



RepRisk Special Report

Human trafficking

September 2016

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Harnessing a proprietary, systematic framework that leverages cutting-edge technology and hands-on human intelligence in 15 languages, RepRisk curates and delivers dynamic risk information for an unlimited universe of companies.

Since 2006, RepRisk has built and continues to grow the most comprehensive ESG risk database that serves as a due diligence, research, and monitoring tool in risk management, compliance, investment management, corporate benchmarking, and supplier risk. The database currently includes risk profiles for over 75,000 listed and non-listed companies, 18,000 projects, as well as for every sector and country in the world.

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RepRisk provides the transparency needed to enable better, more informed decisions.

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Foreword RepRisk



I am pleased to announce the release of our Special Report on Human Trafficking, a practice described by the United Nations as a “serious crime and a grave violation of human rights.” The report complements our Special Report on [Forced labor](#), which was published in April 2016.

Human trafficking currently ranks the highest (exposed to risks) on RepRisk’s list of Topic Tags, specific and thematic ESG “hot topics” that are an extension of RepRisk’s core research scope of 28 ESG Issues. Our data shows that incidents of this type are on the increase around the world.

Although Human trafficking is often linked to domestic service and prostitution, it is also a supply chain issue. Companies that source raw materials and manufactured goods need to be especially vigilant, as trafficking can occur at different stages along the supply chain.

This Special Report highlights incidents of human trafficking in the Food and Beverage, Personal and Household Goods, and Support Services sectors, and shows that this practice is still present in both emerging markets and developed nations.

The aim of the report is to raise awareness of this issue and to encourage companies to monitor their supply chains and their overseas operations to ensure that they are not exposed to the severe legal, compliance, and reputational risks associated with this kind of practice.

Philipp Aeby CEO, RepRisk AG

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Introduction

The United Nations Trafficking in Persons Protocol broadly defines Human Trafficking as the “recruitment, transportation, and harboring of persons by means of abduction, coercion, or deception for the purpose of exploitation.” According to the Human Rights Law Network, human trafficking is the third largest form of global organized crime, after firearms and drugs.

The International Labour Organization (ILO) estimates that nearly 21 million people worldwide are trapped in jobs they cannot leave, after being lured into them with false promises. The ILO highlights the Asia-Pacific region, Africa, and Latin America as the regions with the highest number of trafficked and enslaved workers, and companies that source goods from such areas are advised to carry out extra due diligence.

Industries that rely on low-skilled or unskilled workers need to be especially vigilant, as traffickers target vulnerable people and use them to fill labor shortages. There are increased risks in industries that have a limited production timeframe, such as a short harvest period, or a tight deadline to produce a new product. In an environment of fierce competition, some employers may be tempted to use trafficked workers in a bid to keep labor costs lower than their competitors.

The UN Trafficking in Persons Protocol, which entered into force on December 25, 2003, was a turning point in the fight against human trafficking. As of September 2016, 170 parties had ratified the Protocol.

New laws such as the US Trafficking Victims Protection Act (TVPA) of 2000 and the subsequent reauthorization Acts of 2003, 2005, 2008, and 2013, as well as the UK Modern Slavery Act 2015, have established methods for prosecuting traffickers and ensuring compensation for victims of human trafficking. However, the UN Office on Drugs and Crime has expressed concerns about the low rate of convictions and has warned that traffickers often act with impunity.

Introduction

The tables below outline data (2014 to the present) related to Human trafficking from the RepRisk ESG Risk Platform, the most comprehensive database on ESG risks.

Top 5 sectors: Human trafficking

1. Food and Beverage
2. Personal and Household Goods
3. Support Services
4. Travel and Leisure
5. Construction and Materials

Top 5 ESG Issues: Human trafficking

1. Human rights abuses and corporate complicity
2. Poor employment conditions
3. Forced labor
4. Child labor
5. Fraud

Top 5 NGOs: Human trafficking

1. American Civil Liberties Union
 2. National Center for Missing and Exploited Children
 3. Change.org
 4. Coalition Against Trafficking in Women
 5. Human Rights Watch
-

Food and Beverage sector

RepRisk has identified the Food and Beverage industry as the sector mostly linked to human trafficking. Some incidents have been detected at the farming level, while others have been identified in the production processes.

Farming sector (North America)

The farming sector in the United States has faced several allegations of human trafficking. In August 2015, the owner of a food processing plant in the state of North Dakota was sentenced to three months in prison for employing illegal workers at his KIDCO Farms plant near the city of Dawson. Allegedly, around two-dozen illegal workers had been recruited from Arizona in 2013, in what the authorities described as “a serious human trafficking crime.”

In October 2015, six people were charged in connection with a human trafficking scheme involving egg farms in the US state of Ohio. The traffickers reportedly used fake documents to persuade the US Office of Refugee Resettlement to release unaccompanied minors who had entered the country from Central America. The minors were then made to work long hours to pay off debts associated with smuggling them into the US. At egg farms owned by Trillium Farms Holdings, a subsidiary of Centrum Valley Farms, migrants as young as 14 allegedly worked in physically

Companies most associated with Human trafficking in the Food and Beverage sector:

1. Trillium Farms Holdings LLC
2. Wal-Mart Stores Inc
3. Nestlé SA
4. Archer Daniels Midland Co
5. Bumble Bee Holdings Inc

Countries most associated with Human trafficking in the Food and Beverage sector:

1. United States of America
2. Thailand
3. Ivory Coast; Malaysia; Mali

demanding jobs for up to 12 hours a day for minimal pay. Trillium terminated its contract with its subcontractor, Haba Corporate Services, when it heard about the scheme. In June 2016, a US district court handed down prison sentences of up to 15 years to individuals involved in the trafficking ring.

Food and Beverage sector

Fishing sector (Asia)

A series of media investigations and NGO reports in the spring of 2015 highlighted human trafficking and forced labor in the fishing and seafood industries in Asia. In March 2015, media investigations revealed that workers trafficked from Myanmar were tricked into working on Thai fishing vessels in Indonesia to catch fish sold by retailers including Wal-Mart, Kroger, Albertsons, and Safeway. In the same month, 2,000 migrant fishermen, some of whom had allegedly been held for more than 10 years, were rescued from Thai fishing boats on the Indonesian island of Benjina.

Although Asian governments promised to take action, a year later, in March 2016, a report entitled “Building a Rights Culture,” compiled by the International Labor Rights Forum showed that trafficking and poor labor conditions continue to plague the Asian seafood and fishing industries.

In November 2015, the Singapore-based agency, Step Up Marine Enterprise, was accused of human trafficking of Filipino workers and imprisoning them in Singapore while they waited for work on board fishing trawlers. According to the NGO Transient Workers Count Too, the workers were beaten, had to work 20-hour days on the ships, and faced high debts from up-front “processing fees.” Step Up Marine had already been linked to

the trafficking of 1,000 fishermen in Cambodia, and of failing to pay hundreds of workers on ships in India, Indonesia, Mauritius, Philippines, and Tanzania.

In February 2016, prosecutors in Indonesia accused employees of Pusaka Benjina Resources of human trafficking and slavery on the Indonesian island of Benjina. The case was the result of an operation by the Indonesian authorities in May 2015, when police arrested Pusaka Benjina employees and confiscated fake immigration documents as well as fishing boats allegedly used to traffic workers between Thailand and Indonesia. Around thirteen fishermen from Myanmar testified in court that they had been tortured and had worked 24-hour shifts while locked up in a prison-like facility on the island.

In June 2016, seven Cambodian workers sued Phatthana Seafood, SS Frozen Food, Rubicon Resources, and Wales & Co Universe in a US district court for trafficking them to work under slave-like conditions in seafood factories in Thailand from 2010 to 2011. The workers were allegedly lured with promises of good wages, but when they arrived in Thailand, the companies reportedly confiscated their passports and documents, and they were forced to work for six or seven days a week under terrible conditions.

Allegations of human trafficking are also linked to fish processing plants. In Decem-

Food and Beverage sector

ber 2015, around 100 Burmese workers, including children, were rescued from the Gig Peeling Factory, a shrimp peeling plant in Thailand where they were allegedly forced to work up to 16 hours a day. The factory is reportedly linked to the supply chains of Red Lobster, Whole Foods, and Wal-Mart.

Palm oil sector

There have also been concerns about trafficking of workers for palm oil plantations, and the Roundtable on Sustainable Palm Oil (RSPO) has been criticized for inadequately tracking human rights violations among its certified companies. In July 2015, Felda Holdings, a certified sustainable palm oil company, was criticized for abusing workers and using migrant laborers from poor neighboring countries in its operations in Malaysia.

Chocolate sector

There are still reports of children being trafficked from Mali, Burkina Faso, Togo, and other former French colonies to work as slave laborers on cocoa farms. Several companies in the chocolate industry including Cadbury, Hershey, Mars, Nestlé, and Mondelez have been criticized for the continued presence of child labor in the Ivory Coast and Ghana.

In July 2015, the Payson Center for International Development reported that 2.1 million children were engaged in inappropriate

forms of child labor in the Ivory Coast and Ghana, a 21 percent increase compared to 2010. Interpol and the International Office of Migration (IOM) have been working with the governments of both countries on an investigation into human trafficking called Project Akoma. In June 2015, Interpol and the IOM announced that they had freed at least 48 children, aged 5 to 16, who were working on cocoa plantations in the Ivory Coast. Overall, the Akoma project has led to 25 arrests and the release of more than 150 children.

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Food and Beverage sector

In July 2016, six former child workers filed an amended class action lawsuit in the US against Cargill, Nestlé, and Archer Daniels Midland, claiming that the companies knowingly provided support to Ivory Coast cocoa plantations that systematically use child slaves. The former child laborers were reportedly trafficked from Mali to the Ivory Coast to harvest cocoa for international export. The lawsuit seeks to hold the companies liable for the years during which they have allegedly profited from low-priced cocoa as a result of child slavery.

Coffee sector

The coffee industry has also faced allegations of human trafficking. In March 2016, Dan-Watch produced the “Bitter Coffee” report, which detailed how workers in Brazil’s coffee industry were often victims of human trafficking and debt bondage. In July and August 2015, the Brazilian authorities freed 128 trafficked workers from five coffee plantations in the Brazilian state of Minas Gerais. The coffee cooperative Cocarive had allegedly sourced coffee from the same plantations, and had sold it to companies such as Volcafe, a supplier of Jacobs Douwe Egberts (JDE).

The report also linked Outspan Brasil Importacao e Exportacao (Outspan) to serious violations of labor laws and claimed that companies such as BKI foods, JDE, Peter Larsen Coffee, and I.M. Frellsen had bought coffee

from Outspan. Nestlé, Jacobs Douwe Egberts, Starbucks, Illy, Mother Parkers, McDonalds, and Dunkin’ Donuts confirmed to Danwatch that they had purchased coffee via middlemen that had sourced from Brazilian plantations where the authorities had freed workers.

In July and August 2015, the Brazilian authorities freed 128 trafficked workers from five coffee plantations in the Brazilian state of Minas Gerais.

Personal and Household Goods sector

The textile industry in Asia and Latin America has faced repeated allegations of human trafficking and forced labor.

In Argentina, the sportswear manufacturer, Vitnik, has been repeatedly accused of trafficking and labor exploitation. Prosecutors have accused the directors of regularly bringing groups of foreign workers into Argentina and helping them to stay illegally in order to exploit them. Investigations into Vitnik, and clothing workshops subcontracted by the company, began in August 2009 and since then, the company has faced repeated lawsuits.

Also in Argentina, Federal Police shut down a clandestine textile sweatshop in Dean Funes, a city in Cordoba, in October 2015, after they found nine Bolivian workers, including two minors, at the factory. The workers were reportedly manufacturing clothes for well-known trade names such as Laundry Clothing, and The Tannery brand owned by Industria Argentina de la Indumentaria. According to the police, the two clothing manufacturers were fully aware that their clothes were being manufactured in the factory.

In India, a joint action by the NGO, Bachpan Bacahon Andolan, and the Labor Ministry secured the release of 28 Nepalese children, aged 8 to 16, from a Mahajan Fabrics garment factory in the city of Ludhiana. The

Companies most associated with Human trafficking in the Personal and Household Goods sector:

1. Leisure Clothing Ltd
2. Aquascutum (1851) Ltd
3. Austin Reed Group Ltd
4. China Chongqing International Corporation for Economic and Technical Cooperation
5. Daks Simpson Group Plc

Countries most associated with Human trafficking in the Personal and Household Goods sector:

1. Malta
2. Argentina; India
3. Bolivia; Jordan; Russia
4. United Kingdom

authorities claimed that the children, who were stitching T-Shirts for less than INR 200 (USD 3) per week, were victims of human trafficking.

Personal and Household Goods sector

In July 2016, Russia's Investigative Committee opened criminal cases against three people who illegally trafficked ten Uzbek women to Buryatia, a Russian republic in eastern Siberia, where they were allegedly forced to sew gloves for the Russian company, Grand Teks. Reportedly, the women's passports and personal belongings were taken away, and they were threatened with physical violence if they refused to work.

In February 2016, a court in Malta charged executives of the Chinese-owned company, Leisure Clothing, with human trafficking after nine workers claimed they had been lured from Vietnam and had been made to work 7 days a week, 12 hours a day for less than USD 200 a month. Leisure Clothing is a subsidiary of the China Chongqing International Corporation for Economic and Technical Cooperation. The workers claimed that the company, which reportedly supplies clothing to retailers such as Jaeger, Karen Millen, Giorgio Armani, Hugo Boss, and Hobbs, had withheld their passports. In 2015, the NGO European Alliance for Human Rights in North Korea also accused Leisure Clothing of employing 41 forced laborers from North Korea at the company's Bulebel factory in Malta.

Human trafficking is not only confined to the textile industry. At the beginning of 2016, eight trafficked workers were released from the Kozeesleep bed factory in Dewsbury, Yorkshire, UK, following an undercover oper-

ation by the UK activist group Hope for Justice. The company was allegedly making beds for the retailers John Lewis, Next, and Dunelm. Allegedly, up to 42 Hungarian men were locked up and forced to work in the facility after being warned that their families would be harmed if they tried to leave. The workers claimed that they had been promised GBP thousands in monthly salaries, but then had to work up to 20-hours a day for only GBP 10 (USD 14) a week. The police convicted Kozeesleep's owner following an investigation.

In February 2016, a court in Malta charged executives of the Chinese-owned company, Leisure Clothing, with human trafficking.

Support Services sector

In many cases of human trafficking the fault lies with unscrupulous middlemen who pose as recruitment agencies. During the recruitment process, agencies frequently misrepresent the terms of the contract, and fail to mention the payment of recruitment fees. Individuals then find themselves trapped in appalling employment conditions and cannot leave as they are indebted to their recruiters. Companies using a recruitment agency may be genuinely unaware of the exploitation, or may simply choose to turn a blind eye to unscrupulous labor practices.

At the end of 2014, police in New Delhi, India, arrested two people that had been accused of running a human trafficking ring through recruitment agencies known as Birsa Bhagwan Placement Service, Pahal Security Services, and Laxmi Placement Service. The ring had allegedly trafficked 5,000 children from the state of Jharkhand to work as domestic servants in New Delhi.

Also in India, a federal jury awarded USD 14 million to five Indian guest workers in February 2015 after they accused the American company, Signal International, of trafficking and fraud. The company reportedly had used the US government's H-2B program to recruit around 500 Indian workers to carry out rehabilitation work in Mississippi and Texas after Hurricane Katrina in 2005. The plaintiffs claimed that they were charged USD 20,000 per person by recruiters, who lured

Companies most associated with Human trafficking in the Support Services sector:

1. DJ Houghton Catching Services Ltd
2. Step Up Marine Enterprise LLP
3. 168 Manpower Supply Co Ltd
4. ABP World Group Ltd
5. Almco Group

Countries most associated with Human trafficking in the Support Services sector:

1. United States of America
2. Cambodia
3. Bosnia and Herzegovina; Kuwait; Malayisa
4. Iraq; Philippines; Singapore; Sweden; Syria; Taiwan; United Kingdom

them with false promises that they would be able to obtain permanent residency in the US. However, they were allegedly forced to pay USD 1,050 a month to stay in camps near the company's shipyards. By July 2015, over 225 of the Indian workers had filed a lawsuit against Signal International, forcing the company to file for bankruptcy protection to

Support Services sector

implement the estimated USD 20 million settlement. The Teachers' Retirement System of Alabama and the Employees' Retirement System of Alabama owned 47 percent of Signal. The company was also partly owned by Touradji Private Equity Master Fund, GoldenTree Partners, and ACON Offshore Partners.

In Cambodia, the recruitment company 168 Manpower Supply was accused of trafficking workers after two Cambodian women tried to escape from the company's premises in February 2016. The women, who had applied to 168 Manpower Supply for work as fruit sellers in Malaysia, feared that the company intended to sell them.

In Kuwait in June 2016, migrant laborers claimed that Eastern Securities (E-Sec) was holding them against their will by confiscating their passports and cell phones. The company's CEO reportedly threatened to put one worker in prison after she accused him of human trafficking.

There have also been recent instances of human trafficking in Europe. In June 2016, a UK High Court judge ordered DJ Houghton Catching Services to compensate six former Lithuanian workers, who were allegedly trafficked and sent to chicken farms across the UK. The workers, who were employed at varying times from 2008 until 2012 when DJ Houghton's license was revoked, claimed that they were in debt, as they had been paid

below the minimum wage, charged illegal fees, and had had their wages withheld.

In May 2016, officials in Malta charged Maltese Falcon Recruitment Services, Servizi Malta Ltd, and Melita Health Services with the trafficking of 31 Filipino nationals. Officials also charged the cleaning company MCCA Services Ltd, operating as Mr. Clean. The company had recently been awarded a tender for the cleaning of the Oncology Hospital.

In June 2016, a UK High Court judge ordered DJ Houghton Catching Services to compensate six former Lithuanian workers, who were allegedly trafficked and sent to chicken farms across the UK.

Methodology

RepRisk Special Reports are compiled using information from the RepRisk database, which monitors environmental, social, and governance (ESG) risks or companies, projects, sectors, and countries. The RepRisk ESG Risk Platform currently contains risk incidents on over 75,000 listed and non-listed companies, as well as over 18,000 projects. RepRisk analysts monitor the issues related to ESG risk across a broad shareholder and other stakeholder audience of NGOs, academics, media, politicians, regulators and communities. Once the risk incident has been identified with advanced search algorithms and analyzed for its novelty, relevance, and severity, risk analysts enter an original summary into the database and link it to the companies and projects in question. No article is entered twice unless it has been escalated to a more influential source, contains a significant development, or has not appeared for the past 6 weeks.

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