WEBINAR

KnowTheChain Benchmarking Findings

How companies are addressing forced labor and human trafficking risks in their supply chains?

January 19, 2017
Speakers

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**Moderator:**  **Sonal Mahida**, Director, Intentional Endowments Network
Intentional Endowments Network

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KnowTheChain benchmarking findings:
How are companies addressing forced labor and human trafficking risks in their supply chains?

January 2017
Setting the Scene:

- Why is forced labour relevant to investors?
- How can investors address forced labour risks in their portfolio?
Which companies are included?

COMPANY SELECTION

• 20 companies in each sector (60 companies total)
• Selection criteria:
  (1) market capitalization;
  (2) degree to which they derive revenues from physical products (ICT)
  (2) degree to which they derive revenues from branded food and drink products (F&B)
  (2) degree to which they derive revenues from branded footwear and apparel products (F&A)
How were companies evaluated?

1. COMMITMENT AND GOVERNANCE
2. TRACEABILITY AND RISK ASSESSMENT
3. PURCHASING PRACTICES
4. RECRUITMENT
5. WORKER VOICE
6. MONITORING
7. REMEDY
How do the benchmarks perform?

39/100  ICT sector: average overall company score

31/100  Food & Beverage (F&B) sector: average overall company score

46/100  Footwear & Apparel (F&A) sector: average overall company score
How do the benchmarks perform across themes?

- **Commitment & Governance**: F&A (66), ICT (64), F&B (58)
- **Purchasing Practices**: F&A (52), ICT (43), F&B (29)
- **Worker Voice**: F&A (29), ICT (16), F&B (14)
- **Remedy**: F&A (50), ICT (39), F&B (29)
- **Traceability & Risk Assessment**: F&A (46), ICT (43), F&B (41)
- **Recruitment**: F&A (22), ICT (19), F&B (10)
- **Monitoring**: F&A (64), ICT (47), F&B (36)

- **ICT** = Information communication technology
- **F&B** = Food and beverage
- **F&A** = Footwear and apparel
How do the footwear & apparel companies perform?

APPAREL AND FOOTWEAR BENCHMARK

Overall Company Ranking

<table>
<thead>
<tr>
<th>Company</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>adidas</td>
<td>81</td>
</tr>
<tr>
<td>Gap</td>
<td>77</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>69</td>
</tr>
<tr>
<td>Lululemon Athletica</td>
<td>69</td>
</tr>
<tr>
<td>Primark</td>
<td>63</td>
</tr>
<tr>
<td>Inditex</td>
<td>61</td>
</tr>
<tr>
<td>PVH</td>
<td>57</td>
</tr>
<tr>
<td>Hanesbrands</td>
<td>54</td>
</tr>
<tr>
<td>Gildan Activewear</td>
<td>51</td>
</tr>
<tr>
<td>Nike</td>
<td>49</td>
</tr>
<tr>
<td>Ralph Lauren</td>
<td>46</td>
</tr>
<tr>
<td>L Brands</td>
<td>46</td>
</tr>
<tr>
<td>Hugo Boss</td>
<td>45</td>
</tr>
<tr>
<td>VF</td>
<td>43</td>
</tr>
<tr>
<td>Under Armour</td>
<td>38</td>
</tr>
<tr>
<td>Fast Retailing</td>
<td>38</td>
</tr>
<tr>
<td>Kering</td>
<td>27</td>
</tr>
<tr>
<td>Prada</td>
<td>9</td>
</tr>
<tr>
<td>Shenzhou int.</td>
<td>1</td>
</tr>
<tr>
<td>Belle Int.</td>
<td>0</td>
</tr>
</tbody>
</table>
## Levels of engagement across sectors

<table>
<thead>
<tr>
<th>LEVEL OF ENGAGEMENT*</th>
<th>APPAREL &amp; FOOTWEAR</th>
<th>ICT</th>
<th>FOOD &amp; BEVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>High engagement</td>
<td>80%</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Low engagement</td>
<td>10%</td>
<td>10%</td>
<td>30%</td>
</tr>
<tr>
<td>Awareness</td>
<td>10%</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>No engagement</td>
<td>0%</td>
<td>30%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*High engagement = company sent response to questions. Low engagement = company sent link to disclosure. Awareness = interaction between KnowTheChain and the company. No engagement = company did not acknowledge KnowTheChain’s outreach.*
How to use the KnowTheChain.org website

Benchmarks can play a powerful role in encouraging companies to uphold labor standards and protect workers’ rights. In 2016 KnowTheChain has benchmarked 60 large global companies in the Information & Technology Communication, Food & Beverage, and Apparel & Footwear sectors on their efforts to address forced labor and human trafficking in their supply chains.
Resources

Benchmark reports | Downloadable company scorecards | Engagement resource

KnowTheChain Investor Resources

A resource to help investors engage portfolio companies on forced labor risks. This tool answers questions such as: How can I identify forced labor risks in my portfolio? What questions should I ask companies?

ShareAction, Forced labour: What investors need to know

This briefing provides information on the risks and implications of forced labor in company operations and supply chains. It highlights the role for investor engagement in addressing this global problem.
<table>
<thead>
<tr>
<th>Questions to ask companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less advanced companies</td>
</tr>
<tr>
<td>• <strong>Commitment</strong>: Does your organization have a supply chain standard and/or formal commitment to address forced labor?</td>
</tr>
<tr>
<td>• <strong>Traceability</strong>: To what extent do you trace your supply chain (beyond first tier, down to commodity level)? Where do you source from?</td>
</tr>
<tr>
<td>• <strong>Risk Assessment</strong>: What steps do you take to identify and assess forced labor risks in your supply chain (for specific commodities, regions or groups)? Which risks have you identified?</td>
</tr>
<tr>
<td>More advanced companies</td>
</tr>
<tr>
<td>• <strong>Purchasing Practices</strong>: How do you translate your expectations with regards to forced labor into your purchasing practices?</td>
</tr>
<tr>
<td>• <strong>Recruitment</strong>: How do you mitigate forced labor risks related to recruitment practices, in particular for migrant workers?</td>
</tr>
<tr>
<td>• <strong>Worker Voice</strong>: How do you ensure supply chain workers are empowered to exercise their rights, and ensure their voices are heard (e.g. freedom of association, grievance mechanisms)?</td>
</tr>
</tbody>
</table>
UK Modern Slavery Act Registry

Open access, searchable registry with over 1200 statements

Explore statements under the UK Modern Slavery Act

Over 80 statements of US companies

www.business-humanrights.org
KnowTheChain: What’s next?

2017:
  • Methodology revision
  • Analysis of modern slavery statements in each sector
  • Linking disclosure to impacts on the ground

2018:
Next round of benchmarks: same sectors, larger set of companies
Questions?
Thank you!

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