germany, Brazil, the UK, and the US are taking the most action to eliminate risks of forced labour permeating global supply chains (Table 24).

Given their leverage, all G20 governments should do more to tackle forced labour in supply chains. In the G20, half of the members did not address supply chain risks, including those with the capacity to do more, including Saudi Arabia, Japan, and Russia.[47] Relative to its resources, Australia is currently outperforming wealthier G20 members such as Canada, China, and Italy in taking action against forced labour in supply chains.[48]

**Table 24**

**G20 governments' actions to address forced labour in supply chains[a]**

| Government regulates and investigates public procurement to prevent use of forced labour | Government encourages mandatory reporting | Government encourages mandatory human rights due diligence | Government is using alternative avenues to ensure businesses are tackling forced labour in supply chains e.g. public-private partnerships, investor reporting |
|---|---|---|---|
| Australia, Brazil, Canada, France, Germany, Italy, UK, US | Australia, Brazil, France, Germany, Italy, UK, US | France, Germany[b] | Australia, Brazil, Canada, China, Germany, UK, US |

a: Although a member of the G20, the European Union has been excluded from this analysis as government response data has not been collected at a supranational level for the Global Slavery Index.

b: The Supply Chain Due Diligence Act (LkSG) which entered into force on 1 January 2023,[i] sits outside the data collection period for the assessment of government responses in this Index. While the Act will be included for assessment in future rounds of data collection, it is noted in the table above for completeness.

## Public procurement

G20 members have taken more action to address risks of forced labour within public supply chains in comparison to other countries in the Global Slavery Index. Eight G20 nation state members (Australia, Brazil, Canada, France, Germany, Italy, the UK, and the US) have implemented rules to prevent goods and services made with forced labour from being sourced by the government. These rules typically involve guidelines for procurement officers, such as the guidelines in the US pursuant to Executive Order No. 13627 of 2012[49] or through policies that explicitly prohibit the use of businesses suspected of using forced labour within their supply chains. For example, in Australia, Rule 7.27(f) of the Commonwealth Procurement Rules make specific reference to the Modern Slavery Act 2018 and ensure that procurement officials comply with the reporting requirements under the Act.[50] Australia and the UK are the only G20 members that have released public reports on efforts to mediate the risk of products made with forced labour entering government supply chains, as required under their respective disclosure laws.[51]

Even where rules and guidelines on public procurement exist, pressures caused by sudden surges in demand and insufficient global supply can circumvent these standards.[52] In the early stages of the COVID-19 pandemic, governments worldwide raced to procure PPE in a highly competitive global market to respond to the emerging health crisis.[53] Textile factories in China producing PPE were reported to have used the forced labour of North Korean workers, who had 70 per cent of their wages taken by the North Korean state.[54] Governments also sourced disposable rubber gloves from factories in Malaysia despite continuing widespread concerns of forced labour within the sector; several countries, including the US, lifted bans on the import of Malaysian rubber gloves in 2020 to meet demand.[55] In 2022, legal proceedings were launched against the UK government for similarly sourcing disposable gloves for the National Health Service (NHS) from a Malaysian factory that reportedly used forced labour within its supply chain. Workers who brought the suit claimed they were forced to work for up to 12 hours each day for months at a time and that they experienced debt bondage.[56] The UK government passed an amendment to the National Health Service Act 2006 that banned the NHS from procuring goods made with forced labour in its supply chain pursuant to Section 81 of the Health and Care Act 2022.[57]

## Mandatory reporting vs mandatory human rights due diligence

Since the 2018 Global Slavery Index, Australia[58] has joined the UK[59] and the US state of California[60] in enacting legislation requiring organisations to publicly disclose whether and how forced labour risks are present in their supply chains, as well as any actions they have taken to reduce those risks. In 2022, three bills were introduced in Canada, each of which require businesses to disclose efforts taken to remove child and forced labour from their supply chains ; Canada's "Modern Slavery Act" passed in May 2023.[61] In recent years, the efficacy of these disclosure regimes has been questioned. For example, the Modern Slavery Act in the UK was criticised for failing to set legally binding standards that ensure practical rather than performative compliance.[62]

As a result, there has been a shift towards laws that require businesses to go beyond disclosure and proactively identify and remediate actual and potential risks of human rights violations for workers within their operations and supply chains [mandatory human rights due diligence legislation (mHRDD)]. Laws have come into force in France,[63] Norway,[64] and Germany[65] or have been proposed in Switzerland[66]and the Netherlands,[67] while the EU Directive on Corporate Sustainability Due Diligence (CSDD) has not yet been adopted.[68] In the Netherlands, mHRDD laws adopted in 2017 specific to child labour (including the worst forms of child labour) impose a duty of care on companies to prevent the supply of goods or services made with child labour to Dutch consumers.[69] However, the law has not yet come into force; the Dutch government is reportedly developing implementation orders.[70] In 2021, Dutch legislators considered the Bill on Responsible and Sustainable International Business Conduct, which obliges large businesses to address human rights and environmental damage and conduct due diligence on their supply chains. However, the bill has not yet been passed.[71] In Switzerland in 2020, following the failure to pass a referendum to change the Constitution to ensure companies mandatorily conduct broad human rights due diligence in accordance with the UNGPs,[72] amendments were instead made to the Swiss Code of Obligations to narrow the scope of due diligence requirements to child labour and conflict metals and minerals.[73] A hybrid approach that includes both mandatory disclosure and due diligence requirements is being considered in New Zealand.[74]

Enforcement continues to be a key issue across regulatory frameworks for both government procurement and business supply chains. While some laws penalise companies that fail to comply with reporting, due diligence, or other procurement regulations (for example, France, Germany, Italy, the UK, and the US), our government response assessment found no evidence that any country in the G20 enforced such penalties in the last five years. Remedies available for survivors of modern slavery offences are also limited. France is the only country which provides survivors with a cause of action, pursuant to Article 2 of the Duty of Vigilance law.[75] The German mHRDD shows promise in this regard by imposing fines for failure to comply with the due diligence requirements and uniquely provides civil liability avenues against businesses.[76] Similar civil liability regimes are envisioned at the EU level, under the proposed CSDD Directive.[77]

## Other initiatives: Import controls, Magnitsky sanctions, and "name and shame" lists

Until recently, the US was the only country in the world to explicitly prohibit the importation of goods made with forced, convict, or indentured labour pursuant to section 307 of the Tariff Act of 1930. This law empowers the US Customs and Border Protection agency, either on its own initiation or on external petition, to issue a WRO and prohibit the entry of a particular product into the country if it was reasonably believed that the goods were produced with forced labour.[78] Canada has now also taken steps to regulate the import of goods to prevent products made with forced and prison labour from entering domestic supply chains through amendments made in 2021 to Regulation 132(m), which lists banned products under Part 5 of the Customs Tariff Act of 1997.[79] A wider proposal to ban all products made with forced labour to reduce the risk of forced labour entering the European market was adopted by the EU parliament in June 2022.[80]

Other initiatives to reduce the import of products made with forced labour have typically been limited to specific sectors or forms of modern slavery. For example, EU Regulation 2017/821 entered into force in 2021 and requires importers to ensure that certain high-risk minerals and metals do not contribute to forced labour or conflict.[81] In response to reports of forced labour in the Uyghur region,[82] the US Congress passed the Uyghur Forced Labor Prevention Act in 2021. The law has a broad application aimed at "stopping the importation of any goods made with forced labour, including those goods mined, produced, or manufactured wholly or in part" in the Uyghur region.[83] Importantly, the Act envisions collaboration with Mexico and Canada to incorporate the restriction within the US-Mexico-Canada free trade agreement; Mexico and Canada have now both passed similar forced labour import controls.[84] A Private Member's Bill proposed in 2020 sought to amend the Australian Customs Act and introduce a specific ban on goods produced by the forced labour of Uyghurs; however, it was not passed.[85]

Laws in the US, Canada, the UK, the EU,[86] and more recently in Australia, allow for targeted "Magnitsky" sanctions against foreign entities or persons who are involved in serious human rights violations anywhere in the world.[87] Similar legislation was considered in Japan in 2022, but no further action has been taken.[88] "Magnitsky" sanctions take their name from a deceased Russian accountant and whistle-blower who was imprisoned and abused after uncovering large-scale tax fraud in Russia that involved senior government officials.[89] Penalties vary depending on jurisdiction but typically involve travel restrictions and asset freezes[90] and have been used to penalise individuals and organisations involved in modern slavery crimes. For example, in the UK, sanctions were levied against two organisations running North Korean prison camps where detainees were forced to work, the leader of a Ugandan non-state armed group that recruited children into armed conflict, and a senior general of the Myanmar Armed Forces operating in the Rakhine State, whose military operations included forcibly exploiting the labour of Rohingya people, among others.[91] Lists of individuals and organisations who have received sanctions are publicly available.[92]

Other government-run "name and shame" efforts have targeted those involved in forced labour offences, particularly in relation to goods and services made with forced labour. For example, the List of Products Produced by Child Labour or Forced Labour has been maintained by the US Department of State since 2005 and currently lists 156 goods from 77 countries.[93] In Brazil, the government has updated its "Slave Labour Dirty List" on a biannual basis since it was first established in 2004.[94] Updates to the list were temporarily suspended following a 2014 lawsuit brought against the government by the *Associação Brasileira de Incorporadoras Imobiliárias (Abrainc)*, a real estate business association, which alleged that the publication of the list was an unconstitutional use of executive power. While the Supreme Court of Brazil rejected this argument in 2020,[95] other issues limit the continued impact of the list. In 2022, researchers found that businesses and individuals circumvent the Dirty List process to avoid punishment.[96]

## Recommendations for G20 governments

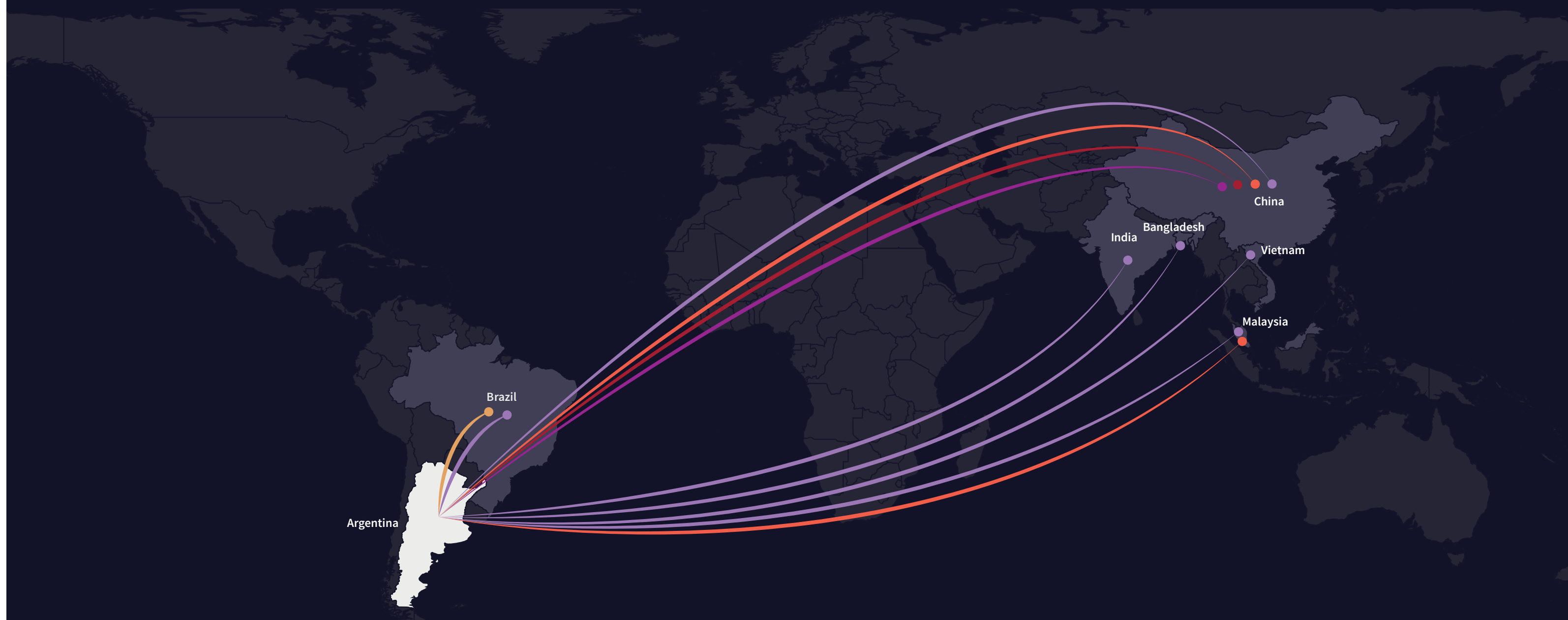
1. **Enact legislation to require large businesses and publicly funded entities to undertake mandatory human rights due diligence to proactively identify and remediate forced labour risks.**
2. **Require government contractors (and their sub-contractors) to certify that they have specific preventative measures to detect and eliminate forced labour in their supply chains.**
3. **Develop and implement rapid response guidelines that provide a practical framework for procurement agents to follow when consumer demand outstrips global supply, such as in response to crises, to reduce the risk of products produced with forced labour being introduced into public supply chains.**
4. **Strengthen existing mandatory reporting legislation by adding and implementing penalties and managing a free and publicly accessible repository to file all modern slavery statements to ensure businesses can be held accountable for non-compliance.**
5. **Take other legal measures to ensure value chains do not adversely impact human rights, such as import controls on products linked to forced labour, Magnitsky style sanctions, and public lists of those companies that have been found to tolerate forced labour in their supply chains.**



# ARGENTINA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Coffee · Electronics† · Garments · Solar Panels · Textiles




Importer country
Source country

**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^

| | | |
|---|---|---|
| China | 1,249,673 | Electronics |
| Malaysia | 19,969 | Electronics |
| China | 103,034 | Garments |
| Vietnam | 16,574 | Garments |
| Bangladesh | 11,673 | Garments |
| India | 6,338 | Garments |
| Brazil | 5,914 | Garments |
| Malaysia | 448 | Garments |
| China | 82,025 | Textiles |
| Brazil | 59,467 | Coffee |
| China | 55,545 | Solar Panels |

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

**ARGENTINA'S AT-RISK IMPORTED PRODUCTS**

**US$ 1.6 BILLION**

06
IMPORTING
RISK

G20 IMPORTS

# AUSTRALIA

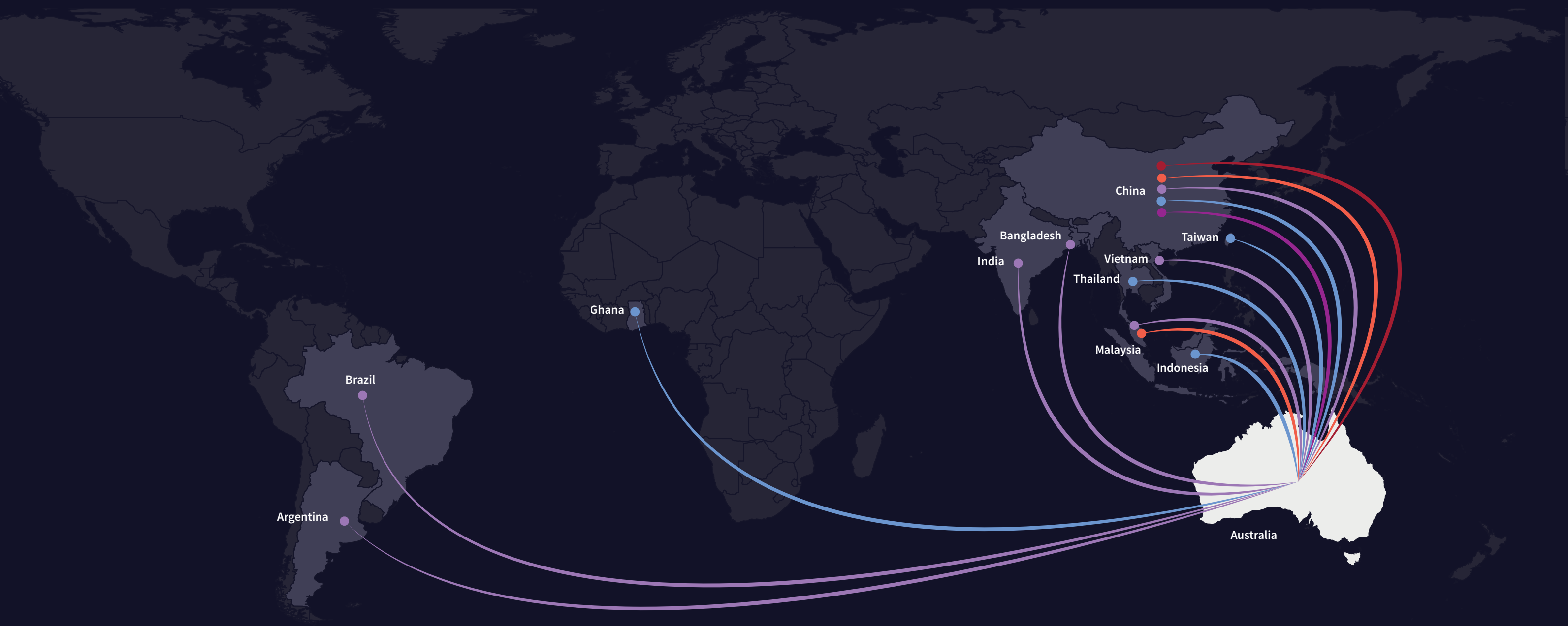
## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

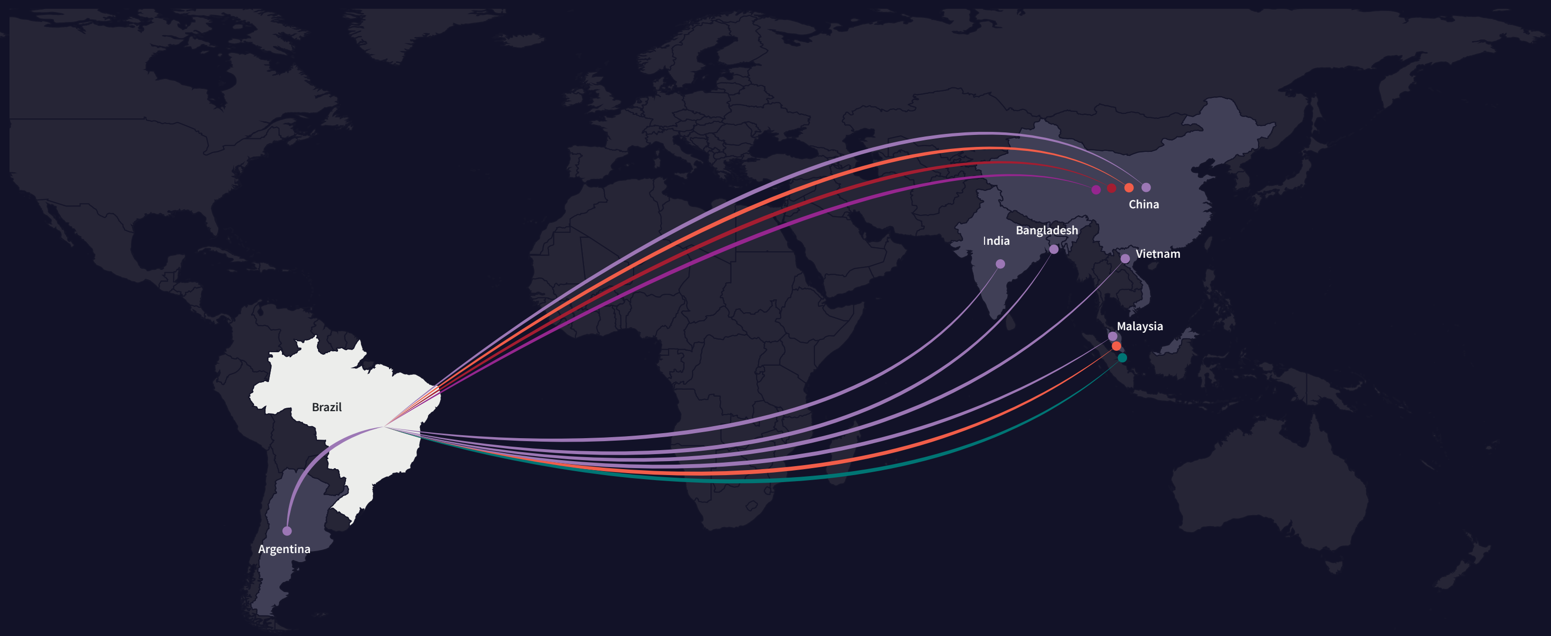
Electronics† Fish Garments Solar Panels Textiles

# BRAZIL

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† Garments Palm Oil Solar Panels Textiles




Importer country
Source country

**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^*

| | |
|---|---|
| China | 8,499,583 |
| Malaysia | 387,144 |
| China | 4,847,261 |
| Bangladesh | 814,958 |
| Vietnam | 400,830 |
| India | 298,593 |
| Malaysia | 25,397 |
| Brazil | 1,830 |
| Argentina | 33 |
| China | 1,302,216 |
| China | 469,839 |
| Thailand | 199,156 |
| China | 75,023 |
| Indonesia | 73,488 |
| Taiwan | 39,283 |
| Ghana | 2 |

**AUSTRALIA'S AT-RISK IMPORTED PRODUCTS**

**US$ 17.4 BILLION**

| | |
|---|---|
| China | 2,771,297 |
| China | 1,207,778 |
| Malaysia | 15,137 |
| China | 624,307 |
| Bangladesh | 108,725 |
| Vietnam | 52,986 |
| India | 46,369 |
| Argentina | 6,385 |
| Malaysia | 1,963 |
| Indonesia | 511,464 |
| Malaysia | 19,313 |
| China | 269,509 |

**BRAZIL'S AT-RISK IMPORTED PRODUCTS**

**US$ 5.6 BILLION**

*† Applies to laptops, computers and mobile phones only*

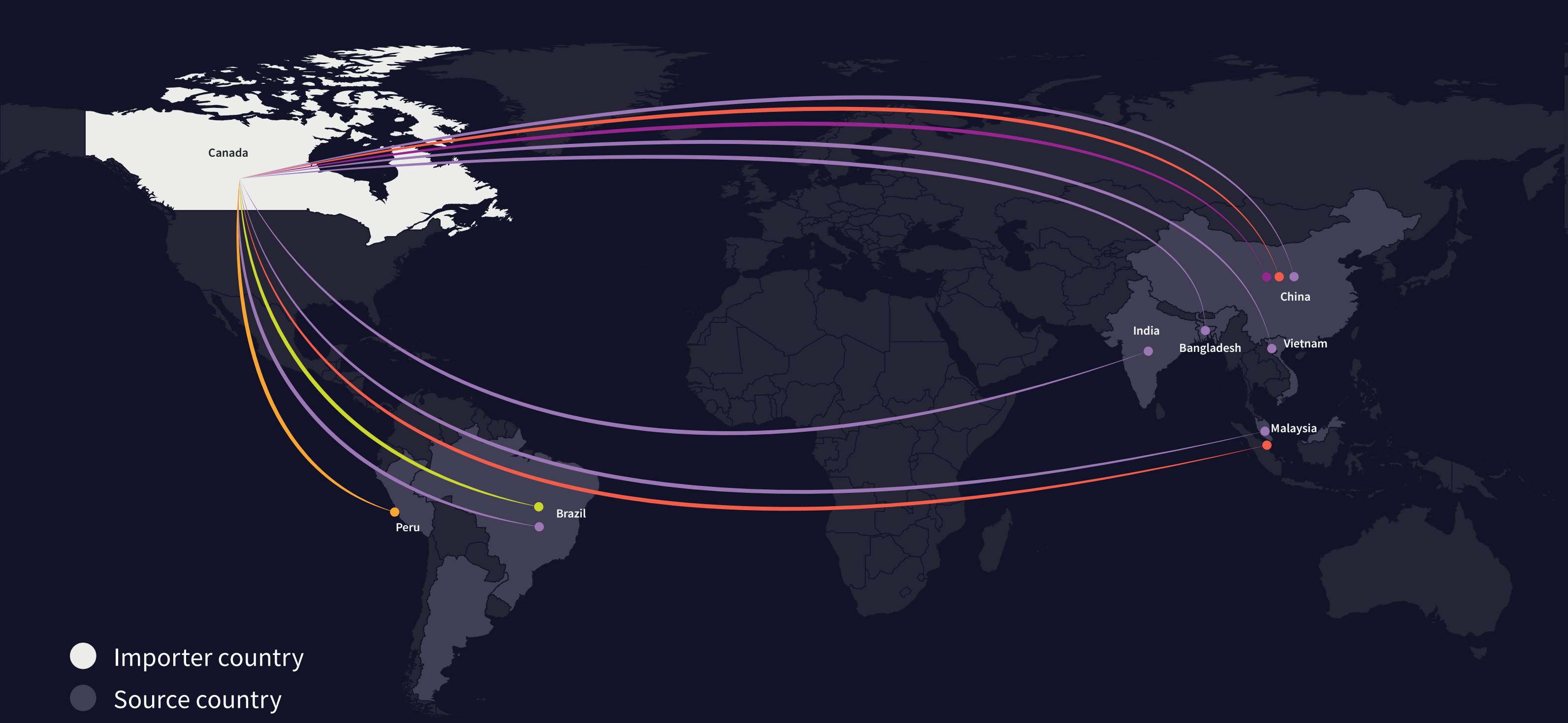
**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

# CANADA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

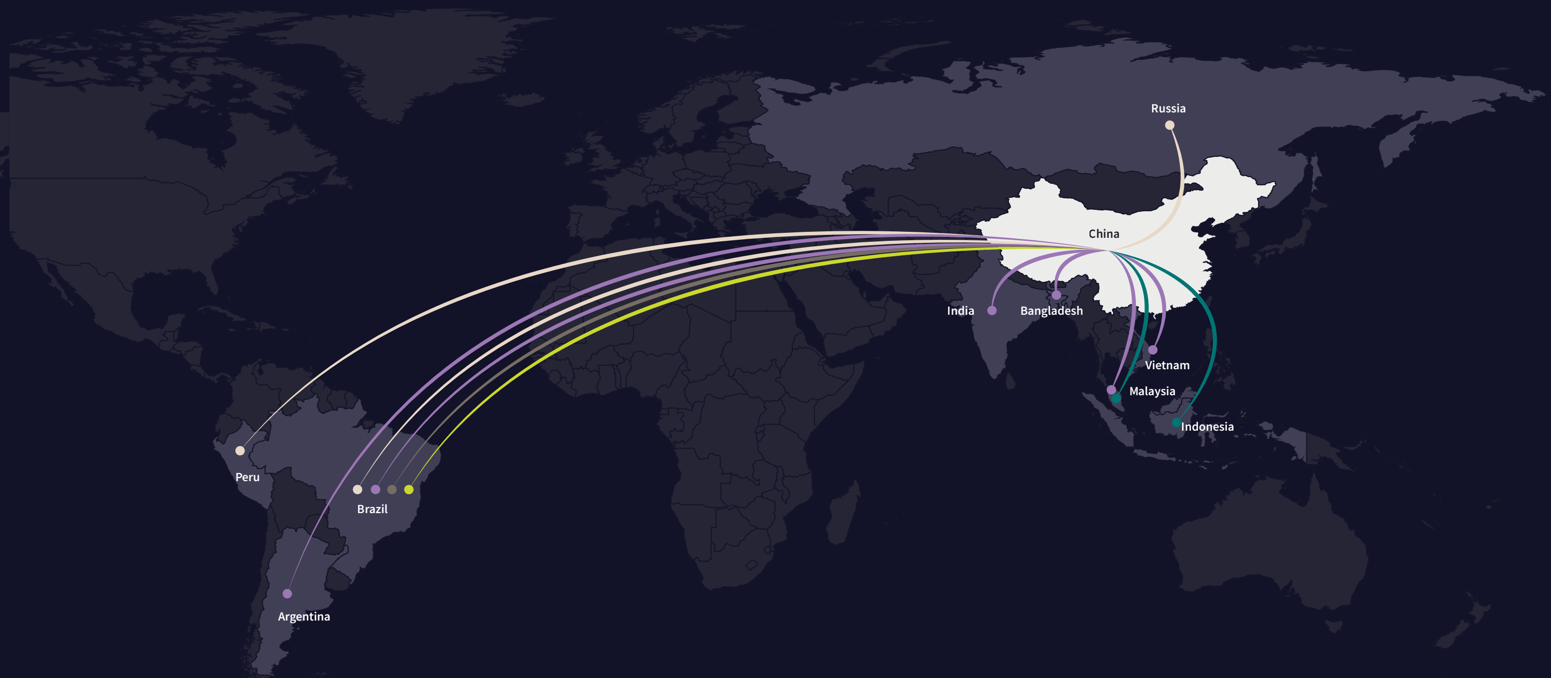
Electronics† · Garments · Gold · Sugarcane · Textiles




# CHINA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Cattle · Garments · Palm Oil · Sugarcane · Timber




**Breakdown of at-risk imported products by source country**

*(annually, in thousands of US$)*^*

| | |
|---|---|
| China | 11,203,647 |
| Malaysia | 76,024 |
| China | 3,068,653 |
| Bangladesh | 1,278,694 |
| Vietnam | 1,053,657 |
| India | 259,998 |
| Malaysia | 12,618 |
| Brazil | 1,309 |
| Argentina | 6 |
| Peru | 2,097,402 |
| China | 482,486 |
| Brazil | 427,598 |

†*Applies to laptops, computers and mobile phones only*

**see Appendix 3*

^*This relates to the top at-risk imports, by import value*

**CANADA'S AT-RISK IMPORTED PRODUCTS**

**US$ 20.0 BILLION**

| | |
|---|---|
| Indonesia | 4,902,375 |
| Malaysia | 1,432,821 |
| Russia | 3,564,090 |
| Brazil | 322,095 |
| Peru | 37,308 |
| Brazil | 3,907,805 |
| Vietnam | 1,173,538 |
| Bangladesh | 404,894 |
| India | 60,244 |
| Malaysia | 16,998 |
| Brazil | 358 |
| Argentina | 24 |
| Brazil | 1,408,718 |

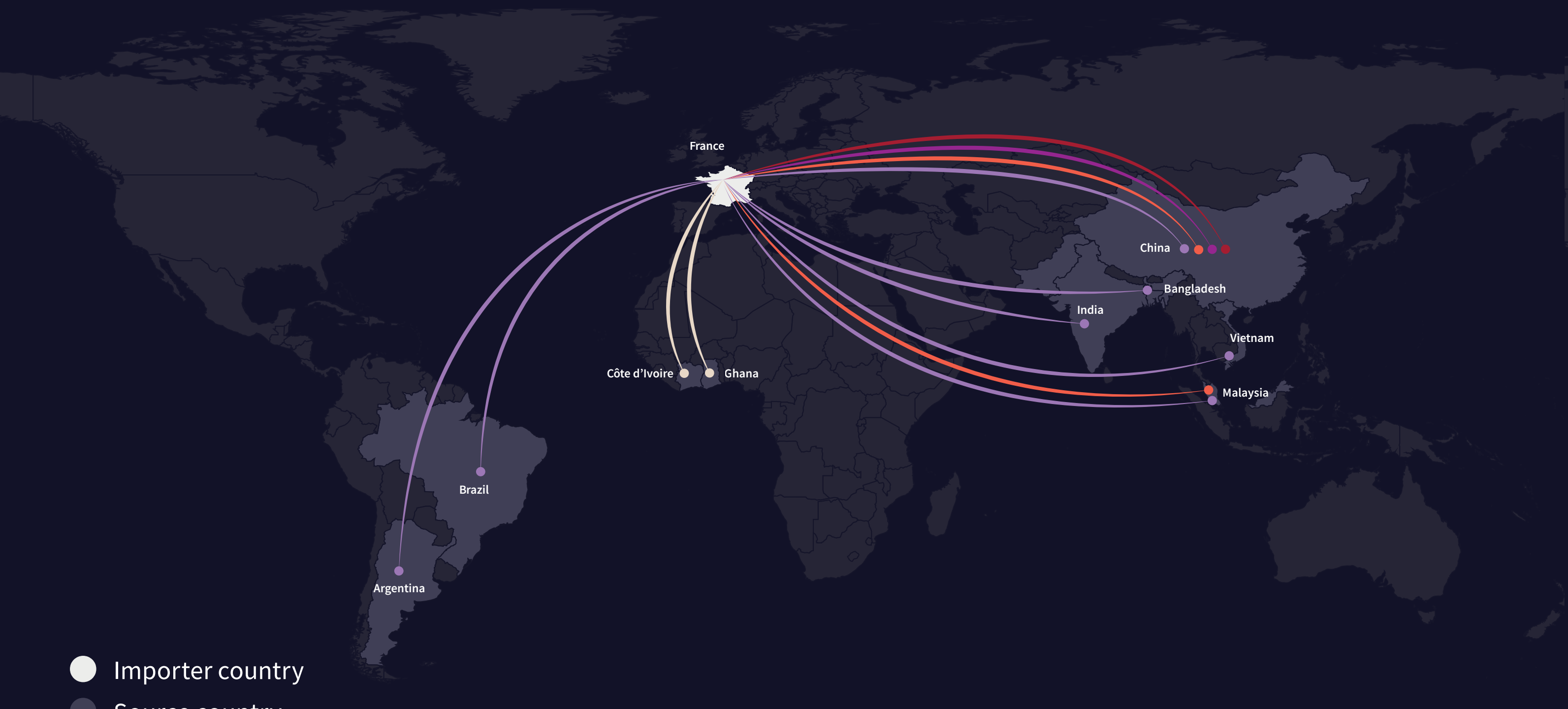
**CHINA'S AT-RISK IMPORTED PRODUCTS**

**US$ 17.2 BILLION**

# FRANCE

**TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY**

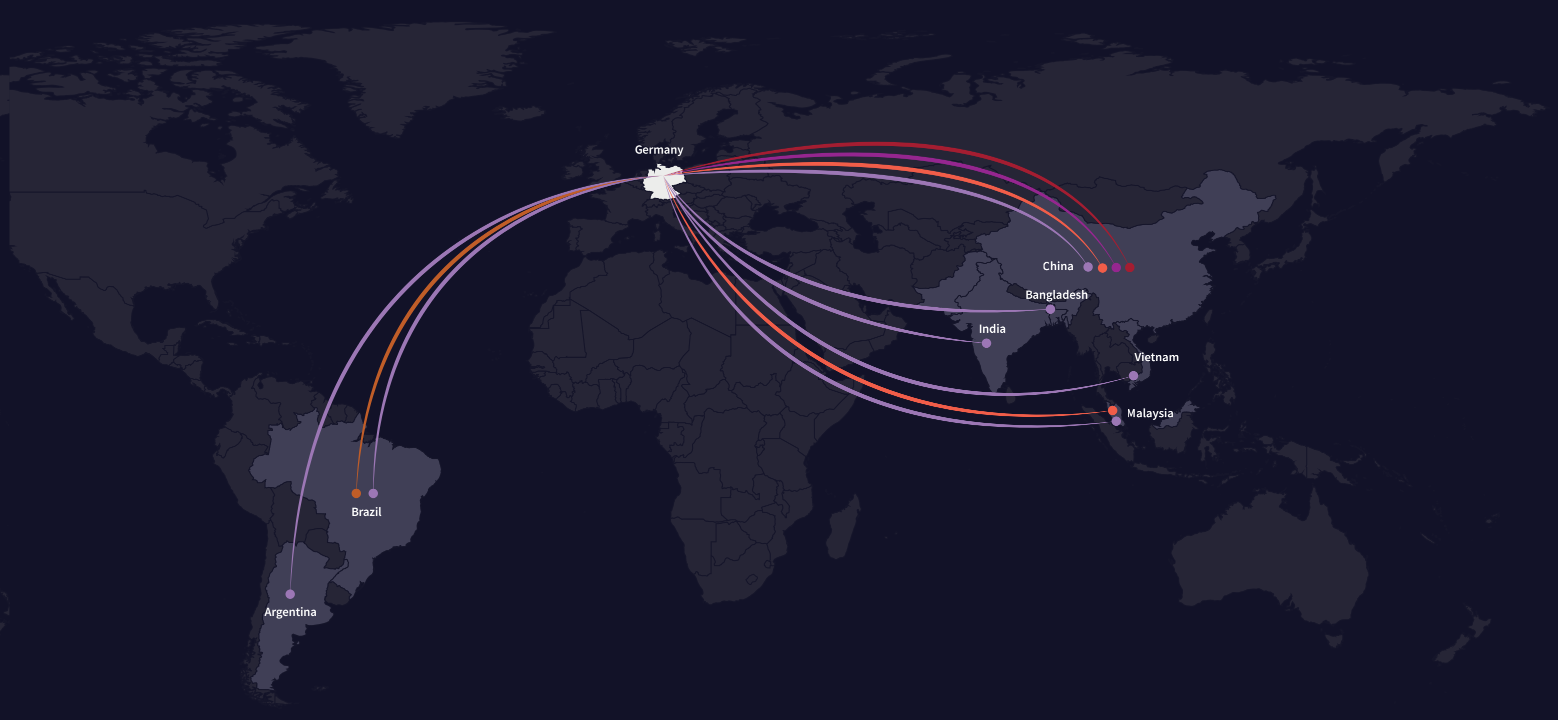
Cocoa · Electronics† · Garments · Solar Panels · Textiles




# GERMANY

**TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY**

Coffee · Electronics† · Garments · Solar Panels · Textiles




Importer country
Source country

**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^*

France:

| | |
|---|---|
| China | 4,524,306 |
| Bangladesh | 1,917,574 |
| India | 682,554 |
| Vietnam | 564,909 |
| Malaysia | 6,475 |
| Brazil | 2,301 |
| Argentina | 577 |
| China | 2,609,763 |
| Malaysia | 13,678 |
| Côte d'Ivoire | 462,434 |
| Ghana | 172,531 |
| China | 434,278 |
| China | 362,406 |

Germany:

| | |
|---|---|
| China | 20,319,762 |
| Malaysia | 151,570 |
| China | 7,993,142 |
| Bangladesh | 7,785,869 |
| India | 1,301,894 |
| Vietnam | 1,284,308 |
| Malaysia | 36,160 |
| Brazil | 857 |
| Argentina | 51 |
| China | 2,425,414 |
| China | 1,620,893 |
| Brazil | 1,064,743 |

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

**FRANCE'S AT-RISK IMPORTED PRODUCTS**

**US$ 11.8 BILLION**

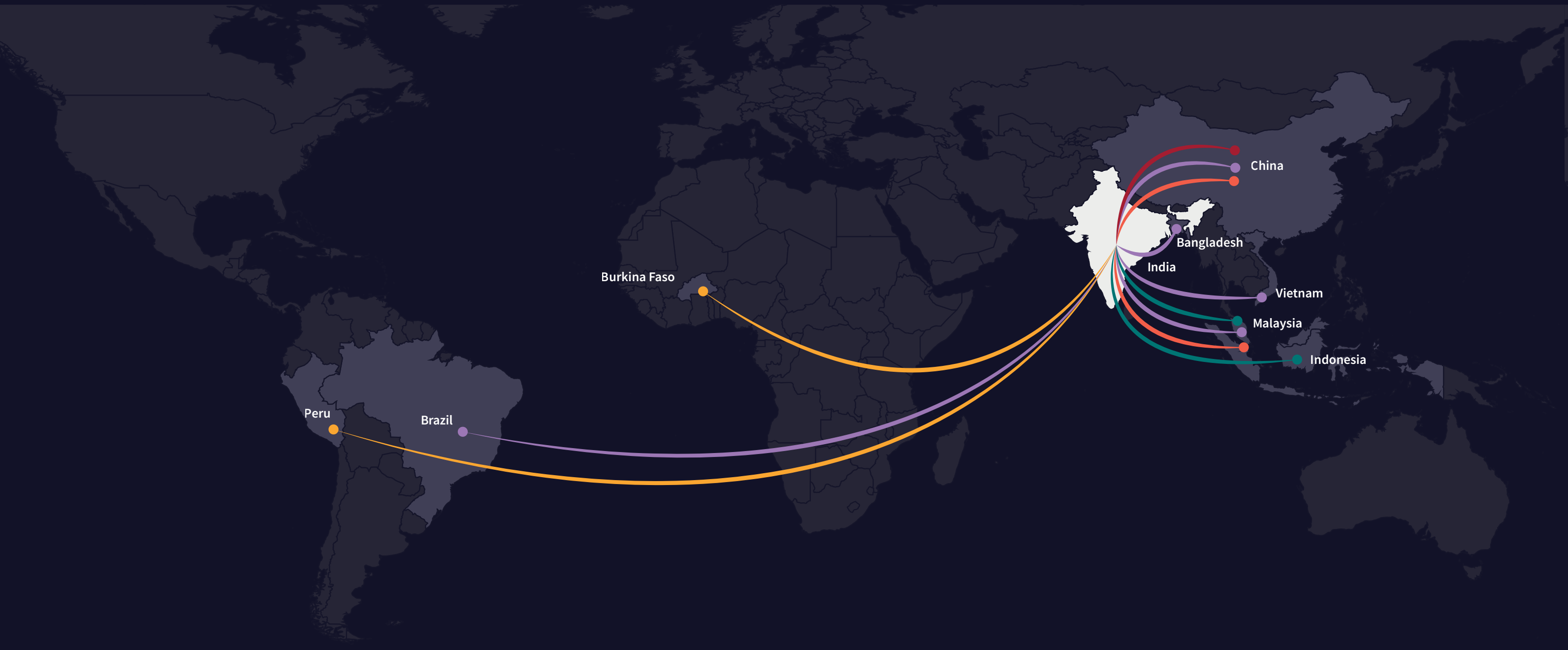
**GERMANY'S AT-RISK IMPORTED PRODUCTS**

**US$ 44.0 BILLION**

# INDIA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

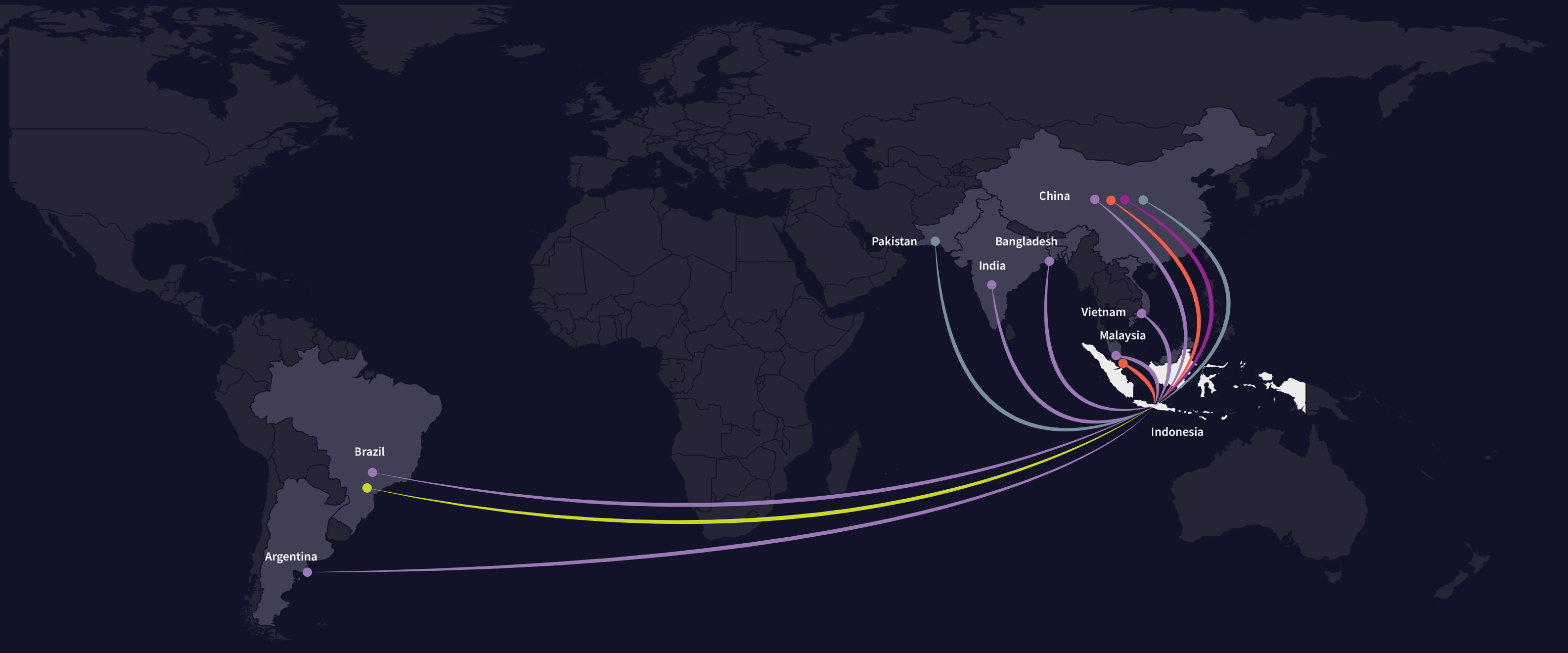
Electronics† · Garments · Gold · Palm Oil · Solar Panels




# INDONESIA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Coal · Electronics† · Garments · Sugarcane · Textiles




Importer country
Source country

**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^

| | |
|---|---|
| China | 7,345,027 |
| Malaysia | 432,868 |
| Malaysia | 4,014,696 |
| Indonesia | 3,588,848 |
| China | 3,820,664 |
| Peru | 2,143,967 |
| Burkina Faso | 934,503 |
| China | 753,798 |
| Bangladesh | 472,834 |
| Vietnam | 47,222 |
| Malaysia | 7,523 |
| Brazil | 78 |

**INDIA'S AT-RISK IMPORTED PRODUCTS**

**US$ 23.6 BILLION**

| | |
|---|---|
| China | 2,919,522 |
| Malaysia | 77,909 |
| China | 563,955 |
| Bangladesh | 58,744 |
| Vietnam | 49,025 |
| Malaysia | 21,467 |
| India | 15,410 |
| Brazil | 7 |
| Argentina | 0.4 |
| China | 663,425 |
| China | 432,649 |
| Pakistan | 0.2 |
| Brazil | 353,740 |

**INDONESIA'S AT-RISK IMPORTED PRODUCTS**

**US$ 5.2 BILLION**

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

# ITALY

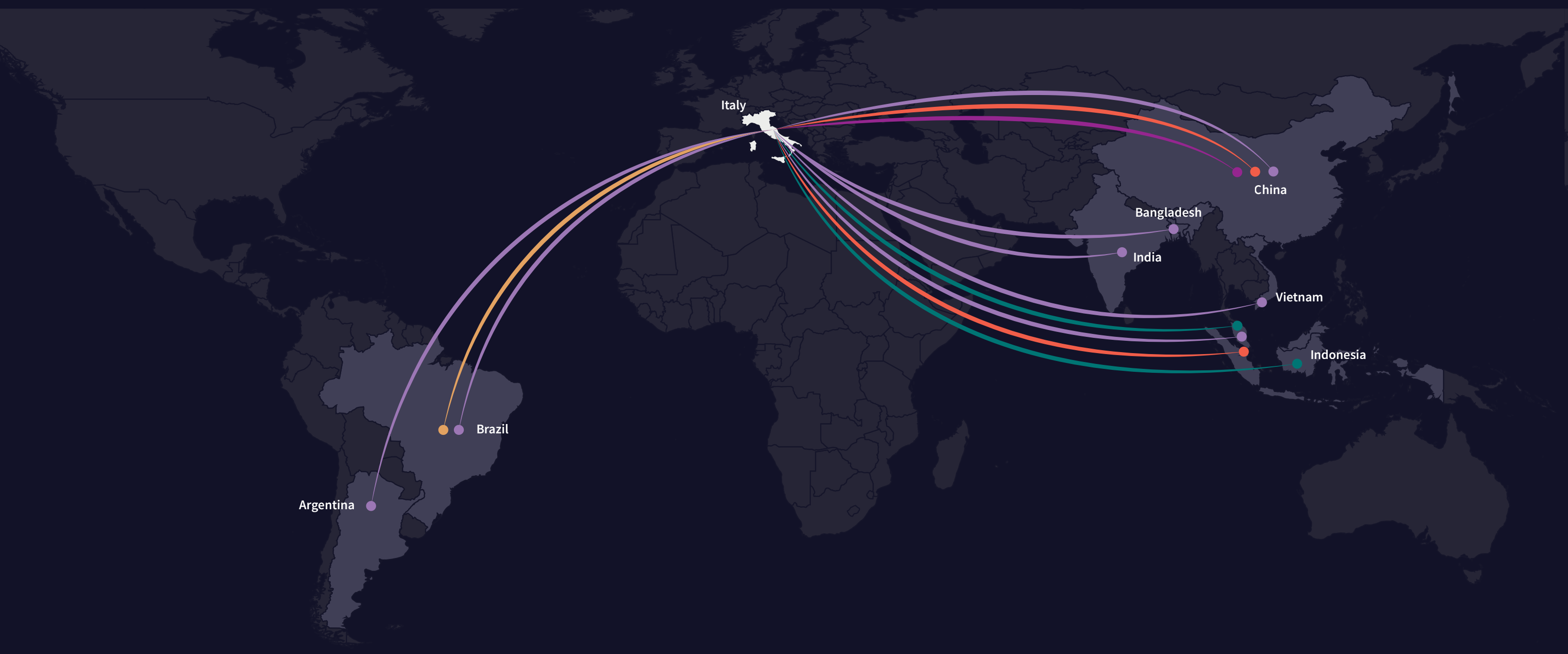
## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

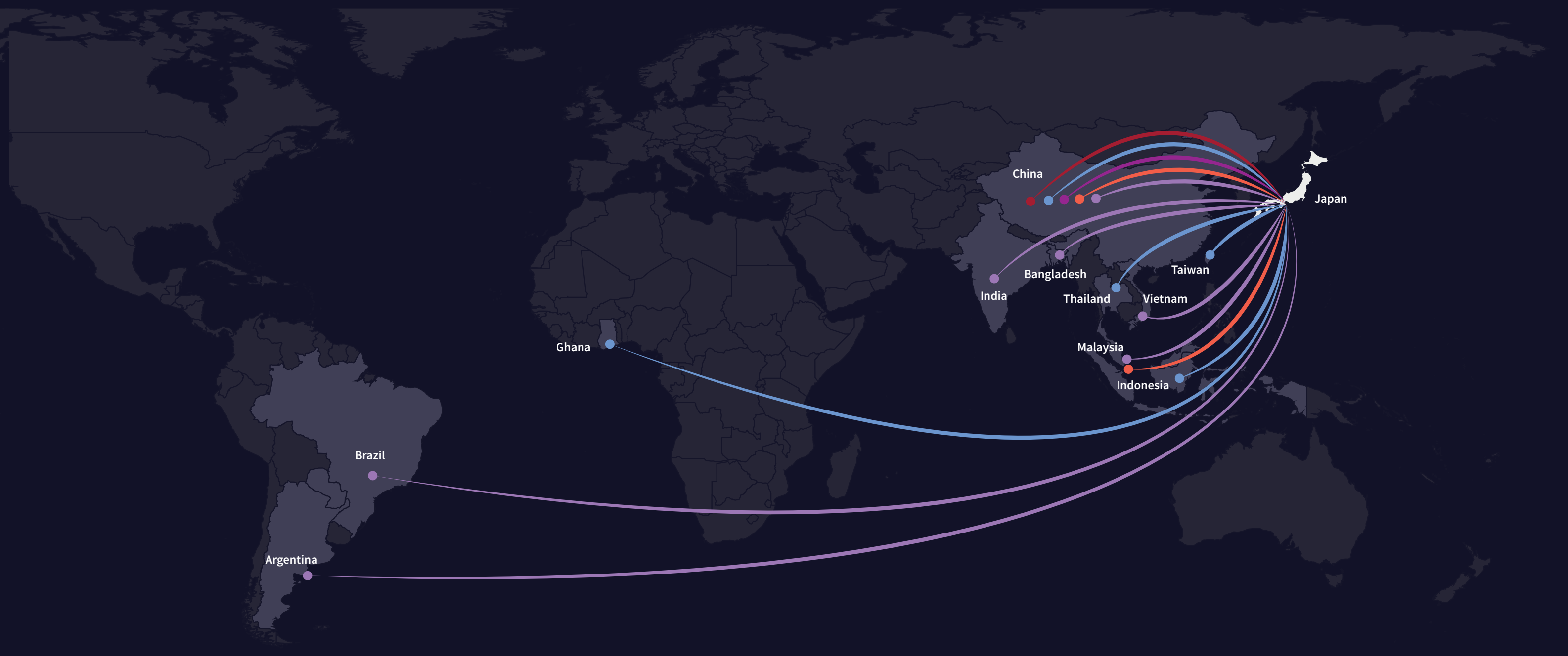
Coffee · Electronics† · Garments · Palm Oil · Textiles

# JAPAN

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† · Fish · Garments · Solar Panels · Textiles




Importer country
Source country

**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^*

| | |
|---|---|
| China | 2,560,544 |
| Bangladesh | 1,420,659 |
| India | 353,801 |
| Vietnam | 275,277 |
| Malaysia | 4,419 |
| Brazil | 1,110 |
| Argentina | 143 |
| China | 4,099,594 |
| Malaysia | 11,962 |
| Indonesia | 769,786 |
| Malaysia | 416,258 |
| China | 533,455 |
| Brazil | 477,026 |

**ITALY'S AT-RISK IMPORTED PRODUCTS**

**US$ 10.9 BILLION**

| | |
|---|---|
| China | 29,015,858 |
| Malaysia | 111,882 |
| China | 13,008,247 |
| Vietnam | 3,129,860 |
| Bangladesh | 1,161,546 |
| India | 207,494 |
| Malaysia | 116,704 |
| Brazil | 1,773 |
| Argentina | 400 |
| China | 1,617,554 |
| Thailand | 484,290 |
| Taiwan | 376,438 |
| Indonesia | 189,292 |
| Ghana | 1305 |
| China | 1,887,658 |
| China | 1,805,444 |

**JAPAN'S AT-RISK IMPORTED PRODUCTS**

**US$ 53.1 BILLION**

*†Applies to laptops, computers and mobile phones only*

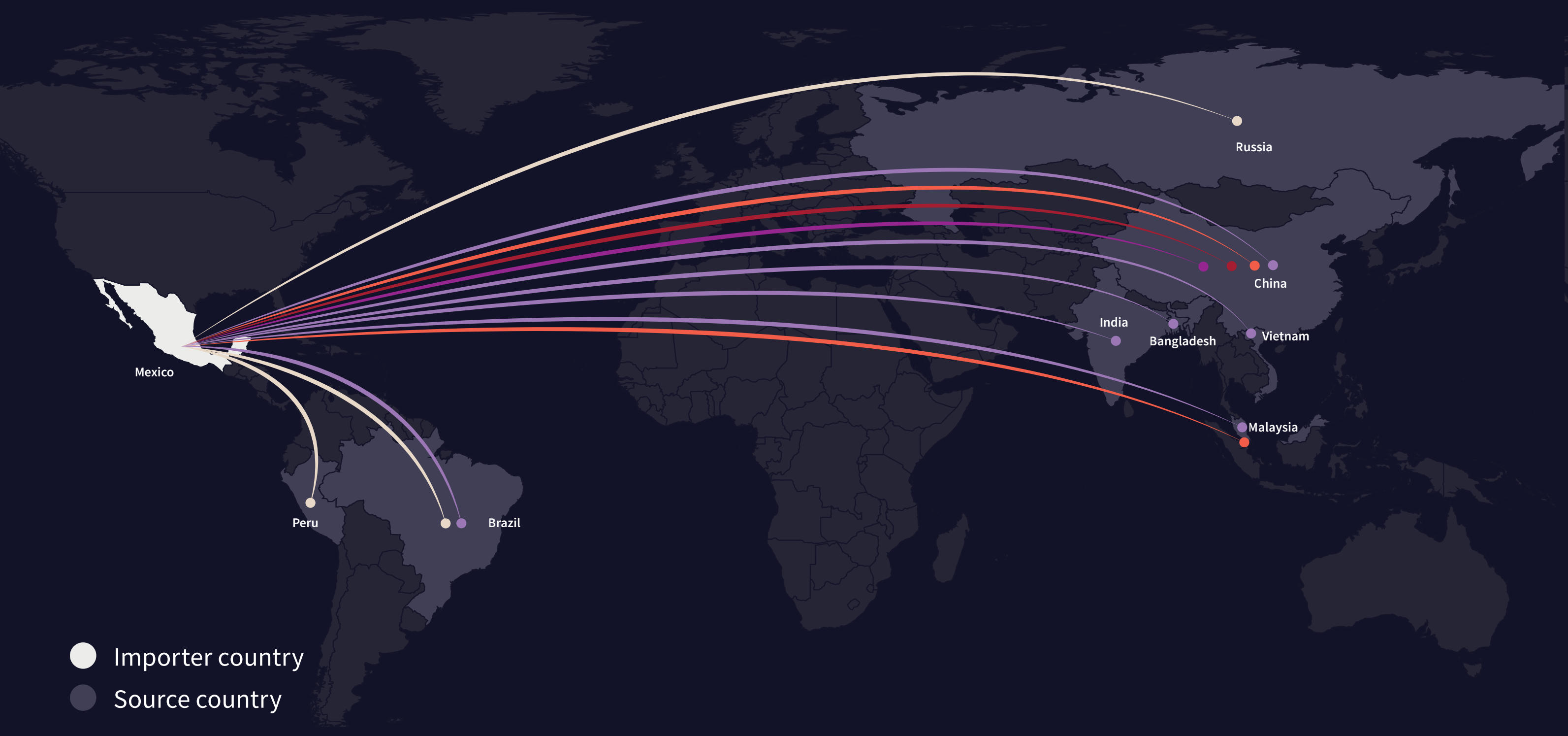
**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

# MEXICO

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† · Garments · Solar Panels · Textiles · Timber

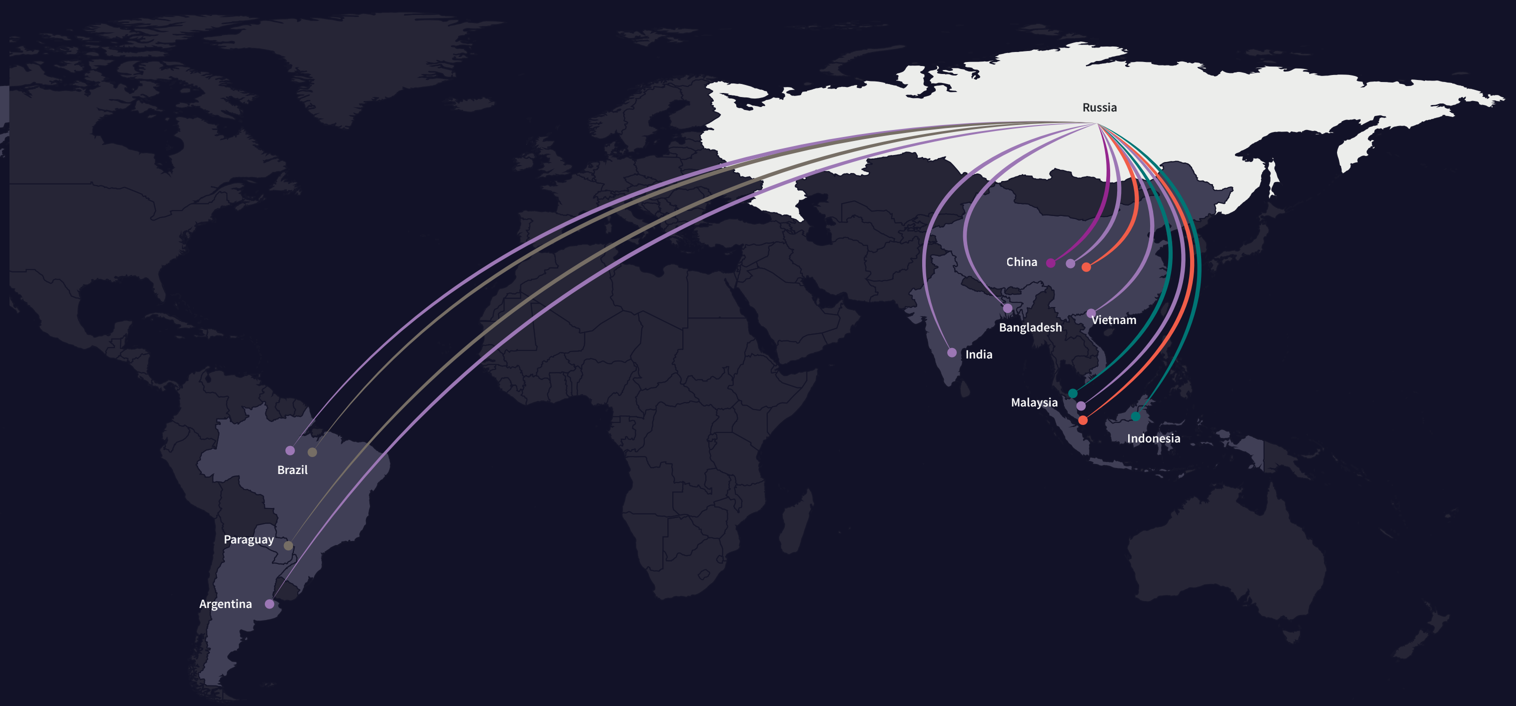



Importer country
Source country

# RUSSIA

## TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Cattle · Electronics† · Garments · Palm Oil · Textiles




**Breakdown of at-risk imported products by source country**
*(annually, in thousands of US$)*^*

Mexico

| | |
|---|---|
| China | 5,553,221 |
| Malaysia | 178,698 |
| China | 1,525,355 |
| Bangladesh | 394,062 |
| Vietnam | 119,953 |
| India | 109,101 |
| Malaysia | 5,633 |
| Brazil | 1,235 |
| China | 498,915 |
| China | 476,471 |
| Brazil | 305,542 |
| Russia | 12,402 |
| Peru | 8,671 |

**MEXICO'S AT-RISK IMPORTED PRODUCTS**

**US$ 9.2 BILLION**

Russia

| | |
|---|---|
| China | 8,699,722 |
| Malaysia | 24,478 |
| China | 2,976,065 |
| Bangladesh | 1,161,231 |
| Vietnam | 399,252 |
| India | 150,554 |
| Malaysia | 7,103 |
| Brazil | 372 |
| Argentina | 0.1 |
| Indonesia | 886,351 |
| Malaysia | 15,946 |
| Paraguay | 333,732 |
| Brazil | 129,229 |
| China | 420,059 |

**RUSSIA'S AT-RISK IMPORTED PRODUCTS**

**US$ 15.2 BILLION**

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

# SAUDI ARABIA

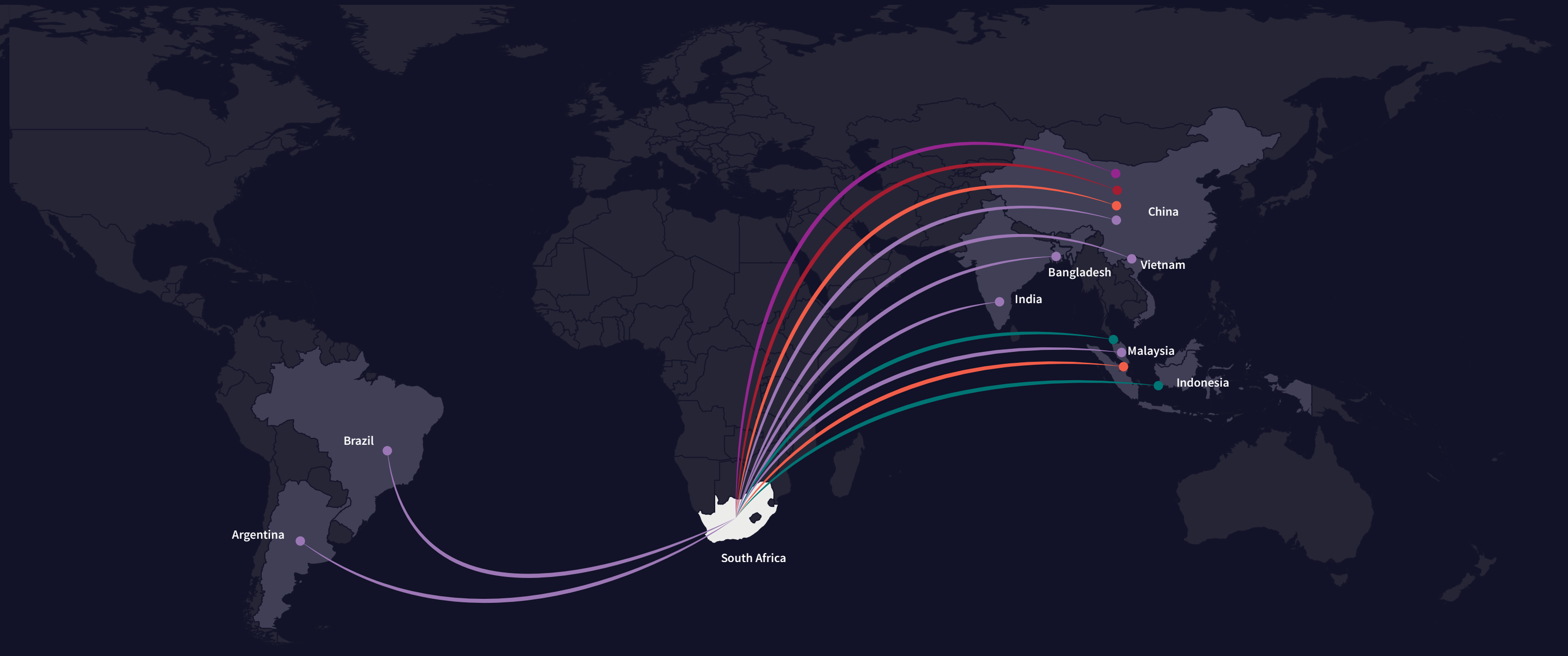
### TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† Garments Palm Oil Rice Sugarcane


# SOUTH AFRICA

### TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† Garments Palm Oil Solar Panels Sugarcane




Importer country
Source country

**Breakdown of at-risk imported products by source country**

*(annually, in thousands of US$)*^

| | |
|---|---|
| China | 2,317,822 |
| India | 414,568 |
| Bangladesh | 394,959 |
| Vietnam | 53,416 |
| Malaysia | 6,613 |
| Brazil | 626 |
| Argentina | 11 |
| China | 2,150,220 |
| Malaysia | 22,842 |
| Indonesia | 480,481 |
| Malaysia | 369,096 |
| India | 812,366 |
| Brazil | 340,235 |

**SAUDI ARABIA'S AT-RISK IMPORTED PRODUCTS**

**US$ 7.4 BILLION**

| | |
|---|---|
| China | 2,435,721 |
| Malaysia | 4,566 |
| China | 1,157,112 |
| Bangladesh | 105,396 |
| India | 97,275 |
| Vietnam | 32,184 |
| Malaysia | 3,157 |
| Brazil | 456 |
| Argentina | 24 |
| Indonesia | 436,801 |
| Malaysia | 116,863 |
| China | 256,757 |
| China | 142,188 |

**SOUTH AFRICA'S AT-RISK IMPORTED PRODUCTS**

**US$ 4.8 BILLION**

*†Applies to laptops, computers and mobile phones only*

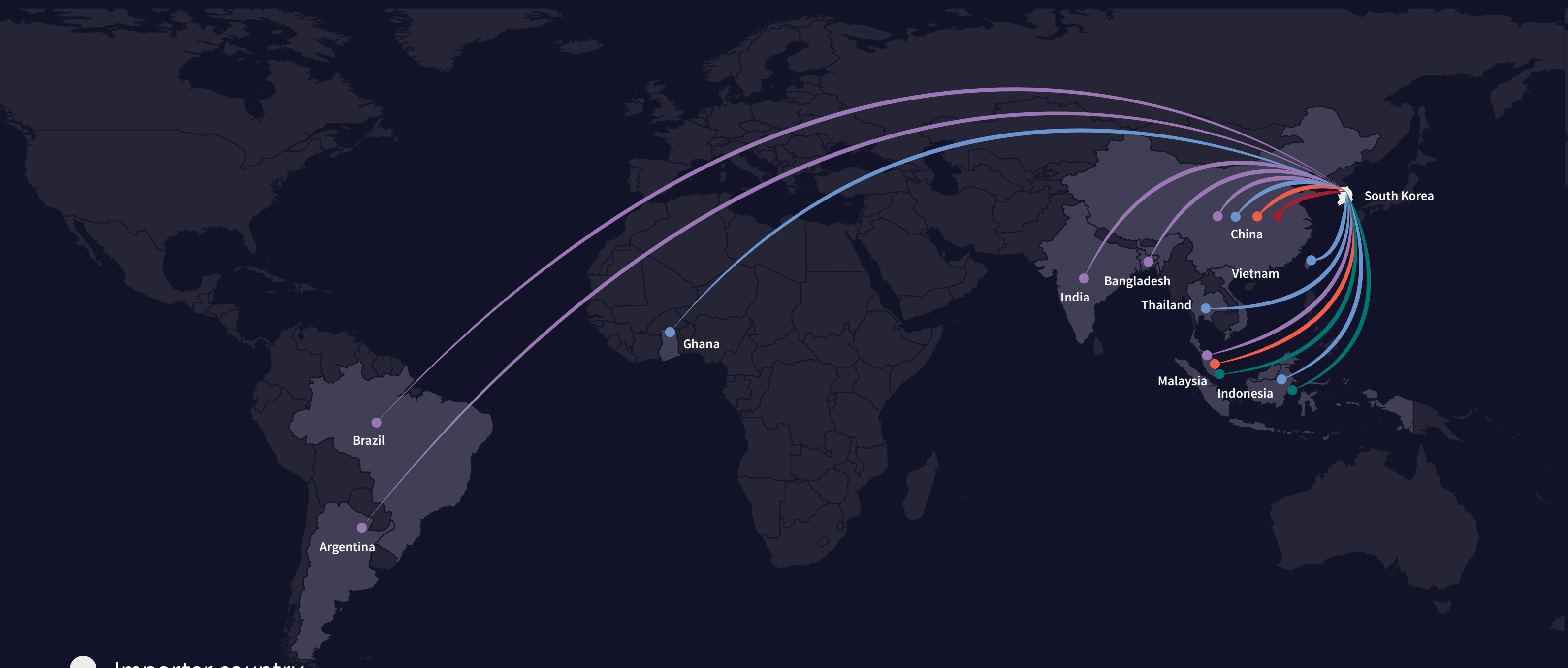
**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

# SOUTH KOREA

**TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY**

Electronics† Fish Garments Palm Oil Solar Panels

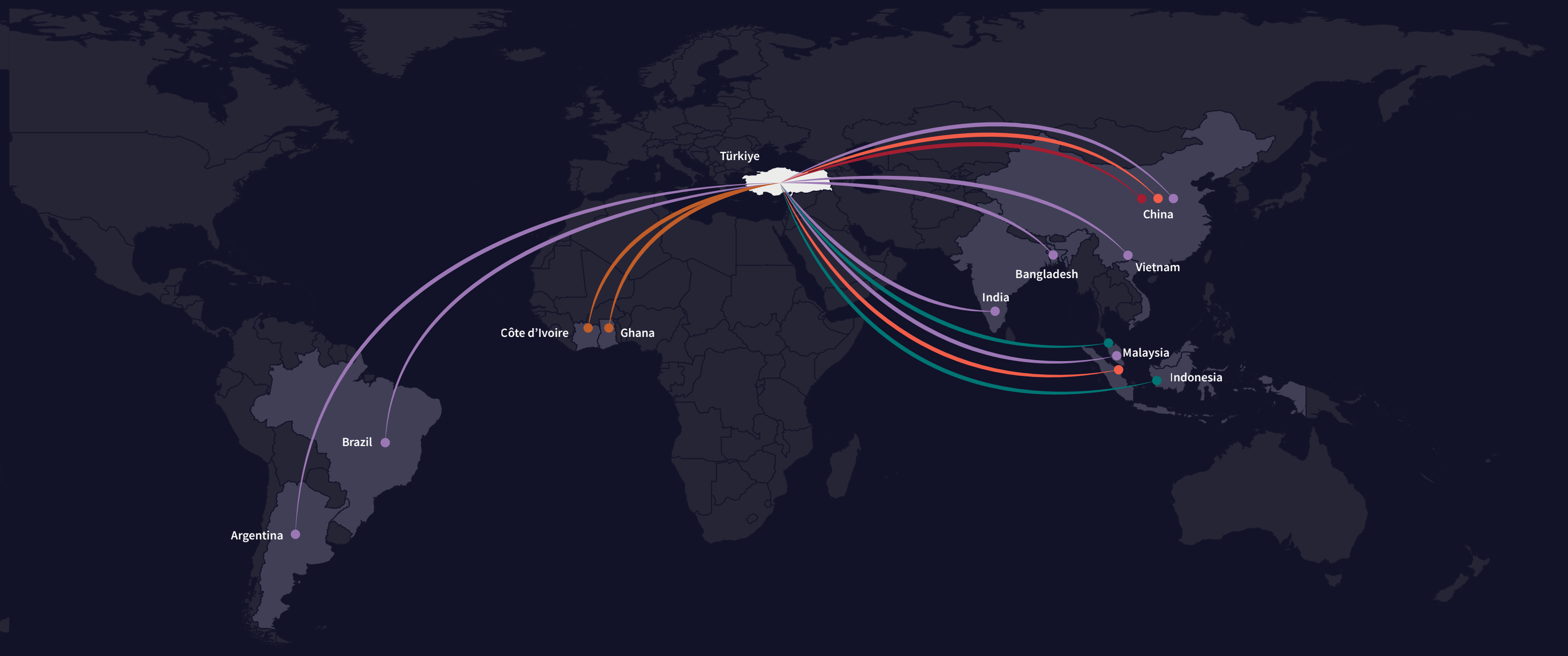



Importer country
Source country

# TÜRKIYE

**TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY**

Cocoa Electronics† Garments Palm Oil Solar Panels




**Breakdown of at-risk imported products by source country**

*(annually, in thousands of US$)*^*

| South Korea | |
|---|---|
| China | 9,275,468 |
| Malaysia | 15,132 |
| China | 4,882,687 |
| Vietnam | 3,020,662 |
| Bangladesh | 443,987 |
| India | 56,823 |
| Malaysia | 8,626 |
| Brazil | 243 |
| Argentina | 136 |
| China | 1,003,783 |
| Indonesia | 453,534 |
| Malaysia | 373,781 |
| China | 533,256 |
| Taiwan | 114,442 |
| Indonesia | 32,753 |
| Thailand | 22,362 |
| Ghana | 1,815 |

**SOUTH KOREA'S AT-RISK IMPORTED PRODUCTS**

**US$ 20.2 BILLION**

| Türkiye | |
|---|---|
| China | 3,173,722 |
| Malaysia | 8,515 |
| Malaysia | 659,919 |
| Indonesia | 223,729 |
| China | 271,493 |
| Bangladesh | 190,776 |
| Vietnam | 63,508 |
| Malaysia | 27,209 |
| India | 23,756 |
| Brazil | 171 |
| Argentina | 65 |
| China | 374,515 |
| Côte d'Ivoire | 243,290 |
| Ghana | 76,298 |

**TÜRKIYE'S AT-RISK IMPORTED PRODUCTS**

**US$ 5.3 BILLION**

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

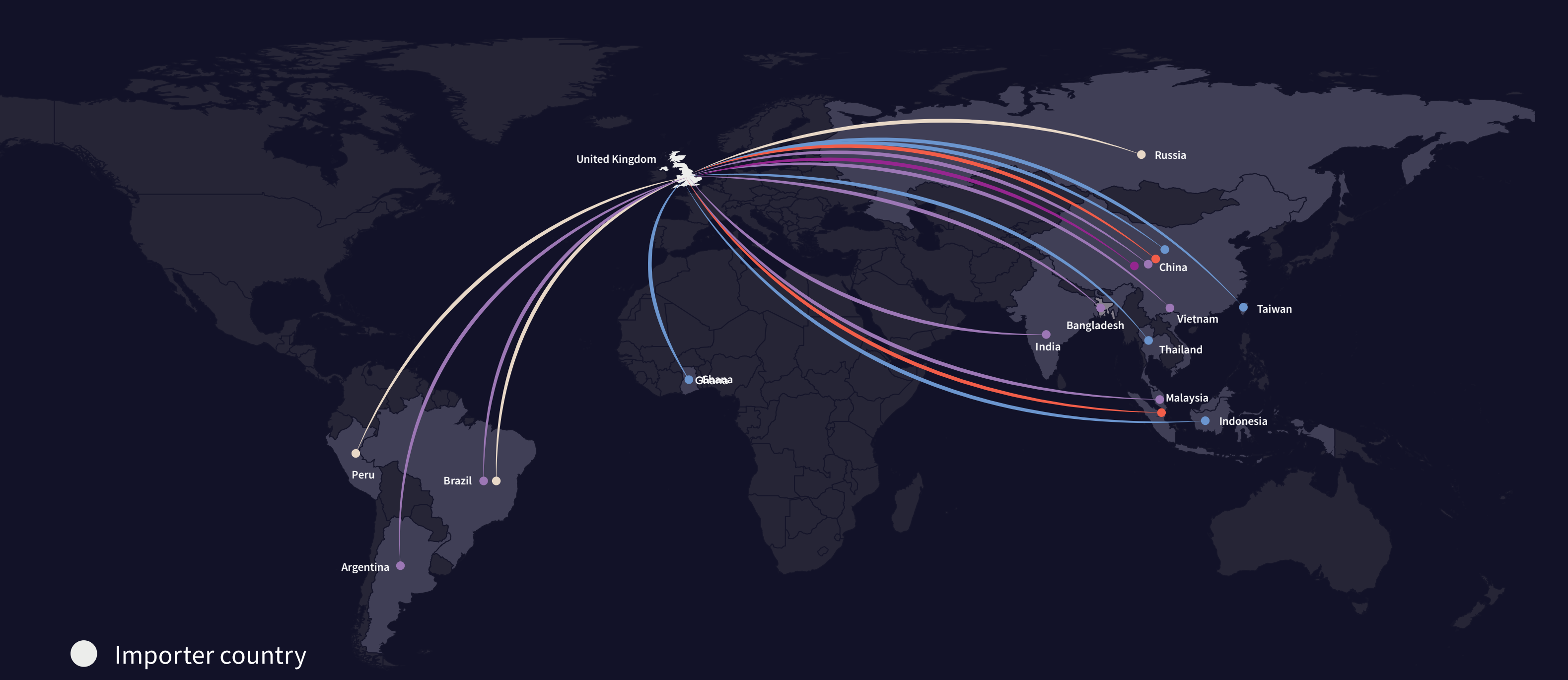
06
IMPORTING RISK

G20 IMPORTS

# UNITED KINGDOM

### TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† Fish Garments Textiles Timber

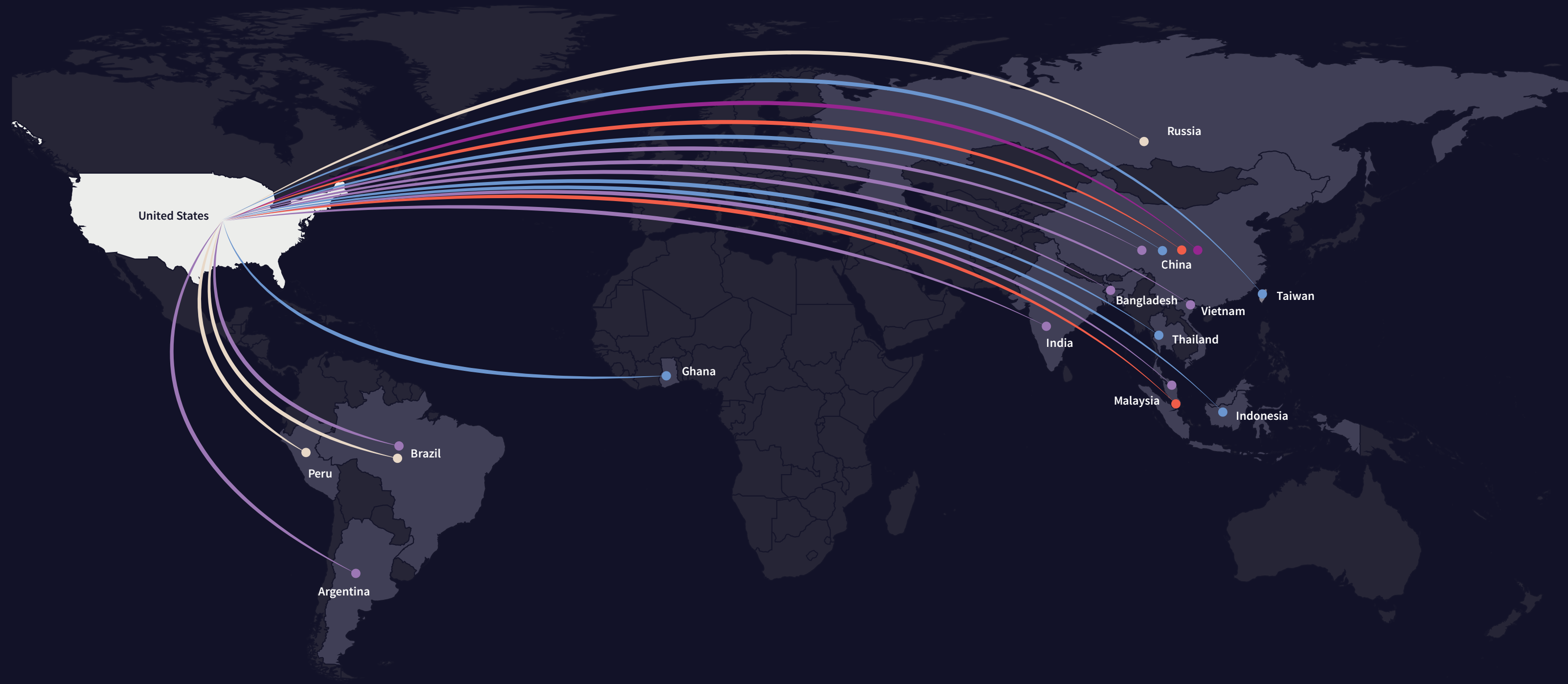



Importer country
Source country

# UNITED STATES

### TOP 5 IMPORTED PRODUCTS AT RISK OF MODERN SLAVERY

Electronics† Fish Garments Textiles Timber




**Breakdown of at-risk imported products by source country**

*(annually, in thousands of US$)*^*

| United Kingdom | |
|---|---|
| China | 14,713,414 |
| Malaysia | 37,016 |
| China | 5,257,572 |
| Bangladesh | 3,009,806 |
| India | 1,255,998 |
| Vietnam | 509,046 |
| Malaysia | 22,225 |
| Brazil | 1,294 |
| Argentina | 189 |
| China | 230,258 |
| Ghana | 38,875 |
| Indonesia | 18,615 |
| Thailand | 16,475 |
| Taiwan | 761 |
| China | 538,295 |
| Russia | 352,850 |
| Brazil | 130,422 |
| Peru | 77 |

**UNITED KINGDOM'S AT-RISK IMPORTED PRODUCTS**

**US$ 26.1 BILLION**

| United States | |
|---|---|
| China | 106,158,032 |
| Malaysia | 1,427,054 |
| China | 24,889,568 |
| Vietnam | 15,288,211 |
| Bangladesh | 7,273,296 |
| India | 4,657,696 |
| Malaysia | 256,474 |
| Brazil | 25,173 |
| Argentina | 950 |
| China | 4,752,876 |
| China | 1,015,843 |
| Thailand | 670,363 |
| Indonesia | 406,921 |
| Taiwan | 144,891 |
| Ghana | 257 |
| Brazil | 2,107,498 |
| Russia | 549,653 |
| Peru | 8,361 |

**UNITED STATES' AT-RISK IMPORTED PRODUCTS**

**US$ 169.6 BILLION**

*†Applies to laptops, computers and mobile phones only*

**see Appendix 3*

*^This relates to the top at-risk imports, by import value*

06
IMPORTING RISK SPOTLIGHT

FINANCIAL SECTOR

# Spotlight on the financial sector: Investing in exploitation

**Traditionally, the financial sector is perceived as low risk for human rights abuses.[1] In reality, there are multiple ways the sector is exposed to risks of modern slavery, including through its operations, supply chains, and business relationships.**

Financial actors may unknowingly engage vulnerable workers through labour agencies in higher risk industries such as catering and cleaning services, or purchase goods at risk of being produced with forced labour such as IT equipment and corporate merchandise.[2] There are serious risks of becoming part of value chains that rely on exploitation by investing in or lending to businesses that are complicit in modern slavery within their own operations or supply chains.[3] Certain financial actors may also inadvertently facilitate criminal activities where profits generated by modern slavery practices are laundered through legitimate financial channels.[4]

At the same time, financial institutions have a critical role to play in combating slavery. They have the ability to influence global business, drive better investment and lending frameworks and practices, identify financial flows and unscrupulous clients linked to these crimes, and use their leverage over companies invested in to improve company practices. While the sector is complex and involves a range of different financial institutions and services,[5] this spotlight focuses predominantly on asset owner and manager investment in companies listed on stock exchanges.

Financial institutions are captured under the United Nations Guiding Principles on Business and Human Rights (UNGPs) which established the "corporate responsibility to respect", including the requirement to avoid causing or contributing to adverse human rights impacts and seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products, or services by their business relationships, even if they themselves have not contributed to those impacts.[6] This responsibility has been increasingly translated into national legislation targeting human rights related to business activity.[7] As large businesses, many investors are captured by legislation imposing reporting requirements on the steps taken to identify and address modern slavery in operations and supply chains[8] and, more recently, by laws requiring entities to undertake human rights due diligence.[9] For example, the Australian Modern Slavery Act's official guidance recognises the responsibility of financial institutions by clarifying that entities are expected to report on the risks of modern slavery in their financial investments.[10]

However, investor action to assess and address modern slavery is still lagging behind these laws. In 2021, Walk Free, WikiRate, and the Business and Human Rights Resource Centre assessed statements published by 79 asset managers who were required to report under the UK Modern Slavery Act.[11] The assessment found that asset managers were not adequately considering the risk of modern slavery within their direct operations or supply chains of the goods and services they purchase. More importantly, given the size of their investment portfolios, asset managers also failed to consider modern slavery risks in their investments, with only about a quarter (27 per cent) indicating that they conducted some form of due diligence on human rights or modern slavery issues in their portfolios. Few assessed their investee companies for modern slavery risks (9 per cent) or engaged directly with companies to address modern slavery through social audits, self-assessment reviews, filing shareholder resolutions, or providing training (15 per cent).[12] This was similarly reflected in a 2022 assessment of asset owners and managers based in Australia and the UK who were exposed to the garment industry. Less than a quarter (24 per cent) of garment investors described that they conduct pre-investment assessments to identify modern slavery risks, despite the risks associated with the garment sector.[13]

Despite the growing number of voluntary initiatives, only one in three asset managers in the UK disclosed being part of any relevant initiatives or collaborations.[14] These initiatives provide important opportunities for financial actors to learn from experts and peers, and to lift the industry standard for preventing, identifying, and mitigating modern slavery in their own businesses and investee companies.[15] Within the evolving movement, some investors have taken on an active role in using their leverage to address modern slavery such as the CCLA impact investment firm's Find It, Fix It, Prevent It initiative[16] and the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative.

With the support of Walk Free and the Finance Against Slavery and Trafficking (FAST) initiative,[17] IAST APAC is an investor-led, multistakeholder initiative comprising 37 investors from Asia and the Pacific representing AU$7.8 trillion (approximately US$5.2 trillion) in assets under management, together with the Australian Council of Superannuation Investors. IAST APAC engages with investee companies spread throughout the region in the consumer, healthcare, and technology

***London, United Kingdom, August 2022.***

*Public artwork is stationed outside the Bank of England, as part of a new art trail exploring the impact of the Trans-Atlantic slave trade. In 1833, when The Slavery Abolition Act was passed, the UK government agreed to provide £20 million to compensate 3,000 slave-owners. No reparations have been paid by the government to former slaves or their descendants to date. Photo credit: Mike Kemp/In Pictures via Getty Images.*

sectors to find, fix, and prevent modern slavery from occurring in their businesses.[18] In 2020, IAST APAC signed and published a statement to the top 100 companies listed on the Australian Securities Exchange (ASX), setting out investor expectations for addressing the risks of modern slavery under the Australian Modern Slavery Act.[19]

> **"As investors we expect companies to meet their reporting and compliance obligations and in doing so encourage companies to examine broader risks of labour exploitation as a leading indicator of modern slavery."**
>
> *Investors Against Slavery and Trafficking Asia-Pacific, 2020[20]*

Alongside human rights legislation, the burgeoning responsible investment/sustainable finance movement — incorporating environmental, social and governance (ESG) considerations into investment decisions and reporting frameworks[21] — is rapidly being translated into formal regulations and guidance. Investors that do not incorporate ESG considerations into their investment practices and decision-making, for instance, increasingly risk failing to meet their fiduciary duties[22] and can face reputational, operational, and potentially legal risks related to maximising short-term profits over long-term sustainability.[23] ESG efforts are increasingly linked to the United Nations Sustainable Development Goals (SDGs).[24] It is clear that actions to address modern slavery must — as an abuse of both labour and human rights, a driver of unsustainable earnings,[25] and a key issue addressed through Targets 5.2, 8.7, and 16.2 of the SDGs[26] — form part of the 'S' in ESG.

At the regional level, building upon the Action Plan on Financing Sustainable Growth,[27] the European Union in 2019 set obligations on financial actors to disclose the impact of investment decisions on sustainability, including the environment and social justice, with EU Regulation 2019/2088.[28] In addition to introducing transparency requirements, the regulation calls on financial market participants and financial advisers to consider guidance published by the Organisation for Economic Co-operation and Development[29] and the Principles for Responsible Investment.[30] The EU Platform on Sustainable Finance has further proposed a structure for a social taxonomy to promote investment in sustainable activities in Europe, which would cover decent work, including for workers in value chains.[31]

Stock exchanges are also increasingly requiring listed companies to disclose ESG risks, including those related to modern slavery. As of August 2022, 32 stock exchanges have mandatory ESG reporting, and 67 had offered written guidance on ESG reporting.[32] In Thailand, for example, listed companies must report annually on sustainability issues, including human rights protection throughout the value chain. In 2021, Walk Free partnered with the Stock Exchange of Thailand and FAST to produce the Guidance on Modern Slavery Risks for Thai Businesses, as well as an online Modern Slavery Benchmarking Tool, to help companies manage labour risks across a range of sectors and meet their sustainability reporting obligations.[33]

International standards act as a framework to guide business in their reporting under stock exchange and other sustainability disclosure regulations. In 2021, the Global Reporting Initiative (GRI) released its revised standards to align with instruments such as the UNGPs.[34] At COP26, the International Sustainable Standards Board was established to develop a global baseline of sustainability disclosure standards.[35] Further, the EU is set to adopt mandatory sustainability reporting standards to guide company reporting under the proposed Corporate Sustainability Reporting Directive.[36]


***Bangkok, Thailand, October 2020.***

*Increasingly, investors are taking action on modern slavery issues. Pictured is the Stock Exchange of Thailand, which in 2022 partnered with Walk Free and the Finance Against Slavery and Trafficking initiative to develop a set of tools to help investors manage human rights risks, specifically modern slavery. Photo credit: Taylor Weidman/Bloomberg via Getty Images.*

## **Recommendations** for governments

1. **Introduce mandatory human rights due diligence laws to require companies, including investors, to conduct due diligence to prevent, mitigate, and remedy modern slavery in operations and value chains.**
2. **Strengthen existing mandatory reporting laws by including and implementing penalties.**
3. **Establish disclosure requirements for listed companies to report on ESG risks, including modern slavery, and actions being taking to address them. Encourage stock exchanges to publish guidance on these reporting requirements.**
4. **Collaborate to ensure sustainability reporting standards fully address modern slavery issues.**
5. **Ensure that any national or regional reporting regime has in place single reporting deadlines, easily accessible reports in a centralised repository, and that the reports produced are machine-readable.**

## **Recommendations** for investors

1. **Improve reporting under national Modern Slavery Acts and other relevant regulations to ensure the minimum requirements are met and to provide more detailed disclosures on modern slavery risks.**
2. **Implement strong risk assessment processes prior to making investment decisions to avoid high-risk investments.**
3. **Conduct continuous engagement with investee companies to improve their modern slavery risk management and consider the use of collective leverage to improve company risk performance.**
4. **Engage and share good practice with industry initiatives and collaborations, such as IAST APAC or CCLA's Find It, Fix It, Prevent It initiative.**
5. **Advocate for and support government efforts to strengthen legal and regulatory frameworks and resources for preventing and remediating modern slavery.**

06
IMPORTING RISK SPOTLIGHT

GARMENTS

# Spotlight on the garment sector:

## Stitched with slavery in the seams

**Global demand for fast fashion has spurred exponential growth in the garment industry over the last two decades.[1] Clothing production has almost doubled in the past 15 years alone[2] and today G20 countries are collectively importing US$148 billion worth of apparel goods and US$13 billion worth of textiles at risk of being produced by forced labour every year.**

Big brands based in wealthy countries increase profits by producing in lower-income countries with low wage rates.[3] Garment workers, hidden deep within these supply chains, face poor or exploitative working conditions, including poverty wages, piece-rate pay (that is, pay rate determined by the number of individual pieces made), forced and unpaid overtime, irregular work, health and safety risks, and lack of benefits such as maternity leave.[4] In their most extreme forms, these exploitative practices can lead to situations of forced labour and debt bondage.

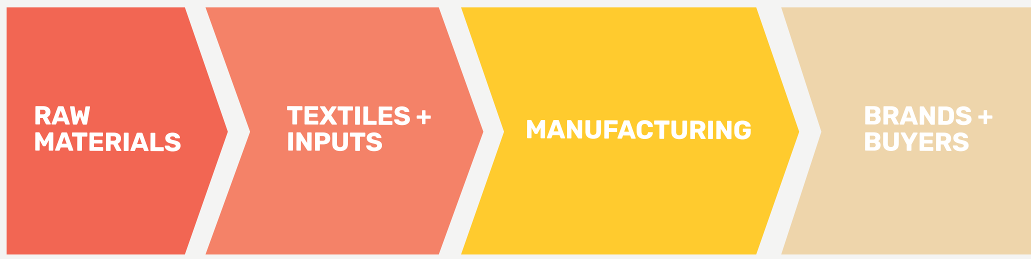
### What are the risks of modern slavery in garment supply chains?

There are risks of modern slavery at each stage of the garment supply chain, from growing and producing raw materials, to processing these into inputs, to manufacturing.[5]

### Raw materials

Raw materials that feed into textile production range from synthetic fibres such as polyester and polyamide, plant fibres including cotton and rubber, manmade cellulosic fibres such as viscose and acetate, and animal fibres such as wool, silk, and leather.[6] The production of many of these materials have been linked to forced labour. Silk cocoon cultivation, for instance, has been associated with forced labour in Uzbekistan,[7] while in Myanmar, children have experienced forced labour on rubber plantations.[8]

Cotton production has a long history of slavery,[9] and continues to be harvested by men, women, and children working in conditions tantamount to modern slavery. Children are recruited to pick cotton due to the perception that smaller hands reduce damage to crops.[10] Forced labour was used to produce cotton in Benin, Burkina Faso, China, Kazakhstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan,[11] though the circumstances giving rise to exploitation may vary. In Pakistan, a 2021




survey among cotton farm workers found that 27 per cent indicated that they could not leave work on the farm if they found another job and one-fifth had seen children below the age of 15 working on cotton farms during school hours. These cotton farms relied largely on temporary workers recruited through third parties and often retained the identity documents of their workers[12] — practices that increase the vulnerability of workers and likelihood of modern slavery taking place.[13] In some countries, such as Turkmenistan,[14] China,[15] and formerly in Uzbekistan,[16] governments have forced their citizens to work in the production of cotton.

### Textiles/inputs

During processing, raw cotton is ginned, spun, and woven into textiles.[17] Fibres sourced from multiple countries are combined into a singular fabric at a textile mill,[18] complicating efforts to trace the origins of a finished product. In response to tight turnaround times and reduced profit margins, suppliers sub-contract their production to home-based workers, often women and girls,[19] reducing brand oversight of their supply chains. Informal and home-based workers usually lack formal contracts, making them even more vulnerable to exploitation.[20]

Risks of child and forced labour follow the raw materials into textile production, particularly in countries based in the Asia and the Pacific region.[21] Forced labour has been documented in major exporting countries such as China, where Uyghurs and other Turkic and Muslim majority groups have been forced to work in the production of textiles.[22] In Southern India, recruiters offer young women and girls employment opportunities in spinning mills, where they are paid a lump sum at the end of their contract.[23] This practice, known as a *Sumangali* (married woman) scheme, traps women and girls — many who are migrants or from lower castes[24] — into working until the end of their contract or else risk losing their accumulated earnings that are earmarked to become their bride dowries.[25] Women and girls working in the spinning mills face restrictions on their movement, are forced to work long hours, and are exposed to physical and sexual abuse.[26] Despite awareness-raising on the abuses under *Sumangali* schemes, risk of exploitation continues as recruiters reportedly still market similar practices to vulnerable migrant workers, albeit under different names.[27]

***Dhaka, Bangladesh, April 2020.***

*Female garment workers block a road during a protest to demand payment of due wages. Thousands of garment workers who produce items for international fashion brands protested against unpaid wages, and claimed "they were more afraid of starving than contracting the coronavirus." Volatile demand coupled with increasing pressures from factories to meet deadlines has reportedly led to an increase in labour exploitation in the sector. Photo credit: Munir Uz Zaman/AFP via Getty Images.*

## Unravelling discrimination and exploitation in the textiles industry: The perspective of a survivor of bonded labour

Adhi is a young Indian woman who wanted to save money for her bride dowry. As both of her parents had died, Adhi had to rely on herself to fund her wedding and so she decided to join a working scheme at a local mill.

She approached an aunt and asked for help to find work at a local mill and join the scheme. "…I told my aunt that I wanted to go for some mill work and also help me to join a hostel. She first refused, then later on through a broker for 2000 rupees (approximately US$24) I got a job at the mill at Vedachanthur,…" she said. Eventually, Adhi began working in the winding department of a textile manufacturing mill in Tamil Nadu state. She also moved into the hostel where the scheme workers were required to stay. "…The work at the mill was hard. … Even though I had difficulties I was happy that I had people around me, so I joined the hostel…"

Unfortunately, living at the hostel brought its own challenges. Adhi was forced to work long hours with little to no sleep. Access to food and water was also limited. "…In the hostel I experienced lot of problems. There was limited food; if you asked for extra food it was denied. To take a bath there were five bathrooms, and some days, water would not come. It was quite difficult. In one room six of us had to sleep. One of us will be in day shift or night shift or afternoon shift. … We cannot sleep properly. If the regular working girls were on leave, they will come and ask us to work even when we had just finished night shift."

When scheme workers like Adhi would try to push back on the long working hours, the regular workers would become abusive. "They will pressure us to do overtime. [They would say] 'You are only in the hostel; why can you not do it? What are you going to do with the scheme money?' We used to receive such scolding."

Adhi's experience reveals a great deal about the dynamics of bonded and child labour in spinning mills in Tamil Nadu. In the years since this experience, Adhi has shared her story to help inform anti-slavery strategies.[28]

## Manufacturing

Following processing, textiles are dispatched to manufacturing facilities to be made into garments, where factory workers are exposed to exploitative working conditions, including excessive hours. In Myanmar, a 2021 survey found that 51 per cent of factory workers usually worked more than 48 hours per week.[29] Similarly, average hours for apparel workers in Uganda ranged between 48 to 65 hours per week. Without set shift times, Ugandan apparel workers are expected to work long hours to finish their tasks, leading them to work to fatigue.[30]

Vulnerable groups such as women and girls are particularly at risk of exploitative conditions in garment manufacturing. Although women and girls are overrepresented in garment factories across the globe, they are relegated to lower-paid and subordinate roles, such as machine operators and checkers. Even if their tasks are the same, women generally receive lower wages than male garment workers due to perceptions that female income is "complementary" to income generated by male breadwinners.[31] In Cambodia, women and girls make up almost 80 per cent of the garment workforce; however, they earn 13 per cent less than male workers.[32] Similarly, in Croatia, women account for 89 per cent of garment workers despite receiving a significantly lower net wage.[33] In Ethiopia's rapidly growing garment sector, workers receive some of the lowest wages compared to other garment exporting countries, in part due to the absence of a national minimum wage for private sector workers.[34] Workers in Ethiopia were found to be earning as little as 12 cents an hour in addition to experiencing wage deductions as punishment, verbal abuse, and forced overtime.[35]

Migrant workers are also highly vulnerable to exploitation in the garment sector, receiving lower wages and unfair wage deductions, and facing precarious working conditions and higher risks of debt bondage, retention of documents, and threats of violence or deportation. In countries where migrant workers cannot join or form trade unions, they face greater risk as employers exploit their lack of legal protection.[36] In a 2021 survey of factory workers in China, 45 per cent of those who had migrated from another state in China reported that they worked more than 60 hours per week, compared to 31 per cent of those who had not migrated for work.[37] Exploitative labour practices such as excessive hours, low wages, discrimination, and physical and verbal abuse have been reported in garment factories among Bangladeshi migrant workers in Jordan[38] and Syrian refugees in Türkiye.[39] In Malaysia, high recruitment fees, deceptive recruitment, passport retention, overcrowded living conditions, and abusive working conditions have been reported among Southeast Asian migrant workers in garment factories.[40]

## Purchasing practices

Under the UN Guiding Principles, all businesses, including garment businesses, have a responsibility to avoid and address any adverse human rights impacts that their activities caused or contributed to.[41] To do so, they must also ensure that the demands they make to their suppliers are not driving exploitative practices. However, in practice, brands trying to cater to rapidly changing consumer preferences often make unrealistic demands of their suppliers, such as insisting on lower costs and faster delivery times. In turn, this pressure incentivises suppliers to reduce labour costs and increase working hours, exacerbating the risk of labour abuses within a supply chain.[42] Poor forecasting, late changes to order volumes, and delays in providing order requirements intensify pressures faced by suppliers and their workers.[43] Since the outbreak of the COVID-19 pandemic, in addition to order cancellations, suppliers have experienced more order variability, which further complicates production and operations management.[44] Action by brands to address labour rights and modern slavery risks must include efforts to ensure that their purchasing practices are not incentivising suppliers to exploit workers.

**"Sometimes my girls use to help in our work. We are a very poor family and have no other source of income…When the lockdown was announced, all our orders were suspended and the supplier blocked our payment."**

*Female apparel worker in India, 2020*[45]

## How has the pandemic impacted garment workers?

COVID-19 has worsened conditions for garment workers around the world. At the onset of the pandemic, many international brands shifted losses onto their suppliers.[46] As stores were forced to close and demand fell, brands began to cancel orders for products that had already been manufactured.[47] Some suppliers were forced to close, leading to worker dismissals, lower pay, and poorer working conditions.[48] In Cambodia, for example, garment factory owners were unable to pay workers' entitlements as many buyers refused to pay for goods that were already manufactured.[49]

A study into the impact of COVID-19 on the garment sectors of Ethiopia, Honduras, India, and Myanmar found that working and living conditions had significantly deteriorated during the pandemic. This included — in addition to job and income losses — rising debts, verbal abuse, threats and intimidation, and unfair wage deductions. Many respondents had not experienced these conditions prior to the pandemic and, for others who had, the problems had become more common or severe.[50] A failure to enforce regulations enabled businesses to violate labour standards with impunity, leaving garment workers unprotected.[51]

Brands that had previously been accused of exploitative working conditions, such as Boohoo, were also found to be putting workers at risk of COVID-19. During the pandemic, there were reports of garment factories linked to Boohoo operating illegally through lockdowns, forcing workers to work with a COVID-19 infection, and working in conditions of modern slavery.[52]

The impact of the pandemic on garment workers varies depending on gender, ethnicity, caste status, or union membership. A study of garment workers across supplier factories in Bangladesh, Cambodia, Indonesia, India, Sri Lanka, and Pakistan found that wage theft disproportionately impacted female workers during the pandemic. For example, suppliers would hire women workers on low wages during lockdowns and force them to work unpaid overtime, in addition to verbally, physically, and sexually abusing them on production lines. Heightened economic insecurity left many women workers with little option but to take on large debts or sell assets to afford basic needs.[53] Additionally, garment workers who belonged to an ethnic minority or lower caste were also more likely to have their contracts terminated during the pandemic. Comparatively, those least likely to lose their jobs were workers who belonged to a union.[54]

## How are brands responding to the risk of modern slavery?

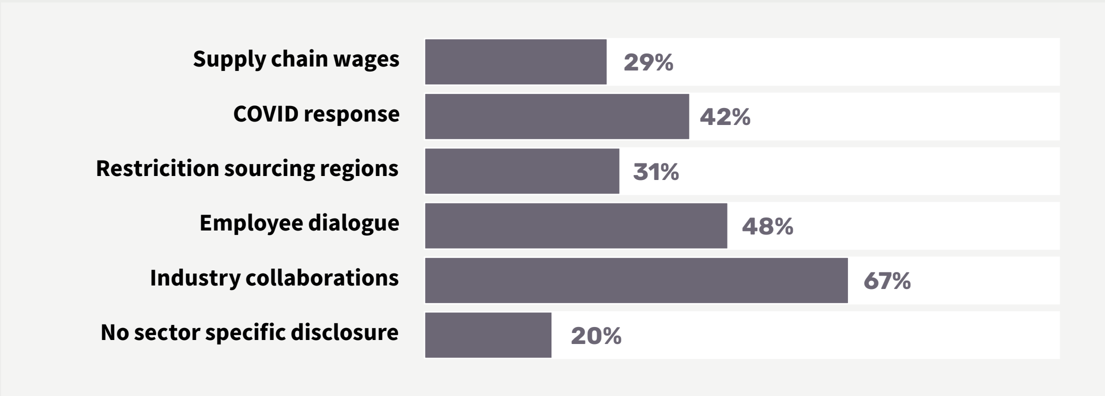
Recent legislative changes establishing mandatory reporting for large companies in California,[55] the United Kingdom,[56] Australia,[57] and the EU,[58] as well as mandatory due diligence in France[59] and Germany,[60] have pushed companies, including those in the garment industry to be more transparent. Even more recently, legislation has been proposed in the US state of New York to require fashion companies to disclose their due diligence policies[61] and in the US Senate to require large businesses to audit for forced labour.[62] Today, the biggest brands are paying greater attention to how they are producing their goods.[63] However, efforts are still falling short.

In December 2022, Walk Free and WikiRate assessed 97 statements submitted by the top garment companies and their investors required to report under the Modern Slavery Acts of the UK and Australia. Brands fell short of the requirements of the legislation and largely failed to address the specific modern slavery risks associated with the garment sector. For example, despite increased scrutiny surrounding the sector because of the pandemic[64] and heightened attention to state-imposed forced labour in garment supply chains,[65] many companies failed to disclose taking action to respond to modern slavery risks associated with COVID-19 or to restrict sourcing from regions where the state is involved in the exploitation of workers. Further, although the complex and transnational nature of garment supply chains requires engagement with workers, suppliers, and other stakeholders within supply chains, and with industry initiatives, less than half (48 per cent) of companies disclosed engaging with supply chain workers or groups representing them, while two-thirds (67 per cent) mentioned membership or partnership with industry-specific initiatives that address modern slavery issues (see Figure 18 for breakdown of the assessment of statements against sector-specific metrics).

Twenty-nine per cent of assessed companies committed to providing a living wage to their supply chain workers. Factory-level data collected by the Clean Clothes Campaign revealed that across 59 factories, the living wage gap averages 40 per cent, meaning that on average these workers need to earn almost 40 per cent more to meet their basic needs.[66] Despite this, it is estimated that the price of a final garment would need to increase by only 1 per cent for all garment workers to earn a living wage.[67]

Notably, expensive brands do not guarantee ethically made products. Despite enormous revenues,[68] luxury brands have been found to be among the poorest performers in terms of addressing risks of forced labour within garment supply chains.[69] Data from the Clean Clothes Campaign also showed that the living wage gap for workers linked to luxury brands assessed by Walk Free and WikiRate was significantly higher (53 per cent) than for non-luxury brands (38 per cent).[70]

**Figure 18**
**Addressing modern slavery risk in the garment sector**




### Promising practices: Examples from Southern India

Evaluations housed in the Promising Practices Database[71] can identify what works to end modern slavery in the garment sector. While there are relatively few evaluated programs targeted to the sector — mostly risk-based prevention programs, almost all of which incorporated awareness-raising campaigns and/or preventative education — there is one worth noting. In 2019, the Freedom Fund's hotspot program in Southern India,[72] which targeted bonded labour in spinning mills and garment factories,[73] evaluated the impact of a film-based curriculum within the program that brought young women and girls together to develop solutions to issues faced at home and in the spinning mills. It was found to positively change attitudes around seeking gender-equitable employment and safer working conditions among participants, as well as improving knowledge on wage entitlements and increasing confidence to act when facing situations of bullying or harassment.[74] Another evaluation of efforts to end labour abuses in Tamil Nadu state found shortcomings in program designs that did not involve local civil society groups,[75] highlighting the significance of ensuring that responses are holistic and are community-led.

## Recommendations for governments

1. **Strengthen existing supply chain transparency legislation that requires mandatory reporting and implement mandatory human rights due diligence laws. Legislation should require brands to undertake due diligence, including identifying supply chain risks and taking appropriate steps to address and mitigate them.**
2. **Conduct regular labour inspections to identify exploitative practices in the garment sector. Protect rights to freedom of association and collective bargaining in both legislation and in practice to help identify and remedy exploitation and monitor working conditions, ensuring vulnerable groups such as migrant workers can access these safeguards.**
3. **Ensure the national minimum wage meets the standards of a living wage.**
4. **Prevent the import of goods made with forced labour overseas and provide support to producing nations to address forced labour issues. Embed forced labour provisions within trade agreements.**
5. **Provide avenues for redress for exploited workers.**

06
IMPORTING RISK SPOTLIGHT

FISHING

# Spotlight on the fishing sector:

## Charting progress against forced labour at sea

*Hainan province, China, August 2020.*

*Deep sea fishing boats return to harbour to escape Typhoon Higos. There are widespread reports of forced labour and debt bondage in the deep-sea fishing industry. Migrant workers – typically men – are particularly vulnerable. Issues with regulations of foreign-flagged vessels leaves these workers with few, if any, protections. Photo credit: Luo Yunfei/China News Service via Getty Images.*

**In 2015, exposés revealed the exploitation of thousands of fishers aboard Thai fishing vessels in Indonesian waters,[1] which in some cases had been going on for years.[2] While not the first reports of forced labour at sea, nor in Southeast Asian waters, they catalysed awareness of the pervasiveness of this form of modern slavery in the fishing industry. Since then, documentaries,[3] research,[4] and media reports[5] have continued to highlight the plight of those forced to work at sea in many parts of the world.**

Increased focus on modern slavery at sea has galvanised political pressure to reform the regulatory environments which allow high-risk fleets to operate with near impunity.[6] It has also spurred research into innovative methods to improve monitoring of labour practices at sea and intensified demand for seafood imports free of slavery in its supply chains.[7] Yet progress on protecting fishers remains slow and the gains that were made initially have since been offset by the COVID-19 pandemic.[8]

Forced labour in fisheries is driven by the motivation to reduce costs amid diminishing profits, as the industry tries to meet global demand for seafood.[9] The overfishing that results serves to push profits further out of reach of fishing operators and perpetuates a cycle that leaves fishers vulnerable to forced labour. Fishers can be lured into situations of modern slavery by seemingly legitimate employment opportunities, but once recruited find themselves unable to leave due to threats of violence, physical confinement on – and off-shore, withholding of wages, and debts incurred through the recruitment process.[10] Confiscating passports and other identity documents is another means of keeping fishers from leaving situations of forced labour by preventing them from returning home or finding another job.[11] More recently, COVID-19 restrictions have also provided a convenient excuse for controlling fishers' movements.

Protection of fishers requires regulation by governments of flag states, which bear primary responsibility for the conditions in which fishers work and live aboard fishing vessels flying their flags.[12] Other states that have responsibility are port states where fishing vessels refuel and offload their catch and which are authorised to inspect vessels entering their ports, coastal states which have jurisdiction over and licence fishing in their waters, labour source states where migrant fishers are recruited and transit through, and market states that import fisheries products.[13]

### Persistent gaps in legal protection of fishers

While globally there has been progress to improve the legal frameworks that protect fishers, coverage is inadequate. Together, two international legal instruments provide a comprehensive framework for preventing forced labour in the fishing sector — the ILO Work in Fishing Convention, 2007 (No. 188) and the ILO Protocol of 2014 to the Forced Labour Convention, 1930.[14] Only 21 countries have ratified Convention No. 188, which promotes decent working and living conditions for fishers.[15] Of those, only six are among the top 25 countries responsible for producing the greatest marine capture and only two, Spain and Thailand, are among the seven countries deemed to have high-risk fisheries.[16]In 2018 and 2019, the Thai government ratified Convention No. 188 and the Protocol 2014 of the Forced Labour Convention, 1930,[17] becoming the first Asian government to do so.[18] The 2014 Protocol, which requires measures to be taken to prevent forced labour and to identify, protect and provide remedy for victims has been more widely ratified, but still by fewer than half of the top 25 countries responsible for producing the greatest marine capture.[19]

Gaps in domestic labour laws reduce protections for fishers. Fifty-five percent of the 176 countries included in Walk Free's assessment of government response do extend labour law protections to all workers regardless of sector or migration status. Most notably, labour laws in South Korea and Japan — countries with fisheries at high risk of forced labour[20] — lack protection for all fishers. Specifically, in South Korea, labour laws do not extend to migrant fishers[21] and, in Japan, labour laws do not extend to seafarers.[22]

Fishers also have limited recourse to freedom of association or collective bargaining rights. Forty-one per cent of the countries assessed do not provide these rights for all groups, while the majority of countries deny those rights to migrant workers, temporary workers, and, in some cases, maritime workers specifically. For example, in Thailand, where 90 per cent of the fishing workforce are migrants from Myanmar and Cambodia,[23] migrant workers do not have legal rights to join or form their own unions, a legal gap that advocates assert has impeded progress on addressing labour exploitation among migrant fishers.[24]

Risks of debt bondage and confiscation of passports and other identity documents are inherent to the industry and are not adequately addressed in national laws.[25] Just over one third of countries assessed mandate that recruitment fees cannot be charged to employees and less than a quarter register and monitor recruitment agencies. Further, only a quarter of countries prohibit the withholding of passports in either labour, criminal, or anti-trafficking laws. Even when laws do exist, enforcement in distant waters is a difficult task. Observers who are tasked with collecting information on fishing practices have minimal access to some fishing fleets.[26] Without adequate monitoring, vessels using forced labour can operate with impunity.

## Tackling the demand for seafood with opaque supply chains

Demand-side levers such as import bans have gained momentum in recent years as ways to pressure fishing nations to improve regulation of the fishing sector and to address human and labour rights abuses in the industry. The US and Canadian governments have attempted to prevent seafood produced with forced labour from reaching their markets through existing bans on the importation of goods likely mined, manufactured, or produced by forced labour.[27] This passes responsibility to importers to ensure the goods they bring into the country are at low risk of being produced with forced labour or else risk financial loss as a result of the seizure of these goods.[28] In the US, Withhold Release Orders (WROs) prohibit goods produced by forced labour being imported into the country under Section 307 of the Tariff Act of 1930.[29] In 2021, WROs were used for the first time to ban the import of goods produced by an entire fishing fleet, the Chinese company Dalian Ocean Fishing Co, based on recurring reports of forced labour.[30] As of September 2022, an additional four fishing vessels flagged to Fiji,[31] Taiwan,[32] and Vanuatu[33] had active WROs against them.[34] In 2020, Canada introduced measures to prevent the import of goods produced wholly or in part by forced labour under the Canada-United States-Mexico Agreement Implementation Act.[35] Similar legislation has been proposed in Australia[36] and the EU.[37] While there is insufficient data to understand the long-term efficacy of import bans in stopping forced labour in supply chains, there is some evidence of short-term improvements in corporate behaviour.[38]

Recent measures aimed at tackling the demand for illegal fishing also have potential benefits for human rights at sea, since illegal, unregulated, and unreported (IUU) fishing is associated with forced labour at sea.[39] For example, reforms by the Thai government introduced in 2018 and 2019 in response to the European Commission's 2015 "yellow card," a warning that without improved regulations to address IUU fishing, Thai seafood exports were at risk of European Union sanctions.[40] Reforms included measures to increase transparency of vessel identity, ownership, and fishing behaviours, and the introduction of a system to authorise and inspect vessels entering and leaving Thai ports.[41] These were among the changes that led to the removal of the yellow card against Thailand in January 2019.[42] Reports indicated that some of the measures improved the working conditions of fishers;[43] however, the Thai government subsequently faced criticism for poor implementation of these reforms.[44] Also endeavouring to reduce IUU fishing, World Trade Organization members in 2022 finalised the Agreement on Fisheries Subsidies, which prohibits subsidies to a vessel or operator engaged in IUU fishing.[45] The agreement will take effect and become binding once it is formally accepted by two-thirds of WTO members[46] and complaints are subject to the WTO dispute settlement process.[47]

Governments have also sought to stop the introduction of goods produced by modern slavery from entering their jurisdictions through legislation that encourages the private sector to identify and reduce modern slavery risks in their supply chains and operations and provide remedy where modern slavery is detected. Since 2015, 10 governments have enacted modern slavery legislation[48] and an additional seven governments as well as the European Union are considering such legislation.[49]

> **"We met the captain, the ship boss, and the foreman. The boss of the ship wanted to issue a ticket: 'If you don't sign it, then you will be homeless here. So, you're trapped in Peru!' Finally, there was no more choice, even though I was sick. Due to lack of clean water, my kidneys were sick ... so okay, it's okay ... I finally signed. 'If you don't sign then you won't be taken home,' they said."**
>
> *Indonesian migrant fisher on experiences of intimidation at sea, 2020[50]*

### COVID-19: A convenient crisis. A fisherman's story.

Angelo*, from a fishing community in the northern part of the Philippines, was encouraged by his family when he was in his 20s to take a job as a fisher in the Taiwanese fishing industry to supplement his family's income. As is common among Filipinos looking to work abroad in the fishing industry, Angelo engaged a recruitment agency. Based in Manila, the recruitment agency made all necessary arrangements for Angelo, including sending his monthly salary to his family in the Philippines on his behalf. Angelo did not sign a contract but was told he would earn more than what he was earning as a local fisherman at home. Angelo was employed on Taiwanese vessels for several years and was satisfied with the work. However, without a contract he did not know how long he would be aboard a vessel and sometimes spent more than a year at sea.

In 2018, Angelo, who at the time was in his late 30s, was working on a Taiwanese flagged fishing vessel with a Taiwanese captain and crew from the Philippines, Taiwan, and Bangladesh. The living and working conditions were poor and their salaries were often delayed. Availability of food and water was restricted by the captain and the Taiwanese crew, and they were made to work with little rest. They did not complain due to fear of not being paid.

In 2019, Angelo was informed by his family that they had not received any income from the recruitment agency for three months.

The company that operated the vessel told Angelo and his fellow crew that their pay would be delayed because it was used to fund repairs to equipment aboard the fishing vessel. They were also told that the ship had to wait in international waters, on the boundary of Chinese waters, until the condition of the vessel was verified by a shipping agent from China. Angelo and the crew remained stranded without pay in international waters for five months, during which time the COVID-19 pandemic was declared. Despite the repatriation of other crew members, Angelo and eight other Filipino crew were refused repatriation by the company that owned the vessel and made to stay on the vessel to guard the ship under the command of the Taiwanese captain. Angelo and the Filipino crew continued to make requests for repatriation to the captain of the vessel and were told that COVID-19 restrictions prevented this.

After several pleas from Angelo via social media, welfare organisations and faith leaders based in the Philippines called on the government of the Philippines to intervene. In April 2020, after nine months aboard the fishing vessel without pay, the Chinese authorities facilitated the repatriation of the crew with costs paid by the Philippines government. Angelo never received the salary owed to him. Following repatriation, he was informed that the recruitment agency was unregistered and had illegally recruited him.

**Not his real name*

## COVID-19 turning back the clock on transparency and protection at sea

Restrictions to curb the spread of COVID-19 reduced oversight of working conditions aboard fishing vessels and increased opportunities for fishers to be exploited. Pandemic travel restrictions interrupted the rotation of crew at the beginning and end of their contracts.[51] As a result, some vessels were not allowed to dock, which in turn prevented fishers from leaving these vessels and returning home.[52] The inability to change crews led to extended periods on board, sometimes beyond contract end dates, putting fishers at increased risk of forced labour.[53] Towards the end of 2020, some 400,000 seafarers (those involved in fishing and shipping) were reportedly stranded at sea.[54] Because of the pandemic,[55] several regional fisheries management organisations halted the requirement for independent observers to be onboard vessels in their areas of competence.[56] While the purpose was to overcome labour shortages and reduce personnel on vessels, it also obscured labour practices, limiting opportunities for exploited fishers to be identified and removed from such situations.[57]

While the pandemic saw an increased risk of exploitation, research points towards technological innovations to help address the lack of oversight. Improved vessel monitoring and open-source vessel tracking data can aid observers in maintaining oversight of fishing and labour practices at sea by identifying "risky" behaviour by vessels. Such information can inform enforcement activities and allow targeting of vessels with identified risky behaviour.[58] Automatic Identification Systems (AIS) and Vessel Monitoring Systems (VMS) are two approaches that use satellite tracking to monitor fishing vessels and their activities while at sea.[59] Despite their advantages, VMS and AIS are not used systematically, even by vessels equipped with remote monitoring capabilities.[60] Remote electronic monitoring, such as through the use of onboard cameras, also has the potential to help address the impact of observer shortages as well as reduce the costs associated with monitoring fishing practices and improve observer safety.[61]

## Tech helping to narrow the search

In 2021, Walk Free and Minderoo Foundation's Flourishing Oceans initiative supported Global Fishing Watch in the development of a model that would help reveal the extent of forced labour onboard fishing vessels at sea. Building on recent research that employed a machine learning approach to identify high-risk vessels,[62] Global Fishing Watch researchers trained a model to associate certain behavioural patterns of fishing vessels at sea with a higher risk of forced labour. To do this, they created a comprehensive database of 358 known instances of forced labour at sea between 2012 and 2020. However, only about 80 of these cases could be matched to AIS data — either because most offenders did not accurately broadcast AIS or, in some cases, they intentionally turned off their AIS equipment.

Despite this, the model was able to identify several vessel characteristics that were important in predicting risk of forced labour, including average voyage time, number of voyages, maximum distance the vessel operated from shore, and number of foreign port visits. Through this, more than 3,000 vessels — including longliners, squid jiggers, and trawlers — were identified as potential offenders associated with high risk of forced labour. Additionally, approximately 66,000 individuals, representing 30 per cent of all crew, were estimated to have worked onboard these vessels in 2020. However, the inability to match known instances of forced labour to the AIS data suggests that this may be a considerable underestimation of the scale of the problem.


*Thailand, 2018.*

*Thailand is a top 5 global seafood producer, with exports reaping over US$7 billion. But the profitable industry supplying consumers around the world with cheap seafood comes at a high cost to both the environment and to workers. The overwhelming majority of workers in Thailand's fishing and seafood processing industries are migrants from Myanmar, Laos and Cambodia. Labour brokers recruit from vulnerable communities, promising favourable employment in the construction, manufacturing, or agriculture industries. Migrants often incur debt from their recruitment, fees and costs associated with transportation and securing employment in Thailand. These debts are paid off through deductions from workers' earnings with employers and brokers frequently using debt manipulation to inflate the amounts and force people into bonded labour. Photo credit: Freedom Fund.*

## **Recommendations** for governments

**1** All governments must improve the publication and sharing of information on vessels with a history of human rights abuses, including identifying information, vessel behaviours, and details of human rights abuses. This includes developing, supporting, and implementing remote electronic monitoring programs while ensuring crew privacy is protected.[63]

Given the different types of state jurisdiction under international maritime law, the governments of the following states should:

**2** **Flag states***:* Ratify and domesticate the ILO Protocol of 2014 to the Forced Labour Convention, 1930 and the ILO Work in Fishing Convention, 2007 (No. 188), and ensure labour laws extend to migrant workers, temporary workers, and maritime workers. These laws must criminalise withholding of passports and other identity documents and guarantee workers full rights to freedom of association and collective bargaining regardless of nationality.

**3** **Source states:** Address the factors that make fishers vulnerable to modern slavery before they leave their country of origin. This includes registering and monitoring recruitment agencies and establishing and implementing laws to ensure workers do not pay fees or are not charged for services provided by recruitment agencies.

**4** **Coastal states:** Use their leverage to protect fishers in their waters by monitoring vessels operating under flags of convenience and refusing access to vessels where forced labour has occurred. Require remote electronic monitoring, such as AIS, to be consistently used to access fishing licences.

**5** **Port states:** Ratify and domesticate the ILO Work in Fishing Convention, 2007 (No. 188). Ensure that port authorities are adequately resourced and trained to conduct inspections of vessels to assess the working and living conditions of fishers and identify indicators of forced labour. This must include survivor support services and enforcement of relevant laws to ensure perpetrators of forced labour are held to account.

**6** **Market states:** Implement measures to address the demand for seafood caught with modern slavery. This includes strengthening existing modern slavery mandatory reporting laws or, preferably, introducing mandatory human rights due diligence legislation. These laws should require action to be taken by businesses to prevent, mitigate, or remediate modern slavery and have financial penalties, including civil liability for non-compliance. Additionally, governments should implement import bans of goods where there is a reasonable belief that these are made with forced labour.

06
IMPORTING RISK SPOTLIGHT

COCOA

# Spotlight on the cocoa sector: Chocolate's hidden ingredient

**Chocolate is a vastly popular treat all over the world, yet many consumers do not know that forced or child labour may have been used to produce it.[1] The farming and harvesting of cocoa beans are particularly vulnerable to forced labour, trafficking, and the worst forms of child labour.[2]**

Nearly two-thirds of the world's cocoa originates from West Africa, primarily from Côte d'Ivoire (44 per cent) and Ghana (16 per cent).[3] Despite the steep profits made by chocolate companies, cocoa farmers earn significantly below a living income. For example, in 2021 the largest company in the cocoa sector, Nestlé, reported annual gross profits of approximately US$18 billion.[4] In comparison, the average daily income of cocoa farmers is reportedly only the equivalent of US$1.42 in Ghana and US$1.23 in Côte d'Ivoire.[5] Farmers earn just 6 per cent of the retail price of a standard milk chocolate bar while chocolate manufacturers earn 33 per cent.[6]

In a 2018 study funded by the Chocolonely Foundation, Walk Free estimated that 3.3 in every thousand adult cocoa workers in Ghana had experienced forced labour, while in Côte d'Ivoire the figure is 4.2 in every thousand workers in medium and high cocoa production areas. Children were also at risk of forced labour; approximately 16,000 children across the two countries had been forced to work and were typically coerced by someone in their family.[7] Parents and adult family members, including siblings, aunts, uncles, and grandparents, are commonly found to be responsible[8] due to widespread poverty and limited alternative opportunities to earn income. Other reports indicate that children and migrants from Burkina Faso and Mali are trafficked for the purposes of labour exploitation within the Ivorian and Ghanaian cocoa sector.[9]

Modern slavery is driven by widespread poverty within cocoa-growing communities, together with highly variable cocoa prices, barriers to education,[10] small profit margins for farmers,[11] and the limited bargaining power of farmers to insulate against price shocks.[12] These structural inequalities lead cocoa-farming operations to recruit vulnerable workers, including their own children and migrants — and sometimes through forced labour, trafficking, or debt bondage[13] — in order to meet demand,[14] improve profitability, and earn a living income. Meanwhile, major companies reap the benefits of the expanding chocolate industry, which is expected to be worth US$200.4 billion by 2028.[15] In fact, as the industry grows, risks of exploitation increase. Over the last decade, a 62 per cent rise in cocoa production in Côte d'Ivoire and Ghana was accompanied by a 13 per cent rise in hazardous child labour,[16] with children aged 10 to 17 years involved in land clearing, lifting heavy loads, using agro-chemicals and sharp tools, and working long hours and at night.[17]

COVID-19 increased the risk of modern slavery and left workers with even fewer protections. Vulnerability to modern slavery increased in the cocoa sector due to pandemic-related supply chain interruptions, price fluctuations, and unstable demand — in addition to increased food insecurity,[18] rising poverty,[19] and greater barriers to education.[20] For example, school closures, limited government assistance, and decreased parental incomes[21] exposed more vulnerable Ghanaian children to hazardous work.[22] In Côte d'Ivoire, one study found a 21 per cent increase in hazardous child labour on cocoa farms during a partial lockdown in 2020.[23]

*Accra, Ghana, June 2019.*

*A worker removes the husk from roasted cocoa beans, as part of the chocolate production process. Cocoa farming is a significant source of income for families in Ghana and Côte d'Ivoire, yet despite the massive profits made by chocolate companies, farmers earn little income and often require their children to skip school in favour of going to work, in order to survive. Photo credit: Cristina Aldehuela/AFP via Getty Images.*

## Commitments, action, and inaction

Efforts to reduce exploitation in the West African cocoa sector have focused almost exclusively on child labour. Since the 2001 Harkin-Engel Protocol,[24] a public-private partnership developed with United States federal legislators to eliminate the worst forms of child labour in the cocoa industry,[25] several cocoa buyers have made commitments to end the exploitation of children. Eight of the industry's major players[26] signed the Protocol and pledged to eliminate the worst forms of child labour from their cocoa growing operations.[27] Yet, in the two decades since the Protocol was adopted, exploitation remains common, with more than 1.5 million children engaged in child labour in cocoa productions in Cote d'Ivoire and Ghana.[28]

Some efforts have been made to monitor, identify, and provide remedy for children exposed to child labour. For example, the Child Labour Monitoring and Remediation Systems (CLMRS), first developed by Nestlé in partnership with the International Cocoa Initiative,[29] provides a structured approach to address and remediate child labour in Côte d'Ivoire and Ghana.[30] The CLMRS model is based on the proactive identification, record-keeping, engagement, and remediation with children vulnerable to hazardous work and their families. The work is delivered via specialised Community Liaison Officers, who maintain regular contact with vulnerable children, families, and communities as needed.[31] When implemented correctly, CLMRS highlights how companies can work together with communities to identify, remediate, and in turn reduce child labour risks. However, the model has faced criticisms of ineffectiveness, poor coverage,[32] and untimely remediation.[33] Increased resources, collaboration, and funding are required to strengthen and expand current systems.

Other company actions to reduce risk include the creation of internal certification schemes. However, these schemes have also attracted criticism due to a lack of action and transparency on how the standards are implemented.[34] Certification schemes developed by independent sustainability labels, such as Fairtrade and the Rainforest Alliance, and those developed by regional bodies, including the ISO/CEN 34101 and ARSO/SRS 1001 standards,[35] have also faced issues. In 2021, 39 per cent of Fairtrade-certified cocoa farmers in Cote d'Ivoire were living in extreme poverty, while only 15 per cent of Fairtrade-certified farmers earned a living income.[36] Despite increases to Fairtrade minimum prices for cocoa in 2019, current prices paid for cocoa do not meet their own Living Income Reference Prices, which were established to quantify the gap between sustainable and market prices.[37] Clearly, unless they are coupled with other interventions addressing the core issue of poverty through paying more for cocoa and strengthening CLMRS, certification schemes alone will not address labour exploitation in the cocoa sector.

## Big chocolate company disclosures under the Modern Slavery Acts

An analysis of statements produced by cocoa companies required to report under the United Kingdom and Australian Modern Slavery Acts (MSAs) highlights the limited actions taken to address forced labour and exploitation in the industry. In February 2023, Walk Free and WikiRate assessed the modern slavery statements of 39 companies against a series of metrics[38] derived from the MSAs and their accompanying guidance.[39]

Perhaps most surprisingly, almost two-thirds of the cocoa companies did not include any sector-specific disclosures within their statements, despite including well-documented modern slavery risks within the sector such as addressing and monitoring child labour and supply chain wages. Not a single company disclosed a modern slavery policy applied beyond their immediate suppliers (tier 1), despite modern slavery risks increasing in deeper tiers. Further, despite the high risk of forced labour and the worst forms of child labour in the sector, only seven companies identified an incident of modern slavery in their cocoa-specific supply chain. Rather than indicating that the industry is low risk, these findings point to severe lack of industry transparency and reveal that the majority of companies are failing to conduct due diligence.

The companies were also assessed against five metrics that were specific to the cocoa industry.[40] Of these, the most commonly met was the disclosure of collaborative efforts, partnerships, or support for initiatives such as the International Cocoa Initiative and the World Cocoa Foundation. Over half of company statements included this type of disclosure. Only 33 per cent of companies included disclosure of supply chain wages, although for most this did not go further than referencing pledges to increasing farmer and worker incomes, rather than citing a commitment and action plan for implementing living wages throughout supply chains. Only one company disclosed that they had a CLMRS that covered all their cocoa suppliers, although five others described that they were planning to expand their current CLMRS to cover all cocoa suppliers by 2025. Despite increased modern slavery risks in the cocoa sector associated with COVID-19, only two companies reported having provided pandemic-related support to their suppliers or workers.

Consumers, human rights groups, and survivors have attempted to hold chocolate companies to account through legal action. Separate lawsuits against major chocolate companies[41] concerning exploitation in the cocoa sector in the US, under the Alien Tort Statute,[42] the Trafficking Victims Protection Reauthorization Act,[43] and consumer protection laws in the state of Massachusetts,[44] have had limited success to date. These cases have been dismissed due to the extraterritorial nature of the conduct[45] and for failing to show a traceable connection between the companies and the cocoa workers.[46] However, a new class action against Nestlé USA alleging a breach of a Californian law,[47] for deceiving consumers through sustainable and certification labels, is proceeding to trial.[48] Actions by source country governments have also had some limited impact, but not without a struggle. For example, in 2020, the governments of Ghana and Côte d'Ivoire instituted the Living Income Differential (LID), which required chocolate makers to pay an extra US$400 per tonne of cocoa, in addition to the farm gate price.[49] However, companies avoided paying the premium by negotiating with other cocoa-producing governments[50] and thereby diversifying their cocoa sources,[51] which resulted in decreased demand, oversupply, and reduced earnings for farmers.[52] Fortunately, following negotiations between buyers, cocoa regulators, and the Côte d'Ivoire Ghana Cocoa Initiative, 12 major cocoa buyers formally agreed to pay the LID and set a price floor in July 2022.[53] However, it remains yet to be seen if this commitment is being implemented.

**"I admit that it is a kind of slavery... They are still kids and they have the right to be educated today. But they bring them here to work, and it's the boss who takes the money."**

*Ivorian farmer on unaccompanied children from Burkina Faso who come to work on cocoa farms.[64]*

## Confectionery with a conscience: Tony's Chocolonely

Tony's Chocolonely has a mission to make all chocolate slavery-free. The Netherlands-based company advocates for chocolate companies to take full responsibility for their supply chains by observing the company's Five Sourcing Principles,[55] which include: comprehensively tracing the production of cocoa beans; paying a higher price through premiums that enable a living income; strengthening farming cooperatives; improving the quality of cocoa beans and productivity through promoting sustainable farming practices; and making a long-term commitment to sales at a higher price to reduce demand shocks.[56] Transparency is a key part of the company's ethos, as evidenced through its annual FAIR report, which details its policies and their impact, along with gaps and trends, and identifies cases of modern slavery within its supply chain.[57] This commitment to transparency, despite attracting some criticism,[58] is crucial to raising awareness and to evaluating the effectiveness of the company's theory of change.[59]

Awareness-raising efforts begin at the point of sale through the design of the chocolate bars,[60] through Tony's "Serious Friends" peer ambassador network,[61] and through purpose-driven campaigns such as the "Sweet Solutions" campaign launched in 2021,[62] which involved the creation of four chocolate bars resembling iconic products but made using Tony's sourcing principles. The campaign reached 32 million people, more than doubled the number of signatories on a petition demanding due diligence legislation and led to almost 15,000 new "ambassadors" joining the fight to make chocolate slavery-free.[63] Tony's decision to source cocoa from the West Africa, instead of avoiding this sector all together, demonstrates to the wider industry that sustainable sourcing and traceability is possible.

## **Recommendations** for governments

### In cocoa-producing nations:

1. Collaborate to raise farm gate prices and develop national traceability schemes.[64]
2. Commit to improve regional supply management to protect workers from price fluctuations, with more comprehensive regional coordination and strategies that target oversupply and enable sustainable domestic and international prices.
3. Increase support for cocoa workers and establish farmer-controlled cooperatives that enhance their bargaining power and foster a competitive domestic sector.
4. Undertake greater policy reform in social and safety protections, such as employment insurance and increased investment in cocoa agriculture, education, and healthcare.

### In cocoa-consuming nations:

1. Strengthen existing MSAs and introduce mandatory human rights due diligence to mandate stronger due diligence, transparency, and accountability mechanisms across entire supply chains. Voluntary codes and reporting alone will not prevent or address exploitation in the cocoa sector.
2. Fund independent research that highlights good practice and leading industry examples to track progress, address root causes, and identify effective remedy and detection mechanisms.
3. Strengthen partnerships and agreements with both cocoa-producing and other cocoa-consuming countries that hold international companies accountable and ensure good governance is upheld.