



MAPPING LABOUR RIGHTS ISSUES IN THE FOOD SUPPLY CHAIN

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G·E·S[®]

in collaboration with



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EXECUTIVE SUMMARY

Labour rights issues in food supply chains are crucial matters to investors, both in terms of compliance with international human rights norms and national legislation, and from the material point of view of securing future supplies.

An ever-growing number of investors believe that the minimum requirement needed to invest in a company is compliance with international human rights norms.

Good working conditions in the food supply chain, particularly for small-scale farmers and plantation workers, also have a direct link to several Sustainable Development Goals (SDGs). Farmers and agricultural workers receiving a living income are of course more likely to be able to send their children to school, secure a long-term supply of food for their families, and, in general, escape poverty. A living income for a poor rural population would also help reduce income inequalities on both a national and global level.



Companies which integrate key ESG risks are also likely to achieve better and more long-term, sustainable returns. This is also true for the food sector, which, in the age of urbanisation, is dependent on ensuring that farming and agricultural wage work is attractive in order to retain its workforce.

Pre-study on new investor initiative on food supply chains

GES has, in collaboration with AP7, The Seventh Swedish National Pension Fund, conducted a pre-study to provide input for the development of an engagement initiative. The objectives of the pre-study were to:

- 1) identify the most elevated labour rights risks and adverse impacts in food supply chains;
- 2) outline how investors may engage companies to improve their preparedness to manage such risks and to remediate adverse impacts; and
- 3) identify ongoing investor initiatives related to labour rights in food supply chains and recommend a new engagement initiative, which best complements them.¹

For the purpose of this report, a desktop study of relevant literature was conducted, and a number of meetings were held with key stakeholders within the area of labour rights in food supply chains.

¹ Please note that the longer version of this report includes an engagement strategy and is exclusive for the investors participating in the initiative.

Findings in brief

Child labour and forced labour are the issues that are given the most emphasis in the literature related to labour rights in food and agricultural supply chains; they are the issues with, reportedly, the most severe concerns and widespread prevalence². SDG 8, on decent work and economic growth, also specifically includes targets for the eradication of child labour and forced labour.

It is estimated that forced labour and child labour are present in 65 agricultural, forestry, and fishing products, indicating a high prevalence of these internationally banned labour practices in those sectors.³ In 2017, the global estimate of the number of child labourers was 152 million, of which more than 70 per cent were found in agriculture.⁴ This makes it particularly relevant for the food industry to combat. As for forced labour, it was estimated to involve 25 million people globally in 2017, and 11 per cent of forced labourers were found in the agricultural and fishing sector.

Furthermore, almost one in four victims of forced labour was exploited outside of their country of residence. Migrants are particularly vulnerable to forced labour due to language barriers, integration challenges, and limited local knowledge and support.⁵ Particular emphasis will therefore be placed on migrant workers when engaging the food industry on forced labour.

From the point of view of the supply chain, most labour rights risks and adverse impacts take place at a farm level. Thus, the focus of the engagement will be on this tier in the companies' supply chains. This may include both agricultural workers on plantations and independent smallholders. As discussed above, a living income is highly relevant to ensure basic needs for such a rural population and fulfill several SDGs. A living income is therefore suggested to be particularly emphasised in the investor initiative.

GES has identified five food commodities connected with some of the most elevated labour rights risks overall. These are coffee, rice, sugar, tea, and tomatoes. This conclusion is primarily based on the frequency of which these commodities are mentioned in the literature, and by key stakeholders, as being linked to child labour and forced labour.

² See, for example:

ILO, 2017. Global Estimates of Child Labor.

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

ILO, 2017. Global Estimates of Modern Slavery. http://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVpra_Report2016.pdf

Fair Labour Association, 2017. Annual Public Report. http://www.fairlabor.org/sites/default/files/documents/reports/2017_fla_apr.pdf

KnowtheChain, 2016. Food and Beverages Benchmarks Findings Report. https://knowthechain.org/wp-content/plugins/ktc-benchmark/app/public/images/benchmark_reports/KTC_Food_Beverage_Findings_Report_October.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. <https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

UNDP, 2018. Goal 8 targets. <http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth/targets/>

³ Anti-slavery 2016. Products of Slavery and Child Labour. http://www.antislavery.org/wp-content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf

⁴ ILO, 2017. Global Estimates of Child Labor.

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

⁵ ILO, 2017. Global Estimates of Modern Slavery, ILO 2017. http://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

In terms of geographic focus, what is most relevant for the new investor engagement is dependent on the particular locations that the selected companies for the engagement are sourcing from. This is seldom public information and needs to be obtained from the companies in engagement dialogues.

Suggested new investor initiative

GES concludes that the objective of the new engagement initiative should be to improve companies' preparedness to address risks of child labour and forced labour in their supply chains, as well as to remediate other potential adverse labour rights impacts. In the engagement, specific emphasis should be given to efforts to provide a living income for agricultural workers and smallholders. Particular focus should be placed on the aforementioned high-risk commodities, namely coffee, rice, sugar, tea and tomatoes. In order to measure progress, we have developed a set of suggested key performance indicators (KPIs) for the fulfillment of the suggested engagement objective.

Approximately 20 food, beverage, and food retailing companies are suggested for targeting by this engagement. A variety of factors were considered for their selection, such as, most importantly, that they source most of the selected "high-risk commodities" listed above and are listed companies and relevant to the investors participating in the initiative. Other factors that were taken into account include the size of the company (in terms of market value and sales, among others)⁶, poor performance in relevant corporate benchmarks such as KnowTheChain and the Corporate Human Rights Benchmark, and not having already been targeted by other similar engagement initiatives.

⁶ Forbes, 2017. World's biggest public companies. <https://www.forbes.com/global2000/list/#tab:overall>

INTRODUCTION

The role of institutional investors

An ever-growing number of investors believe that the minimum requirement needed to invest in a company is compliance with international human rights norms. Such investors expect companies to operate according to the UN Guiding Principles on Business and Human Rights, which state that:

“Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.”⁷

Recent years have also seen a growing amount of national legislation and enforcement in relation to corporate respect for human rights and labour rights in supply chains, most notably the UK’s Modern Slavery Act and California’s Transparency in Supply Chains Act. In the context of the US, the enforcement of the Alien Tort Statute towards corporations might have become weaker, but on the other hand, there are some indications that the Trafficking Victims Protection Reauthorization Act (TVPRA) might be used to hold companies accountable. The latter law prohibits human trafficking and forced labour and offers individuals the right to take action against a company should it show inadequate control over the practices of its suppliers.⁸ There is also emerging legislation in other countries.⁹ Given such developments, companies addressing labour rights risks in their supply chains are likely to be better protected against litigation.

Companies have started to recognise investors as a driver to strengthen their labour practices. In a survey conducted by the Ethical Trade Initiative in 2016, 25 per cent of the surveyed corporate respondents saw investors as a driver for companies to address modern slavery. As recently as in 2015, the same figure was 0 per cent.¹⁰ This indicates an increased emphasis on the topic from investors.

Labour rights issues in food supply chains are crucial matters to investors, both in terms of compliance with international human rights norms and national legislation and, from a material point of view, of securing future supplies. Given the importance of this area to the investor community, GES has, in collaboration with the Seventh Swedish National Pension Fund, AP7, conducted a study with the objectives of:

- 1) identifying the most elevated labour rights risks and adverse impacts in food supply chains;
- 2) outlining how investors may engage companies to improve their preparedness to manage such risks and to remediate adverse impacts; and

⁷ The UN Guiding Principles on Business and Human rights, Chapter II, Principle 11, 2011.

http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

⁸ Bloomberg, 2017. U.S. Supreme Court May Shield Companies From Human-Rights Lawsuits.

<https://www.bloomberg.com/news/articles/2017-10-11/top-u-s-court-may-shield-companies-from-human-rights-suits>

Innovation Forum, 2018. Litigation risk focuses minds on modern slavery. <https://innovation-forum.co.uk/analysis.php?s=litigation-risk-focuses-minds-on-modern-slavery>

⁹ PRI Webinar: Modern Slavery - legal compliance and meaningful action. 2018

¹⁰ The Ethical Trade Initiative, 2016. Corporate leadership on modern slavery. https://www.ethicaltrade.org/system/files/gated-files/corporate_leadership_on_modern_slavery_summary.pdf

- 3) identifying ongoing investor initiatives related to labour rights in food supply chains and recommending a new engagement initiative, which complements them.¹¹

For the purpose of this report, GES conducted a desktop study of the relevant literature and held meetings with key stakeholders within the area of labour rights in food supply chains. The considerations and findings are presented in the next chapter.

The case for engagement

There have been multiple initiatives over the years to address labour rights in the agricultural supply chain, created and supported by a variety of stakeholders including governments, corporations, consumer interest groups, NGOs, UN bodies and investors. Some of these initiatives have focused on food commodities, others on cotton and tobacco, for example, or on specific geographies. Whilst some pockets of progress can be seen, the problems persist.

There is evidence, however, that momentum is building and progress accelerating. The concept of living income has been developed and matured and several promising projects are underway e.g. in the tea and cocoa sectors. The timing is therefore favourable for an investor initiative to emphasise the topic of living income specifically and to help spread further efforts across food supply chains.

A good practice system to combat child labour has been established in the cocoa industry, called child labour monitoring and remediation system (CLMRS). It is a community-based system to identify cases of child labour and take remedial measures to address those (for example by providing access to school and/or opportunities for the family to increase their income through side businesses or crop diversification). There is potential to roll out this system to other food supply chains.

Stakeholder feedback has pointed out that GES' engagement with the cocoa industry helped push more companies to introduce CLMRS. It was also expressed that the fact that there has been considerable focus on the issue of child labour in the cocoa industry has led to the higher level of activity in the sector to address it.

¹¹ Please note that the longer version of this report includes an engagement strategy and is exclusive for the investors participating in the initiative.

CONSIDERATIONS AND FINDINGS

In this chapter we present the most prevalent labour rights issues in food supply chains and identify the most high-risk commodities and geographies affected. Approaches and initiatives to address the issues, and the lessons learnt, are discussed.

Labour rights issues in food supply chains

There are a number of labour rights issues and challenges in global food supply chains. In order to narrow down the scope, GES has taken into account international norm documents. The ILO lists eight fundamental conventions in relation to labour rights. From the labour rights issues covered by those conventions, the problems of forced labour and child labour are particularly relevant for food supply chains and are often mentioned by stakeholders and relevant sources as being key risks and actual adverse impacts.¹² Accordingly, GES suggests these labour rights issues to be the central focus of the new engagement initiative. The issues are described in more detail below.

In the supply chain context, most labour rights risks and adverse impacts take place at a farm level. Thus, the focus of the engagement will be on this tier in the companies' supply chains. This may include both agricultural workers on plantations and independent smallholders.

¹² See, for example:

ILO, 2017. Global Estimates of Child Labor.

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

ILO, 2017. Global Estimates of Modern Slavery. http://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Fair Labour Association, 2017. Annual Public Report.

http://www.fairlabor.org/sites/default/files/documents/reports/2017_fla_apr.pdf

KnowtheChain, 2016. Food and Beverages Benchmarks Findings Report. https://knowthechain.org/wp-content/plugins/ktc-benchmark/app/public/images/benchmark_reports/KTC_Food_Beverage_Findings_Report_October.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

Child labour

Global estimates of child labour in 2017 indicate that 152 million children were involved in such practices, with 73 million of them engaging in hazardous work. More than 70 per cent of the child labourers, i.e. 108 million children, were found in agriculture. Agricultural child labour is often also hazardous in its nature, including, for example, the carrying of heavy loads, exposure to pesticides, and long working hours.

In terms of regional prevalence, almost 20 per cent of the children in Africa are involved in child labour, and in typical cases they are involved in family agriculture.¹³

International human rights norms are clear on child labour. ILO Convention No. 182 on the worst forms of child labour (article 3d) defines hazardous child labour as: “work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children”.¹⁴ In accordance with the UN Global Compact Principle 5: “the effective abolition of child labour” points to the responsibility of the private sector to combat child labour.¹⁵



¹³ ILO, 2017. Global Estimates of Child Labor.

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

¹⁴ ILO, 1999. Worst Forms of Child Labour Convention

ILO, 2018. Hazardous Child labour. <http://www.ilo.org/ipecc/facts/WorstFormsofChildLabour/Hazardouschildlabour/lang-en/index.htm?ssSourceSiteId=global>

¹⁵ The UN Global Compact, principle 5. <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Child labour

The term “child labour” is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

It refers to work that:

- *is mentally, physically, socially or morally dangerous and harmful to children; and*
- *interferes with their schooling by:*
 - *depriving them of the opportunity to attend school;*
 - *obliging them to leave school prematurely; or*
 - *requiring them to attempt to combine school attendance with excessively long and heavy work.*

Children helping their parents

Children’s or adolescents’ participation in work that does not affect their health and personal development or interfere with their schooling, is generally regarded as being something positive. This includes activities such as helping their parents around the home, assisting in a family business or earning pocket money outside school hours and during school holidays.

Age limitations for child labour

The ILO Minimum Age Convention (no 138) sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.

*Source: the ILO: <http://www.ilo.org/ipecc/facts/lang--en/index.htm> ;
<http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/child-labour/lang--en/index.htm>*

Forced labour

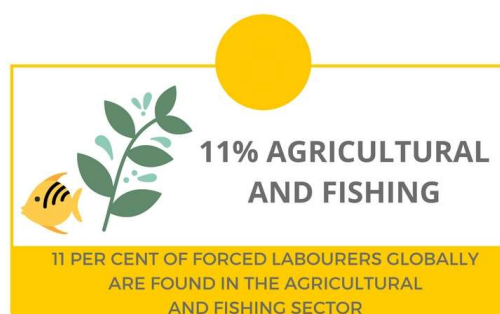
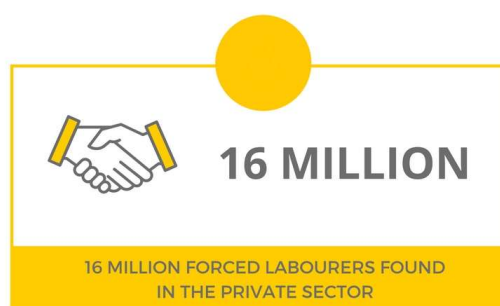
25 million people were estimated to have been involved in forced labour globally in 2017, out of which 16 million were found in the private sector (the remaining people were involved in forced sexual exploitation and state imposed forced labour). 18 per cent of all of the people involved in forced labour were children. 11 per cent of forced labourers globally are found in the agricultural and fishing sector.

In terms of geographic spread, forced labour was most prevalent in Asia and the Pacific, where four per cent of the population is involved in such practices. The second most common area was Europe and Central Asia, with 3.6 per cent of the population working in forced labour. People exposed to forced labour face a variety of forms of coercion, such as having their wages withheld, and being prevented from leaving by threats of non-payment of wages, threats of or acts of physical violence, and threats against their family members.

Forced labour and child labour were found in 65 agricultural, forestry and fishing products, indicating a high prevalence of these internationally banned labour practices in these sectors.²⁰ Two fundamental ILO conventions also set out to combat forced labour explicitly, i.e. the ILO Forced Labour Convention (No. 29) and the ILO Abolition of Forced Labour Convention (No. 105).¹⁶ These labour rights issues are also specifically mentioned under Sustainable Development Goal (SDG) 8 on Decent Work and Economic Growth, which sets out to:

“Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.”¹⁷

FORCED LABOUR



¹⁶ ILO, 2018. The eight fundamental conventions. <http://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

¹⁷ The UN Sustainable Development Goals. <http://www.un.org/sustainabledevelopment/economic-growth/>

Forced labour and migrants

Almost one in four victims of forced labour was exploited outside of their country of residence. Migrants are particularly vulnerable to forced labour due to language barriers, integration challenges, limited local knowledge, and support.¹⁸ As an example, according to a survey conducted by the International Organization for Migration (IOM), three quarters of the respondents on the Central Mediterranean route to Europe from North Africa reported experiences of abuse, exploitation, coercion, and human trafficking.¹⁹ Similarly, there are indications that the risk of modern day slavery has risen in 20 of the 28 EU member states in the last 18 months.²⁰ The International Labour Organization (ILO) points out that migrant workers are at an especially high risk of coercion within agriculture and fishing.²¹

The Sustainable Development Goals

As noted above, the suggested focus of the new investor initiative is at the farm level in food supply chains, including both agricultural workers on plantations and independent smallholders. Good working conditions for such workers and farmers have a direct link to several Sustainable Development Goals (SDGs), namely SDG 1 on poverty, SDG 2 on zero hunger, SDG 4 on quality education, SDG 8 on decent work and economic growth, and SDG 10 on reduced inequalities.



Living income

Farmers and agricultural workers receiving a living income (i.e. enough to care for basic needs for him/herself and his/her family) are, of course, more likely to be able to send their children to school, secure a long-term supply of food for their families and, in general, escape poverty. A living income, for an often poor and rural population, would also help reduce income inequalities on both a national and global level. This could, for example, be achieved through the payment of price premiums, crop diversification for smallholders, the facilitation of other additional means of income, etc.

Price interventions, at scale, however, need to take into account both the local and international economic contexts, avoiding oversupply, and thereby price-drops, and/or reduced competitiveness and consequent difficulties selling the crop on the global market. It might also be hard for a single company to pay higher

¹⁸ ILO, 2017. Global Estimates of Modern Slavery, ILO 2017. http://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

¹⁹ IOM, 2017. Flow Monitoring Surveys: The Human Trafficking and Other Exploitative Practices Prevalence Indication Survey. <http://migration.iom.int/europe/>

²⁰ Innovation Forum, 2018. Litigation risk focuses minds on modern slavery. <https://innovation-forum.co.uk/analysis.php?s=litigation-risk-focuses-minds-on-modern-slavery>

²¹ ILO, 2017. Global Estimates of Modern Slavery. http://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm

prices to farmers and/or wage workers and remain competitive, while anti-trust laws might make it challenging to agree to higher premiums at an industry level. Nevertheless, there are some emerging good practices on living income among agricultural workers and smallholders. Given the high relevance of a living income to ensuring basic needs and fulfilling several of the SDGs, GES advises that particular emphasis is placed on this topic in the investor initiative.

Momentum on living income

A recently initiated corporate initiative by the UN Global Compact aims to focus on root causes behind labour rights violations, such as decent wages. Several other stakeholders GES talked to also focus on living wages and living income. It was, for example, mentioned that there are interesting emerging practices within the cocoa and tea industry on living income. Such efforts are starting to get known in broader food supply chain contexts and stakeholder networks.

The timing is therefore favourable for an investor initiative to emphasise the topic of living income specifically and to help spread further efforts across food supply chains.

Stakeholder feedback on addressing living income

In interviews with stakeholders, it was particularly highlighted that the most important task is to close gaps between actual income levels and living income levels. One stakeholder argued that increasing price is the most important factor to reach living income levels for farmers. There are, however, obstacles such as anti-trust issues, should companies collaborate to increase prices paid to farmers. Should a company on the other hand decide to proceed with price increases to farmers on its own, it may have implications on the competitiveness of its products. Other potential means to close income gaps are diversification to other crops and side businesses, training in good agricultural practices to increase productivity, introduction of micro credits and micro insurances, assistance to farmers to lower input prices (such as on fertilisers, seedlings, storage etc.) and empowering farmers by trade union affiliation.

Another stakeholder also highlighted the importance of not intervening on one crop in isolation, but to rather look at the variety of crops grown locally and provide farmer training, child labour remediation etc. in the local community, rather than per crop. When several high-risk crops are sourced from the same geography, this dimension should also be taken into account in the engagement.

High-risk commodities

Based on the analysis of data on child and forced labour prevalence, and with consideration for the potential to achieve positive change, GES has identified five food commodities with elevated risks of forced labour and child labour on which the proposed investor initiative would focus. Those commodities are coffee, rice, sugar, tea and tomatoes.

The analysis is primarily based on the frequency at which these commodities are linked to child labour and forced labour. The significance of the commodity, measured by the market value of its total global sales, was also considered.²² This factor was added because the higher value of the commodities should have

²² See for example:

more relevance for the companies to encourage them to ensure the associated supply chains are properly managed and future supplies are secured. It is also an indication of substantial volumes and impacts on a large number of people. Therefore, in terms of contributing to positive change, it makes sense to focus on larger commodities rather than smaller ones when engaging companies on labour rights in their food supply chains. In particular rice, sugar and tomatoes are significant agricultural products on the world market, and to a slightly lesser extent this is also true for coffee and tea. Finally, input from stakeholder meetings was taken into account when choosing focus commodities, with arguments from the experts ranging from an identification of elevated labour rights concerns to particular opportunities or a need for more investor attention.²³

Among food products, sugarcane, coffee and rice are the commodities associated with child labour and/or forced labour in the greatest number of countries. To a slightly lesser extent, tea and tomatoes are also reported to be produced by child labour and/or forced labour in a number of countries.²⁴

Sugar is reported to be produced by child labour in 18 countries and by forced labour in five. Such labour practices are noted primarily in Latin America, East Africa and South and South-East Asia. There are some country-specific reports relating to labour rights in the sugar supply chain. There is also emerging collaboration within the industry on the topic.²⁵

Coffee is reported to be produced by child labour in sixteen countries and by forced labour in three. Primarily, such labour practices are reported in the northern part of Latin America, in East and West Africa and in South-East Asia. Country-specific research and reporting have been carried out by NGOs and there are some initiatives ongoing by the industry.²⁶

US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Fair Labour Association, 2017. Annual Public Report.

http://www.fairlabor.org/sites/default/files/documents/reports/2017_fla_apr.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

Anti-slavery 2016. Products of Slavery and Child Labour. [http://www.antislavery.org/wp-](http://www.antislavery.org/wp-content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf)

[content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf](http://www.antislavery.org/wp-content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf)

²⁴ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

Anti-slavery 2016. Products of Slavery and Child Labour. [http://www.antislavery.org/wp-](http://www.antislavery.org/wp-content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf)

[content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf](http://www.antislavery.org/wp-content/uploads/2016/11/products_of_slavery_and_child_labour_2016.pdf)

²⁵ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

ILO, 2017. Child labour in the primary production of sugar cane.

http://www.ilo.org/ipecc/Informationresources/WCMS_IPEC_PUB_29635/lang--en/index.htm

Stakeholder meetings with ILO-IPEC and ISEAL

²⁶ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

http://www.verite.org/wp-content/uploads/2016/11/Research-on-Indicators-of-Forced-Labor-in-the-Guatemala-Coffee-Sector_9.16.pdf

<https://danwatch.dk/brasiliansk-kaffe-sproejtes-med-livsfarlige-pesticider/>

https://www.finnwatch.org/images/pdf/FW_Coffee_report_18102016.pdf

Rice is reported to be produced by child labour in nine countries and by forced labour in three. Such labour practices are reported primarily in Latin America, East and West Africa and South and South-East Asia. The government of India is partnering with the ILO on a project to reduce bonded labour in rice mills in Tamil Nadu, India. Otherwise, there is little reporting and few initiatives related to labour rights issues in the rice supply chain.²⁷

Tea is reported to be produced by child labour in six countries and by forced labour in two. Primarily, such labour practises are reported in West and East Africa, as well as in South and South-East Asia. There is quite some industry collaboration in relation to labour rights issues and living wages in the tea supply chain, in particular in Malawi. There is a good engagement opportunity to spread such good practice to other tea producing countries and to other commodities.²⁸

Tomatoes are reported to be produced by child labour in three countries and by forced labour in three. Such labour practices are primarily noted in the Americas and in Europe. There is generally little research and reporting on labour rights practices in the tomato supply chain, although the existing reporting points to particular exploitation of migrant workers. There is an interesting initiative among plantations workers in the US, but otherwise not much attention on labour rights issues from the industry.²⁹

Sugar, tea and coffee – existing momentum for change

In general, forced labour and child labour in sugar, tea and coffee have been highlighted in various reports and there are initiatives or emerging initiatives in relation to those commodities.³⁰ Thus, when it comes to these commodities, investor engagement should seek to build on existing knowledge and push for a scale-up of existing initiatives.

In the tea industry, there is an interesting initiative where, among other things, a collective bargaining agreement was agreed at a national level in the tea producing country Malawi between a trade union and an industry organisation. The agreement also involves a continuous wage increase for tea workers over a number of years. The investor initiative should draw from good practices such as this, as well as lessons learnt, when engaging companies on the issue of living income.

²⁷ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

²⁸ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

<http://www.ethicalteapartnership.org/project/malawi-2020-tea-revitalisation-programme/>

²⁹ US Department of Labour, 2017. List of goods produced by child labour or forced labour.

https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf

Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

<https://old.danwatch.dk/en/undersogelse/bagsiden-af-daasetomater/>

<https://ciw-online.org/about/>

³⁰ See for example Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.

<https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

Rice and tomatoes – time to raise the bar

On the other hand, rice and tomatoes seem to be less researched and there are fewer related reports on labour rights matters. There are also fewer reported initiatives from the public and private sectors with regards to these commodities.³¹ Thus, for these two, investors should seek to raise the bar in terms of the private sector's response to labour rights concerns. Investors should also point to good practice examples from other commodities with more mature corporate responses.

Preliminary geographic focus

The geographic focus for the new investor initiative will be dependent on the locations the selected engagement companies are sourcing from. This is seldom public information and will need to be obtained from companies through engagement dialogues. The exact geographic scope can therefore not be pre-determined at this stage.

Nevertheless, GES has undertaken research to identify countries with a) high volumes of production of the crops covered by the engagement (as listed above) and b) reported practices of child labour and/or forced labour in cultivation of the specific crops. As the engagement proceeds, the geographic focus areas will be further narrowed down and more emphasis placed on regional dynamics and potential systematic labour rights issues across different commodities. Specific attention should also be given to regions and countries with high numbers of migrants and where there have been reports on labour rights abuses particularly in relation to migrant labourers. Suggested preliminary focus areas for the engagement are: East African countries Kenya and Uganda, Latin American countries Brazil, Guatemala, Mexico and the Dominican Republic, as well as India in Asia, and Spain and Italy in Europe.

Other ongoing initiatives

GES' study also included a mapping of existing investor initiatives in relation to labour rights in food supply chains. Three main ones were identified:

- 1) *KnowTheChain* is a multi-stakeholder initiative including, among others, the responsible investment service provider Sustainalytics and the business consultant Verité. Through benchmarking corporate practices and providing resources to companies and investors, KnowTheChain seeks to drive corporate action to address forced labour.
- 2) *The Principles for Responsible Investment (PRI)* coordinates an investor initiative, engaging with a number of food and beverage producers and processors on the labour rights issues in companies' supply chains.
- 3) *The Corporate Human Rights Benchmark (CHRB)* is a joint initiative between investor representatives and human rights organisations. With annual benchmarks of corporate human rights performance within the extractive, apparel and agricultural sectors, it seeks to drive positive change on corporate respect for human rights.

³¹ See for example Verité, 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains. <https://www.verite.org/wp-content/uploads/2017/04/EO-and-Commodity-Reports-Combined-FINAL-2017.pdf>

The North American faith-based investor coalition, the Interfaith Center on Corporate Responsibility (ICCR), also carries out engagement dialogues with a number of North American food companies on labour rights-related topics.

The new engagement programme, following this report, will build on existing efforts by selecting the laggards from the benchmarks listed above. It will, however, also bring in new companies into the engagement which have not yet been benchmarked or engaged by any previously mentioned initiatives. In terms of engagement focus, it aims to put more emphasis on the specific commodities described above, in addition to the general focus on supply chain management or human rights due diligence processes, which are covered by the listed initiatives.

Lessons learnt from existing and previous initiatives

GES held a number of meetings with stakeholders working with human rights issues in food supply chains in a variety of capacities, from NGOs and industry organisations to UN bodies, investor collaborations and a national labour authority. The interviews offered feedback and insights which can be summarised in the following recommendations and reflections. GES also advises the specific insights to inform focus and strategy of the new engagement initiative as noted below.

➤ ***Help spread good practices from existing corporate initiatives on labour rights***

The ILO leads a corporate initiative called the Child Labour Platform, where companies share good practices across sectors and commodities³². A similar platform is also being developed by the UN Global Compact, with the slightly broader focus on decent work. There is an opportunity for investors to get involved and drive the strategic work on the latter and to share their expectations on companies in the group, in relation to labour rights. Investors can also recommend companies to join the platforms and thereby connect them to forums where they get access to good practices and emerging discussions on how to elevate their efforts to respect labour rights.

Staying connected to the platforms also enables investors to stay informed of new examples of corporate good practice, which can be spread to other industries and companies. GES will maintain contact with relevant initiatives in order to utilise synergies.

➤ ***Industry collaborations play a key role in tackling structural issues***

From GES' cocoa engagement we have seen that it is when individual companies form industry initiatives with concrete targets and activities that actions are scaled up and addressed at a structural and/or national level. It also facilitates the dialogue between the industry and host governments, when the industry is able to speak with a more united voice. Other industries can draw from this and increase the level of peer collaboration. GES suggests the new engagement initiative, when suitable, encourages companies to form industry initiatives.

³² <http://www.ilo.org/ipec/Action/CSR/clp/lang--en/index.htm>

➤ ***Make use of existing stakeholder momentum on living income***

As discussed on page 13-14, stakeholder momentum on living income has increased significantly recently. The UN Global Compact platform particularly sets to focus on root causes behind labour rights violations, such as decent wages. GES recommends that the new engagement initiative adds to the positive momentum by raising the matter of living income for smallholders and agricultural workers with the targeted companies and by staying connected to other stakeholders working on the issue.

➤ ***Spread child labour monitoring and remediation systems from cocoa to other commodities***

There is also an opportunity to spread a good practice system from the cocoa industry called child labour monitoring and remediation system (CLMRS). It is a community-based system to identify cases of child labour and take remedial measures to address those (e.g. by providing access to school and/or opportunities for the family to increase their income through side businesses or crop diversification and avoid having to use child labour to make a living). The CLMRS was developed partly as a reaction to the understanding that certifications were not sufficient to address the issue of child labour among cocoa-growing farmers. CLMRS seeks to continuously monitor for potential cases of child labour, rather than relying on annual audits, as is the case traditionally for certifications. It also seeks to incentivise and assist farmers not having to rely on child labour as a part of their workforce. On the contrary, traditional certifications have rather excluded farmers using child labour, with the risk of such practices not ending, but rather transferring them to the supply chain of the new buyer.

One stakeholder particularly pointed out that GES' engagement with the cocoa industry helped push more companies to introduce CLMRS. The stakeholder also said that the fact that there has been and is lots of focus on the issue of child labour in the cocoa sector has led to an increase in the level of activity in the sector to combat child labour. According to the stakeholder, there is less of such focus in other sectors and also less interest from other sectors to introduce CLMRS or similar systems. Hence there is an opportunity for investors to communicate to companies their interest in the spread of CLMRS to other supply chains, beyond cocoa, which is what GES suggests the new engagement initiative to do.

➤ ***Public benchmarks have proved to be an effective engagement tool***

The strategy of using public benchmarks to push corporate change has previously also proven effective, both for NGOs, multi-stakeholder initiatives and from GES' own experience from the cocoa engagement. Within the latter, companies targeted in the cocoa benchmark have explicitly asked GES how they may improve in the follow-up assessment. Such a question of course opens up to making specific suggestions on how the company may improve its practices. Thus, GES suggests public benchmarks to become an engagement tool for the new initiative.

➤ ***Emphasise the importance of impacts on the ground***

Another lesson learnt from GES' cocoa engagement is the importance of engaging beyond policies and management systems. They are of course important, but it is important for investors to also directly challenge companies on impacts on the ground among smallholder and agricultural workers. For many years, the cocoa industry has done a good job in telling the story of how many farmers different initiatives reach and what the content of such initiatives are. Still, there are disturbing reports suggesting the number of child labourers are not decreasing and farmers are far from receiving a living income for their work. It is only recently that companies have started to track and report actual impacts in cocoa-growing communities, in terms of productivity improvements and income increases. It is of course when initiatives show such direct livelihood impacts that real change is proven. Thus, in the suggested investor initiative, companies should be engaged to measure and report impacts from initiatives among farmers and agricultural workers.

➤ ***Show investor understanding and commitment to the issues and industry***

In terms of engagement strategies, what has proven fruitful when engaging the cocoa industry is to show that investors understand the industry-specific features and local context in producing countries. It gives credibility to suggestions and expectations towards the industry and individual companies. This requires continuous engagement with stakeholders to stay up to date with new developments. Investors have also conducted engagement trips to a cocoa-producing country and to meet companies in person. This further adds credibility to the engagement and shows investor commitment to the issue and industry. The fact that a large number of investors, representing substantial combined assets under management, have backed up the cocoa engagement is also likely to have helped leverage investors' voice in the industry. Accordingly, GES suggests that the new engagement initiative continuously take into account developments in the specific food supply chains and geographies it sets to target, as well as using combined investor leverage and, when suitable, collaboration with others as a part of the engagement.

EXPECTED OUTCOME OF THE ENGAGEMENT

In 2017, global estimates of the number of child labourers were at 152 million. More than 70 per cent were found in agriculture³³, therefore making it a particularly relevant issue for the food industry to combat. Furthermore, in 2017, 25 million people globally were estimated to be involved in forced labour, with 11 per cent found in the agricultural and fishing sector. Through the suggested engagement initiative, we expect to see improvements in terms of policy commitments, risk assessment and, most importantly, actual preventive and remedial measures on the ground in food supply chains. We will go beyond policies and risk assessment systems, and hope to see changes for smallholders and agricultural workers where poor labour conditions are particularly prevalent. We thereby aim for this engagement initiative to contribute to better working conditions, a decreased number of child labourers in food supply chains and the fulfillment of relevant SDGs, and an overall corporate respect of human rights.

We invite more investors to join us in this endeavour and companies to participate in constructive dialogues to improve their labour practices and preparedness to manage labour rights risks.

³³ ILO, 2017. Global Estimates of Child Labor.

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575499.pdf

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GES is an independent company founded in 1992 with over 60 employees globally, of which 40 are dedicated to corporate engagement.

We have offices in the UK, Sweden, Denmark, Poland and Switzerland with engagement professionals based in a number of other European countries.