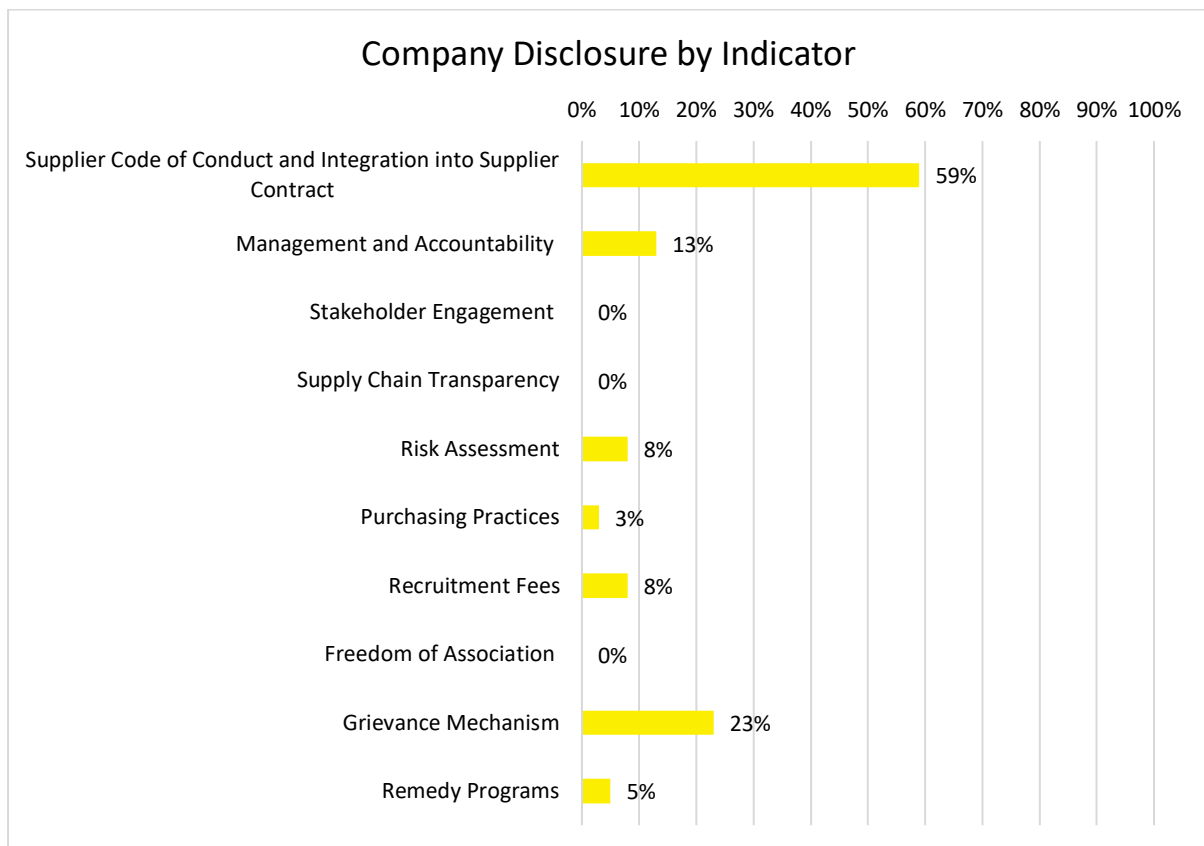


Appendix: Assessing Corporate Efforts to Address Forced Labor Risks in the Supply Chains of the Paper and Forestry and Home Furnishing Retail Sectors

(November 2019)

[KnowTheChain](#) assessed **39** of the largest publicly listed companies in the **paper and forestry and home furnishing retail sectors** across ten indicators on their efforts to address forced labor risks in their supply chains. The indicators are a [subset](#) of the full [KnowTheChain benchmark methodology](#) and reflect the key areas of the [UN Guiding Principles on Business and Human Rights](#): policy commitment, due diligence, and remedy.



The graphic captures the percentage of companies disclosing at least some information on each of the indicators.

Overall, disclosure is poor.

- **Policies:** While 59% of companies disclose a supplier code of conduct that includes the ILO core labor standards (i.e., protects the right to freedom of association and collective bargaining, and prohibits discrimination, child labor, and forced labor), only 8% of companies include provisions that prohibit worker-paid recruitment fees.
- **Due Diligence:** Only 8% of companies disclose undertaking a supply chain risk assessment that includes forced labor risks, and only 3% disclose the risks of forced labor in different tiers of their supply chains.
- **Remedy:** Only 5% of companies have a process for responding to the complaints and/or reported violations of their supplier code of conduct. This is appalling, as violations are already underreported.

Further, even when companies disclose relevant policies, it is often unclear to what extent the policies are effective or whether they are implemented at all. For example, whereas **23% of companies disclose a grievance mechanism** for workers in their supply chains, only **3% disclose data about the practical operation of the mechanism**, such as the number of grievances addressed and resolved. Similarly, 8% of companies disclose a policy prohibiting worker-paid recruitment fees, but no company discloses evidence of repayment of recruitment-related fees by its suppliers.

“[S]lave labour [in Brazil] is often associated with illegal logging. Afraid of being held accountable for environmental crimes, exploited victims rarely seek authorities to report abuse. “They know they are involved in criminal activity, even though it is out of necessity. So it’s a sector where there are virtually no complaints,” [an] auditor reveals.¹

The **most significant gaps** in the sector can be identified in relation to **supply chain transparency, stakeholder engagement, and freedom of association**. None of the companies disclose a supplier list and/or information on their supply chain workforce, such as data on migrant workers or the number of workers in their supply chains. While many companies are making use of certifications of the Forest Stewardship Council, an association which engages with labor unions and human rights NGOs,² none of the companies directly engage on forced labor with local stakeholders such as worker rights organizations or NGOs based in countries where their suppliers operate. Equally, no company engages with local or global trade unions to support freedom of association in its supply chains.

Examples of Companies Starting to Take Action

While companies overall have taken very limited action to address forced labor risks in their supply chains, some companies have taken initial steps.

- **Integrating Requirements to Address Forced Labor Risks into Supplier Contracts:** KapStone Paper and Packaging, a subsidiary of WestRock, discloses its general purchase terms and conditions, which prohibit forced labor.
- **Assessing Risks:** Kingfisher states that it assesses, on an ongoing basis, the countries at highest risk for modern slavery and human rights abuses. Sources include an ethical risk matrix that is based on Maplecroft data and focuses on labor risks in the company’s direct supply chains, an assessment from Sedex, and a supplier self-assessment from EcoVadis, which includes labor rights. Further, in 2017, the company identified high-risk areas through a risk assessment carried out by Stop the Traffik, an organization dedicated to preventing modern slavery.
- **Prohibiting Worker-Paid Recruitment Fees:** The Home Depot has a policy that migrant workers “should not be required to pay employers’ or agents’ recruitment fees or other related fees for the purpose of being hired or as a condition of employment.”
- **Making Grievance Mechanisms Available and Reporting on Outcomes:** Mondi states that its grievance mechanism, Speakout, is used to monitor its actions on human rights and anti-slavery. It states that in 2018, it received 104 messages relating to 65 cases, none of which concerned forced labor or human trafficking. The company notes that this absence of complaints may point to a need to strengthen its mechanisms to identify, mitigate, and remedy such issues. As such, Mondi indicates that it is evaluating the effectiveness of its mechanism.

¹ Reporter Brazil (2018), [“Timber Industry: Modern Slavery and the British Market,”](#) p. 5.

² Forest Stewardship Council, [“FSC and the Modern Slavery Act,”](#) p. 1. Accessed 18 September 2019.

List of Companies Analyzed

1. Aaron's Inc.
2. Ahlstrom-Munksjö Oyj
3. Bed Bath & Beyond Inc.
4. Canfor Corp.
5. Domtar Corp.
6. Duratex SA
7. Empresas CMPC SA
8. Fibria Celulose SA³
9. Floor & Decor Holdings Inc.
10. Holmen Aktiebolag plc
11. Home Product Center Public Company Ltd.
12. Howden Joinery Group plc
13. International Paper Company
14. KapStone Paper and Packaging Corp.⁴
15. Kingfisher plc
16. Lee and Man Paper Manufacturing Ltd.
17. Louisiana-Pacific Corp.
18. Lowe's Companies Inc.
19. Metsä Board Oyj
20. Mondi Ltd.
21. Mondi plc
22. Nine Dragons Paper (Holdings) Ltd.
23. Nippon Paper Industries Co. Ltd.
24. Nitori Holdings Co. Ltd.
25. Norbord Inc.
26. Oji Holdings Corp.
27. Sappi Ltd.
28. Shandong Chenming Paper Holdings Ltd.
29. Siam Global House Public Company Ltd.
30. Stella-Jones Inc.
31. Stora Enso Oyj
32. Suzano Papel e Celulose SA⁵
33. The Home Depot Inc.
34. The Navigator Company SA
35. UPM-Kymmene Oyj
36. Via Varejo SA
37. West Fraser Timber Co. Ltd.
38. Weyerhaeuser Co.
39. Williams-Sonoma Inc.

³ Following a merger in January 2019, the company is called Suzano. Analysis was undertaken on Fibria Celulose-specific information only.

⁴ The company is a subsidiary of WestRock.

⁵ Following a merger in January 2019, the company is now called Suzano. Analysis was undertaken on Suzano, as information from Suzano Papel e Celulose S.A was no longer available.

Company Disclosure by Indicator Element⁶		
Assessment Against KnowTheChain's Subset of Indicators		
Indicator Name	Indicator Elements	%
1. Supplier Code of Conduct and Integration into Supplier Contracts	(1) Supplier code of conduct that covers ILO core labor standards (incl forced labor)	59%
	(2) Integration of ILO core labor standards into supplier contracts	26%
2. Management and Accountability	(1) Assignment of responsibility for the implementation of the supplier code of conduct	3%
	(2) Board oversight of human rights and/or supplier code of conduct (incl forced labor)	10%
3. Stakeholder Engagement	(1) Two examples of engagements on forced labor with policy makers, worker rights organizations, local NGOs, etc. in sourcing countries	0%
	(2) Active participation in multi-stakeholder or industry initiatives focused on eradicating forced labor	0%
4. Supply Chain Transparency	(1) Disclosure of names and addresses of first-tier suppliers	0%
	(2) Disclosure of at least two types of data points on supply chain workforce (e.g., number of workers, gender or migrant worker breakdown, or level of unionization per supplier)	0%
5. Risk Assessment	(1) Human rights supply chain risk assessment that includes forced labor risks, or assessments that focus on forced labor risks	8%
	(2) Disclosure of supply chain forced labor risks identified	3%
6. Purchasing Practices	(1) Adoption of responsible purchasing practices, including planning and forecasting	3%
	(2) Provision of procurement incentives to suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts)	3%
7. Recruitment Fees	(1) Policy that requires that no worker in the company's supply chains pay for a job—the costs of recruitment should be borne not by the worker but by the employer ("Employer Pays Principle")	8%
	(2) Evidence of payment of recruitment-related fees by suppliers, and/or in the event that the company discovers that fees have been paid by workers in its supply chains, evidence of steps undertaken to ensure that such fees are reimbursed to the workers	0%
8. Freedom of Association	(1) Engagement with independent local or global trade unions to support freedom of association in its supply chains	0%
	(2) Provides two examples of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers	0%

⁶ The graphic captures the percentage of companies disclosing at least some information on each of the indicator elements.

9. Grievance Mechanism	(1) Steps taken to ensure a formal mechanism to report a grievance regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives	23%
	(2) Disclosure of data about the operation of the mechanism, such as the number of grievances addressed and resolved	5%
10. Remedy Programs	(1) Process for responding to the complaints and/or reported violations of the supplier code of conduct	5%
	(2) At least two examples of outcomes for workers of its remedy process in practice	0%