

USDA's Guidelines for Eliminating Child
and Forced Labor in Agricultural Supply Chains:

PRACTITIONERS' GUIDE



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Funding was provided by the United States Department of Labor under cooperative agreement number IL-28101-15-75-K-11. This material does not necessarily reflect the views or policies of the United States Department of Labor, nor does mention of trade names, commercial products, or organizations imply endorsement by the United States Government. Ninety seven percent of the total costs of the project were financed with Federal funds, for a total of \$4,996,000.

I. INTRODUCTION

While the globalization of trade brought advantages for the consumers and the industries in the food and beverage sector, which today can access agricultural production in many countries with lower cost structures, concerns on human rights issues in the sourcing countries are increasingly raised.

Global supply chains in the food and beverage sector encompass primary production in different locations and often include many different structures (from informal, near-subsistence farming and smallholder entities to commercial-size agribusiness enterprises). Agricultural production tends to be more subject to child and forced labor issues than most other economic sectors. Cultural patterns combined with situations of extreme poverty often lower the threshold of compliance with basic human rights and lead to the use of child or forced labor in early stages of the supply chain.

The U.S. Department of Agriculture's (USDA) Guidelines for Eliminating Child and Forced Labor in Agricultural Supply Chains embody a set of practices for independent third-party monitoring and verification for the production, processing, and distribution of agricultural products or commodities with the goal of reducing the likelihood that such products or commodities imported are produced by child labor and/or forced labor.

The United States Department of Labor, Bureau of International Labor Affairs (USDOL/ILAB) awarded the FLA a cooperative agreement in 2015 to pilot test the application of the USDA Guidelines in the hazelnut supply chain in Turkey of partner companies Nestlé, Olam, and Balsu.

This Practitioners' Guide, which emerged from that effort, is intended to help companies applying or considering applying the USDA Guidelines to their agricultural supply chains to better understand their requirements and how their application can support supply chain sustainability. It gives specific advice as to how agriculture-related companies can take meaningful actions to promote better working conditions in their supply chains. Section 7 of the Guide provides links to a number of valuable resources that support its contents.

Another output of the Piloting of the USDA Guidelines Project was the development of a Self-Assessment Tool to evaluate the sourcing of agricultural products against the USDA Guidelines. The Self-Assessment Tool allows companies to assess their alignment with the topics covered by the USDA Guidelines and to improve management and control processes over time. We recommend users of the Self-Assessment Tool to read and become familiar with this Practitioners' Guide in order to have a better understanding of the topics and areas that are targeted by the tool's questions.

Several annexes provide additional information to readers: The USDA Guidelines are available in Annex 1. The Self-Assessment Tool is available in Annex 2 of this document, while a Users' Guide with detailed instructions on how to apply the self-assessment tool and interpret its results are provided in Annex 3. The FLA Workplace Code of Conduct is provided in Annex 4, while Annex 5 provides a Corrective Action Plan model.

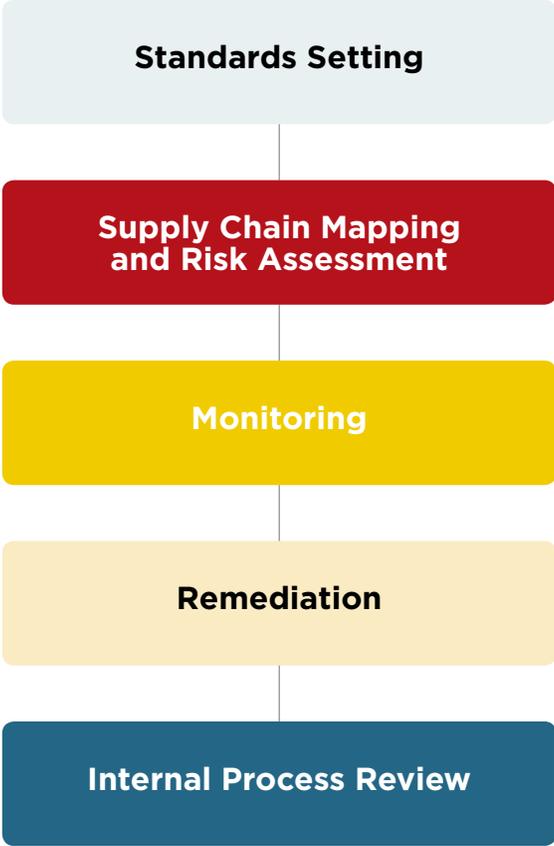
II. HOW TO USE THE PRACTITIONERS' GUIDE

This Practitioners' Guide helps companies applying or considering applying the USDA Guidelines to better understand the concepts on which they are based, and provides attachments that can support the application of the Guidelines and the Self-Assessment Tool which accompanies this publication. The U.S. Department of Agriculture's (USDA) Guidelines for Eliminating Child and Forced Labor in Agricultural Supply Chains contain the following topics:

1. Standards setting
2. Supply chain mapping and risk assessment
3. Monitoring
4. Remediation
5. Internal process review
6. Communication
7. Third-party monitoring
8. Verification

This Practitioners' Guide focuses on the first five content elements of the USDA Guidelines. The remaining three - communication, third-party monitoring, and verification - are related to the first five activities listed above and can be considered as transversal or overarching activities (Figure 1). This means that communication (including grievance mechanisms, internal and external communication and training) are part of each of the process steps, and third-party monitoring and verification apply to the overall process.

Third Party Monitoring and Verification



- Communication**
- Grievance Mechanisms
 - Internal and external communication
 - Training

Figure 1: Conceptual Framework of USDA Guidelines - Source: Model developed by BSD Consulting

III. CONCEPTS

The USDA Guidelines rely on a set of commonly agreed concepts. While these concepts are globally recognized, there may be divergences in their interpretation based on different national or state laws and regulations.

AGRICULTURAL PRODUCTS

Agricultural products are all goods listed in sections 1 to 24 of the World Customs Organization’s Harmonized System goods nomenclature, other than fish, as well as a few additional products outside of those sections, such as raw cotton, raw wool, hides, skins, proteins, and essential oils.

CHILD LABOR

According to the International Labor Organization (ILO), not all work done by children should be classified as child labor that is to be targeted for elimination. 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 positive and accepted. This includes activities such as helping their parents at home, assisting in a family business, or earning pocket money outside school hours and during school holidays. These kinds of activities contribute to children’s development and to the welfare of their families; they provide them with skills and experience and help to prepare them to be productive members of the society during their adult life.

The narrow concept of “child labor” is 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.

In its most extreme forms, child labor involves children being enslaved, separated from their families, exposed to serious hazards and illnesses and/or left to fend for themselves on the streets of large cities – often at a very early age.

Whether or not particular forms of “work” can be called “child labor” depends on the child’s age, the type and hours of work performed, the conditions under which the work is performed and the objectives pursued by individual country regulations. The answer varies from country to country, as well as among sectors within countries.

Figure 1 shows the distribution of child labor worldwide by branches of economic activity. It is clear that agriculture accounts for more than 70 percent of child labor in the world.

Child Labor by Sector

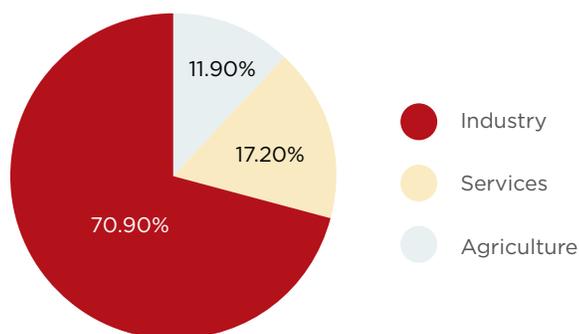


Figure 2: Child labor distribution by branch of economic activity. Source: ILO (2017), Global estimates of child labor. Results and trends, 2012-2016.

In the USDA Guidelines, and for the application of the Self-Assessment Tool developed by the project, child labor refers to the worst forms of child labor, as defined in ILO Convention No. 182 (1999). A child is anyone under the age of 18. Children under 18 years should not be involved in hazardous work that by its nature and the circumstances under which it is carried out, is likely to harm their physical, mental, or moral well-being. The worst forms of child labor in which children under 18 years of age should not be involved include carrying heavy loads or working in dangerous locations, in unhealthy situations, at night, or with dangerous substances or equipment. Similarly, children may not be subjected to slavery or practices similar to slavery, such as trafficking, debt bondage, or forced or compulsory labor or forced recruitment for use in armed conflicts, procured or offered for prostitution or for pornography, or procured for illegal activities, such as the production or trafficking of drugs.

The ILO has also set the standard that children under 15 years shall not be engaged in work. In cases where national law has set the minimum work age at 14 years because its economic status requires this in the short term, the lower age applies. Children between the ages of 13-14 years may perform light work, provided that the work is not harmful to their health and development, does not interfere with their schooling or training, is under the supervision of an adult, and does not exceed 14 hours a week. In cases where national law has set the light work ages at 12-13 years, these ages apply.

COMPANY

A company is an entity involved in the production, processing, and distribution of agricultural products or commodities, or an entity that uses such products or commodities as inputs into other processed goods.

In the USDA Guidelines, a “company” is an organization that is applying or wishes to apply the Guidelines in one or more of its agricultural supply chains. It is assumed that the responsibility for addressing child and forced labor and for human rights issues in the agricultural supply chain normally starts at the headquarters level of an international company (probably in the Food and Beverage sector), and most likely within the Sourcing and Corporate Social Responsibility (CSR) departments. It then trickles down to local purchasing units or unrelated agricultural trading companies, who are in direct contact with intermediaries, cooperatives and individual farmers (producers).

FORCED LABOR

The internationally recognized definition of forced labor is found in ILO Convention No. 29 (1930). According to this Convention, forced labor is “all work or service which is demanded from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.” The USDA Guidelines further elaborate that forced labor is also work or service performed as a result of coercion, debt bondage, or involuntary servitude.

The key elements of the definition of forced labor are:

All work or service: It includes all types of work, service, and employment, regardless of the industry, sector or occupation, and encompasses legal and formal employment as well as illegal and informal employment.

Any person: It refers to adults as well as children, regardless of their nationality; it is considered irrelevant whether the person is a national or not of the country in which the forced labor instance has been identified.

Menace of any penalty: Penalties may refer to criminal sanctions as well as various forms of coercion such as threats, violence, retention of identity documents, confinement, or non-payment of wages. Penalties may also take the form of a loss of rights or privileges.

Voluntariness: Workers must consent to enter into employment and must enjoy freedom to leave employment at any time, with reasonable notice, in accordance with national law or collective agreements.

In essence, persons are in a forced labor situation if they enter into a work or service situation against their freedom of choice, and cannot leave it without penalty or the threat of penalty. Penalties do not have to take the form of physical punishment or restraints; they can also take other forms, such as the loss of formal rights.

Migrant workers are vulnerable and are more often subject to forced labor than local workers. In some instances, migrant workers may also be linked to human trafficking practices.

INDEPENDENT THIRD-PARTY MONITORING

Generally, independent third-party monitoring refers to the process of evaluating the implementation of standards on child labor and forced labor by a company’s supplier(s), through announced and unannounced audits conducted on randomly selected suppliers and carried out by independent monitors.

PRODUCER

Producers are sources of raw agricultural materials used by companies; they can be individual farms or groups of farms organized in an association or cooperative or farmers that are grouped under a purchasing contract of a buyer company.

REMEDATION

Remediation is understood to be activities or systems that a company puts in place to address non-compliances with the child labor and forced labor standards. These non-compliances may be identified through monitoring and/or verification, but also may be based on denunciations (complaints) by stakeholders.

Remediation may apply to individuals adversely affected by the non-compliant conduct (for example, the rehabilitation of a child identified either through monitoring or through a complaint as being in a child labor situation) or it could address broader systemic processes at the company or its suppliers. Remediation addresses issues that need to undergo changes and improvements in order to reduce the risk of child or forced labor situations. Each company applying or seeking to apply the USDA Guidelines has to question itself whether its own sourcing practices may be inducing or contributing to the adoption of abusive practices in its supply chain and, if such a risk is detected, take recourse to remediate those sourcing practices.

SUPPLIER (VENDOR)

A supplier/vendor is an organization or individual in the supply chain of a particular agricultural product or commodity. The supplier/vendor may be a producer, group of producers, or a company that supplies inputs, products or services to another company.

In agricultural supply chains, we can differentiate the following types of supply chain stakeholders:

- Producers;
- Processors;
- Traders;
- Intermediaries;
- Service providers.

As agricultural supply chains are often very complex, and have different layers of activities and actors, for reasons of practicality, the Self-Assessment Tool considers that the company applying or seeking to apply the USDA Guidelines has full control of its suppliers only on the first (upstream) level or what is generally called Tier 1 level. It should

be noted that this fact does not, and should not, constrain companies from developing, implementing and managing a supplier's code of conduct considering all actors in their supply chain, from direct suppliers down to sub-suppliers on Tier 2 and 3 levels.

SUPPLY CHAIN

The supply chain includes all organizations and individuals involved in producing, processing, and/or distributing an agricultural product or commodity from its point of origin (the place where the product or commodity is grown or produced) to the company. Supply chain differs from the concept of value chain in the sense that it focuses on upstream supply, whereas the value chain includes also all downstream stakeholders who buy and use the product or commodity, as well as stakeholders affected after the consumption of the product or commodity.

THIRD-PARTY VERIFICATION

Verification is the process by which a company is evaluated to determine compliance with its documented program, including standards on child and forced labor. Verification includes an evaluation of data gathered through monitoring activities to ensure results are reliable and processes are credible. It also includes an evaluation of the system established to remediate violations to determine if remediation is implemented and effective. Verification is normally undertaken by an independent third-party organization.

For further guidance on the conceptual framework, please see the documents in the resources section of this Practitioners' Guide and also the guidance column in the Self-Assessment Tool.

IV. IMPLEMENTING THE USDA GUIDELINES

1. SET STANDARDS - WHERE TO START

Setting standards that reflect the company's high-level commitment to labor and human rights, particularly with respect to child labor and forced labor, and conveying those standards to employees, suppliers, business partners, and consumers, is central for a company to create a corporate culture of labor and human rights. Setting clear standards is the starting point for creating a solid engagement by staff and the company against forced and child labor all along the supply chain and within the company itself.

By now, numerous companies and organizations have created codes of conduct and other valuable standards that cover a range of labor and human rights and are applicable to different contexts. This means that a company that wants to take a leadership position with regard to labor and human rights does not have to start from zero, but can build its standards drawing from existing models and adapt them to their own context. The resources section of this Practitioners' Guide provides information that will be useful to companies seeking to develop standards.

a. Create a Code of Conduct

One way for a company to make a statement of its values internally and externally is through the adoption of a Code of Conduct that embodies respect for labor and human rights and incorporates a human rights due diligence process, particularly with respect to child labor and forced labor. Typically, corporate codes of conduct are based on internationally accepted labor and human rights standards embodied

in conventions of the ILO and the UN. In some instances, local law and regulations may be more protective of workers than international standards; in these instances, it is understood that the provisions that are most favorable to workers would apply. For example, in Brazil, the minimum age for employment is 16 years, while international standards sets the minimum age at 15 years; in this case, with respect to Brazil, the local regulation is more protective and therefore it would be the applicable one for any company doing business in Brazil. When a child is of working age (>15 years) but exposed to certain "dangers" in the workplace, then companies should carry out a workplace risk assessment to identify and implement measures to prevent or reduce risks and adopt measures to improve health and safety based on risk assessment.

We suggest that a corporate code of conduct include, at a minimum, standards addressing the elements listed in Table 1 below. In addition to listing the elements, the table also includes some explanations of the reasons why such issues need to be part of a code. Because codes of conduct for labor and human rights in the supply chain have strategic implications for the companies that adopt them, they should, therefore, be approved by the company at the highest levels, e.g., the President/CEO or the Board of Directors.

In developing a corporate code of conduct, the USDA Guidelines, available in Annex 1, especially the Foundation Elements of the document, should be consulted, as well as the FLA Workplace Code of Conduct, available in Annex 4.

ELEMENT	JUSTIFICATION
Forced labor	According to the ILO, 24.9 million people around the world are trapped in forced labor. The most common reasons for forced labor are debt bondage to their employers, confiscated identity papers that do not allow them freedom to move, and non-payment of wages.
Child Labor	There are 152 million child workers around the world. Around 73 million children work in hazardous conditions.
Workplace discrimination	Women and minorities are often given the lowest paid jobs and have limited opportunities for advancement and promotion.
Excessive hours of work	Very large numbers of workers are required to work extremely long days doing monotonous work. This affects time with their families and may also affect their health. Mistakes and accidents become more frequent when excessive hours are worked.
Harsh and inhumane treatment	Women and migrant workers are particularly vulnerable to physical, verbal and sexual abuse at the workplace.
Freedom of association and the right to collective bargaining	Relatively few workers worldwide enjoy these basic rights. Every year, thousands of people lose their jobs because of employer retaliation for their trade union activities. Some even risk their lives because of their involvement in such activities.
Health and safety	Every day, around 6,000 people die as a result of work-related accidents or diseases. Reasons for this include improper handling of hazardous substances and a lack of protective equipment.
A living wage	When full-time work does not provide sufficient income to cover workers' basic needs, they are caught in a hopeless poverty trap. Companies need to seek paying competitive and decent living wages to their workers.
Regular employment	Many workers do not have employment contracts. This leads to workers not knowing terms and conditions of their employment and not being able to demand their legal rights.

b. Commitment and Staff Engagement

A Code of Conduct without clear commitment and the establishment of goals is not effective. Therefore, it is important that human rights in the supply chain become a part of the business culture. In order to achieve this, commitment of the highest governance body is as important as engagement of staff on all levels in all areas.

Staff in the procurement areas, field technicians and quality controllers need to be involved in designing the policies and be able to make their contributions when goals and benchmarks for suppliers and producers are set. Their engagement will raise the chances that supplier monitoring programs can be successfully implemented, as they know the context of the supply chain and will make sure that the goals set are achievable.

c. Communication with Suppliers

Improvement of working conditions does not occur at headquarters: it occurs in a supplier's farm, plantation or processing facilities. The engagement and communication with suppliers, agents and importers is therefore crucial for the success of any program.

Companies need to share their Code of Conduct, with all suppliers, and require that they acknowledge such standards, for example by signing a document stating that they are familiar with the Code. (If a supplier is not ready to sign, the company should give a clear message of its expectations and inform the supplier that lack of compliance might lead to termination of commercial relationships.) It is also critical that suppliers are trained and understand the expectations behind the Code of Conduct and its implementation.

The suppliers – and farmers who deliver products – must be aware that labor and human rights are as important factors as quality and delivery terms, and that breaches can leave the termination of a contract. The purchasing company should set its benchmark as high as possible, but also give enough time and support that the producers and suppliers can adopt and improve their practices.

d. Review and Update

To keep the supplier Code of Conduct up to date, the company should review it regularly and make changes in standards particularly if the business has grown or changed significantly since the last review. It is important to review each section of the Code and make sure it still represents the values of the company. Likewise, the company should also review current standards and guidelines and any new policies introduced for the business.

Once the company has reviewed and updated the Code of Conduct and its underlying set of standards, it should provide all internal and external stakeholders with the updated Code and any training required.

The company can check stakeholders' understanding of the Code of Conduct by requiring that they periodically complete a set of questions on any new sections and in areas of the Code that the company thinks the stakeholders may not fully understand. Based on the results of this survey, the company may identify topics in which stakeholders may need further training and either deliver the training or cause the supplier to engage training resources to convey the information.

e. Grievance Mechanisms

Operational-level grievance mechanisms are processes for receiving, investigating, and responding to questions or complaints from employees and other stakeholders. Grievance mechanisms also provide a means by which individuals or communities affected by a company's or a supplier's operations can raise questions, concerns, and problems and get them addressed in a systematic and prompt manner.

It should be clear that internal grievance mechanisms do not replace judicial or other non-judicial forms of remedy. However, when implemented effectively, grievance mechanisms offer efficient, immediate, and low-cost forms of problem solving and remedy for both companies, suppliers and communities.

Moreover, strong and trusted grievance mechanisms can help address problems proactively, before they erode the labor force's or the local community's trust or become intractable. They can also be an effective way for companies to identify potential problems and can offer valuable information on how to improve their operations.

A well-functioning grievance mechanism:

- Provides a predictable, transparent, and credible process available to all parties, that results in outcomes that are fair, effective, and lasting;
- Builds trust as an integral component of broader community relations activities and dialogue with stakeholders;
- Enables more systematic identification of emerging issues and trends, facilitating corrective action and preemptive engagement.

It is important to consider how a grievance mechanism fits into a company's overall stakeholder engagement strategy. Grievance mechanisms should be part of a broader approach of stakeholder engagement that provides a way for workers and community members to consistently engage with the company, enhances relationships, reduces social risk, and enables more responsive and responsible management.

The specific objectives of a grievance mechanism should include:

1. establishing a timely, consistent, structured, and trusted procedure for receiving and addressing worker and community concerns and complaints;
2. ensuring that complainants are treated with respect;
3. ensuring proper documentation and disclosure of complaints and any resulting corrective actions; and
4. contribution to continuous improvement in the company's performance by analyzing trends and learning from complaints received.

Companies adhering to the USDA Guidelines or similar standards should make sure that grievance mechanisms allow workers at all levels of the supply chain to raise questions, concerns, and problems related to working conditions or worker rights. This is often challenging, as it is not easy to guarantee that every worker in a farm or plantation has free access to a channel that does not involve the direct supervisor.

The Guidance for Projects and Companies on Designing Grievance Mechanisms Addressing Grievances from the International Finance Corporation (IFC) is a good reference to design and implement a company grievance mechanism.

2. SUPPLY CHAIN MAPPING AND RISK ASSESSMENT

The company needs to know where and under what conditions the products or commodities it buys are being produced in order to identify the risks of poor working conditions in the supply chain. A detailed supply chain mapping is key to undertaking a risk assessment with a focus on human rights at work.

a. Supply Chain Mapping

A supply chain map is a graphical representation of the company’s supplier network (or of selected supply networks). Maps can either be geographical, be an abstract network design, or can be broken down in flow chart and data points on the level of different tiers.

Supply chain mapping is a continuous activity; as data changes all the time, a supply chain map needs to be frequently updated. To handle this living system, the company needs a robust database at the backend. The database should hold master records of suppliers (and sub-suppliers) and information about the relationships between these actors. Ideally, all stakeholders should have access to this database so all parties have the same understanding of the supply chain.

When people think about supply chains, they immediately think of relationships involving the physical delivery of products. But in reality, the supply chain includes financial relationships, partnerships, etc. The complexity of the supply chain increases when these attributes are included together with inputs or transportation service providers. When the company has

An example of a soy supply chain diagram is given below:

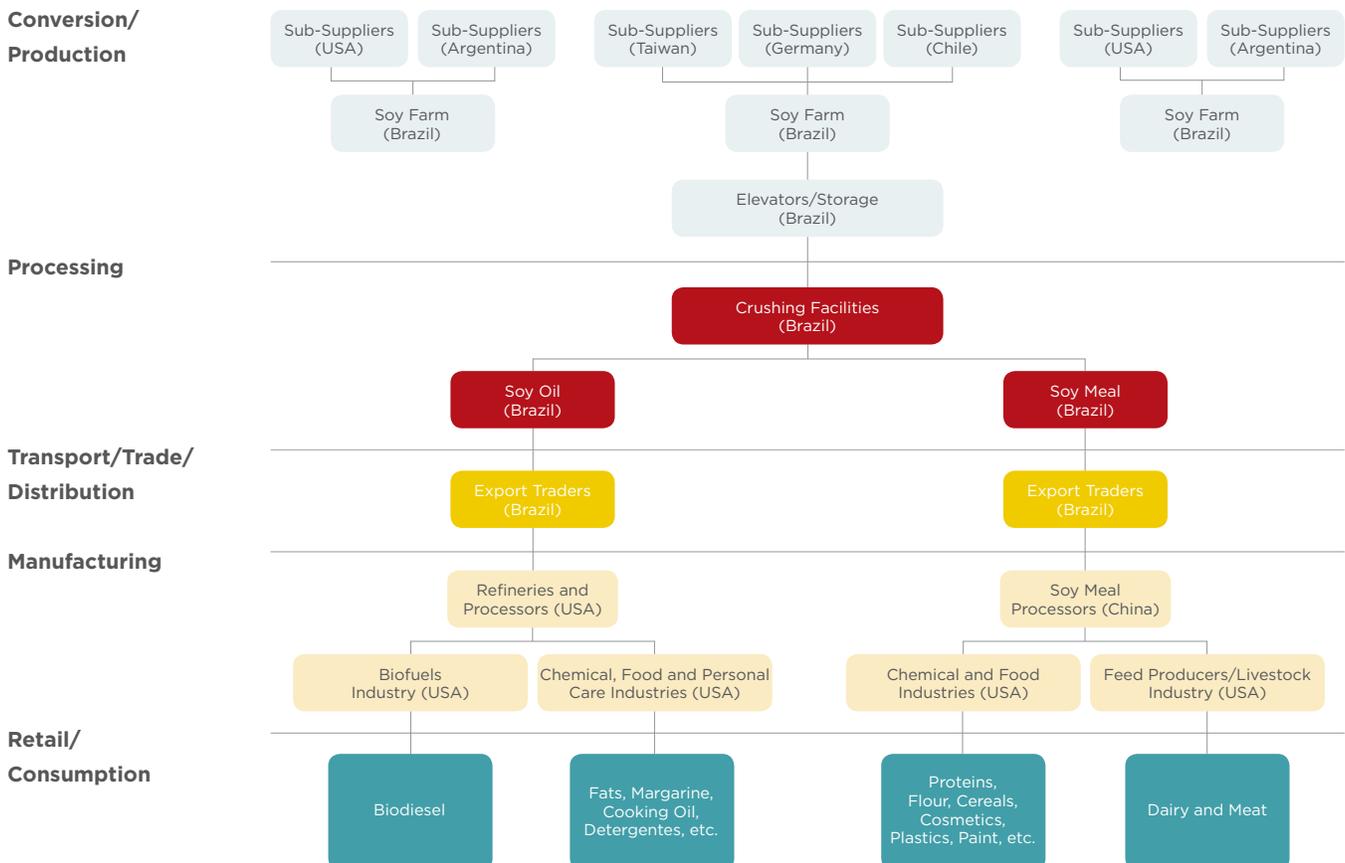


Figure 3: Supply chain flow-chart for soybeans from Brazil. Source: BSD Consulting

gathered all this information, it can create a supply chain map, such as in the example in Figure 4.

Companies can customize a general supply chain map to create their own supply chain map based on their existing sourcing model,

resources, and commitments. For example, the FLA has broken down the process into 12 steps. Some companies and suppliers might merge or further break down these steps; others may even consider proceeding with them in a different chronological order.

THE 12 STEPS IN SUPPLY-CHAIN MAPPING INVOLVE THE FOLLOWING ACTIVITIES:

- 1. Set goals:** At the start of the exercise, the company clearly identifies objectives and parameters, such as designating the different tiers and geographic areas to be mapped.
- 2. Create a team:** The company determines who -- from headquarters and from the field -- will take part in the process.
- 3. Identify actors:** The company identifies internal and external stakeholders to participate.
- 4. Identify Tier 1 suppliers or other entry points:** This step involves naming the suppliers who will be involved in the mapping exercise, including how many.
- 5. Start a dialogue:** In many cases, the company needs to establish an ongoing channel of communication with suppliers.
- 6. Secure commitments from immediate suppliers:** A firm commitment to participate in the exercise is required from Tier 1 suppliers, essential in approaching suppliers in Tiers 2 and 3.
- 7. Introduce tools:** Specific methods will help in collecting and analyzing information during the exercise. FLA has designed tools that can guide companies, but each company will need to define its own data points.
- 8. Collect information from Tier 1 suppliers:** The company records information on the ownership structure, type of production, location and size of Tier 1 suppliers.
- 9. Gather information from Tier 2 and Tier 3 suppliers:** Tier 1 suppliers approach supply-chain partners in other tiers for pertinent data.
- 10. Assess information and data:** After all the information is collected, the company assesses it to determine next steps.
- 11. Collaborate on risk-mitigation strategies:** Based on mapping results and identified supply chain linkages, the different partners involved define follow-up actions for cooperation.
- 12. Discuss and design scaling up strategies:** At this stage, companies discuss how to map a company's upstream supply chain in all its regions of operation.

b. General Risk Assessment

Once the supply chain is mapped, a detailed risk assessment needs to be undertaken to determine in which parts of the supply chain occurrence of child or forced labor is more likely. The company can consult open sources or acquire specific services which offer a detailed geographic analysis of human rights and labor rights situations in different countries or regions. Risk assessments can then be prioritized in those countries and for those commodities that use to show the highest risk potential and it will not be necessary to use resources to analyze the whole supply chain.

Another method of prioritization is the Pareto principle, also known as the 80/20 rule. The 80/20 rule states that for many events, the majority of effects (80 percent) come from a limited number of the causes. Some illustrations of the 80/20 rule regarding different topics include:

- **20%** of the customers of a business generate **80%** of the revenue;
- **20%** of the products sold by a business cause **80%** of the customer complaints;
- **20%** of the sales force of a company generate **80%** of the sales.

For supply chain mapping, the 80/20 rule suggests that a company could prioritize suppliers for intensive assessment by concentrating on the 20 percent of the suppliers who provide 80 percent of the volume of the product or raw material. The selected 20 percent would go through a detailed risk assessment (see next step).

But we should be aware that spending and product volumes are only one factor to select

suppliers subject to assessments. Suppliers and subcontractors that are located in high risk areas or sectors should by-pass the 80/20 rule and should always be subject to further assessment and control.

3. MONITORING

a. Detailed Risk Assessment

After getting the first picture of the risk of poor working conditions by region or commodity, more information gathering on suppliers is necessary to obtain detailed insight into the particulars of the working conditions and to assess the possibility of establishing a monitoring system that effectively addresses the issues of child and forced labor. It is evident that the company can easily demand more information, if the supplier strongly depends on sales to the company and shows readiness to cooperate. If the sales volumes are low, but the risks are considered high, the task may be more difficult but is equally important to fulfill. In this case, the company can leverage its long-term relationship or make use of the fact that a change of the supplier will not be critical if the cooperation is not satisfactory enough.

Sometimes Tier 1 suppliers may not be as relevant, particularly for issues such as child labor and forced labor, considering the higher risk of poor working conditions in sub-contractors or Tier 2 or 3 suppliers. In those cases, it is very important for the company to put effort into assessing those levels of the supply chain with higher risk of poor working conditions.

Monitoring results should be tracked over time and updated to identify trends and persistent challenges.

The company may use the following assessment tools to gather child labor and forced labor information from the selected suppliers:

- **Self-Assessments**

As a first step, suppliers and subcontractors may fill out a self-assessment form with questions that refer to the different parts of the Code of Conduct and give insight in the current status of compliance and management with the Code requirements. It can be applied online or on paper for current suppliers and can serve as conditional document for the selection of new suppliers.

Self-assessment responses can be consolidated in a database and be analyzed to get a clear profile of the current practices of the suppliers. But it should be kept in mind that the responses have been provided by suppliers, agents or importers and therefore they should be validated to confirm their objectivity.

The FLA Self-Assessment Tool, available in Annex 2 of this document, is a resource to assess not only a company's but also its suppliers' management of child and forced labor issues. It is possible to use it as self-assessment of the Tier 1 suppliers and helps them to structure their own monitoring system.

- **Site Visit**

An integral part of an assessment of a supplier is a site visit, which includes a tour of the suppliers' facilities that can provide an initial impression of the working conditions, complemented with review of records and interviews with managers and workers. In order to get a complete picture, it is

mandatory that the professional(s) conducting the site visits have the appropriate language skills and cultural awareness to engage with managers and workers in meaningful two-way conversations.

- **Social Audits**

Contracting external experts from local organizations or consultancy firms to conduct a compliance audit is a way to obtain information about a supplier's working conditions, i.e., an on-site evaluation of supplier performance in relation to the company's policies and expectations. The experts should be competent, should have knowledge of the local context and languages, and should have the skills and knowledge for evaluating and responding to child and forced labor situations. Their reports normally are based on physical observations, document analysis, and information gathered from meetings with managers and interviews with workers and stakeholders. If the workers are organized into one or more unions, the assessors should have a meeting with the employee representatives and should review any existing collective bargaining agreements. Alternatively, companies may choose to perform compliance audits by using the company's own trained staff.

In order to ensure openness and the best possible information, interviews with the workers should be carried out without the managers being present and in such a way that the workers do not risk reprisals.

The company should assess the suppliers on a continuous basis, either by commissioning experts or having internal staff perform the audits.

Audit findings should be followed up on by concrete improvement measures in the form of a corrective action plan. Therefore, the company should ensure that the experts it engages – whether external experts or trained internal staff – can both identify violations and weaknesses and propose improvement measures. There is no point in using resources on audits that are not designed to lead to improvements – either for the company or for the supplier.

- **Impact Assessment and Stakeholder Engagement**

Developing an accurate picture of the actual and potential impacts of the operations of a company on labor and human rights requires consultation with a range of relevant stakeholders.

To understand who are its key stakeholders, and how they can contribute to the due diligence process, companies should develop a stakeholder map. A stakeholder map is a tool that identifies who are the key stakeholders, how they relate to each other, and what might be their priorities with respect to the company. See Figure 4 for an illustration of a stakeholder map.

Dialogue with relevant stakeholders is a rich source of information about local impacts of economic enterprises. Stakeholder dialogue can include meetings with suppliers, workers and worker representatives, local authorities and local experts such as NGOs. Other relevant stakeholders who can advise and support this process are the International Labor Organization (ILO), multi-stakeholder initiatives (MSIs) such as the Fair Labor Association (FLA), industry-specific organizations such as the National Sustainable Agriculture Coalition (NSAC), and human rights advocacy groups such as Amnesty International (AI).

Once a potential or actual negative human rights or labor impact has been identified, the company should collaborate with suppliers and other relevant stakeholders to agree upon measures to:

- Prevent a potential negative impact from occurring;
- Reduce the likelihood and/or consequence of a potential negative impact;
- Repair damage or compensate for actual negative impacts.



Figure 4: Example of a basic stakeholder map. Source: Developed by BSD Consulting

4. REMEDIATION

Remediation is intended to correct problems or issues that affect workplaces. There are two types of remediation:

- Remediation of internal processes of the company;
- Remediation related to findings identified in social audits conducted on suppliers.

a. Remediation of Internal Processes - Purchasing Practices

A company's own practices could contribute to or cause adverse impacts on labor and human rights in the supply chain. The company should identify actual or potential adverse impacts on labor and human rights that are directly or indirectly linked to the company's own procedures or practices using root cause analysis. These procedures or practices should be adjusted in order to prevent, mitigate or remedy such impacts..

Examples of purchasing practices that can have negative impacts on working conditions are late payment of orders that results in delayed payment to workers and negotiated prices that do not allow the suppliers to pay workers the wages they are required by law.

This highlights the importance of a continued and open dialogue between a company and its suppliers to ensure that the business' purchasing practices support, rather than undermine, the requirements for fair labor practices laid down in a company's supplier Code of Conduct.

b. Remediation Related to Findings of Violations

Remediation of findings on the supplier side must be properly managed by the company and it should be assured that the purchasing practices of the brand support and do not hinder the improvement process. The main tool to guarantee permanent improvement is a solid corrective action plan which is submitted by the supplier and validated and monitored by the purchasing company.

- **Corrective Action Plan**

Results of the social audits, but also findings based on the self-assessments, can be used to set up a corrective action plan for the suppliers. Corrective actions should address all detected non-compliances with regard to the code of conduct, and those that are most critical must get be addressed immediately, while minor non-compliances may be resolved with longer deadlines. Issues related to child and forced labor belong to the first category of findings and need immediate remediation.

When the company sources a product or commodity through an agent or an importer, the company should ensure that these intermediaries also contribute to improving conditions at the facilities of their suppliers as set out in this document. The corrective action plan should be agreed upon (signed) by both the company and the supplier in order to formalize the obligations embodied in the plan. An example of a Corrective Action Plan can be found in Annex 5.

The USDA Guidelines require that Corrective Action Plans address remediation for individual victims as well as of broader patterns of noncompliance caused by deficiencies in the company's and/or suppliers' systems and/or processes.

In the case of remediation for individual victims, corrective action plans should include:

- Protocols for immediate remedial actions, such as referral to law enforcement or appropriate authorities, in cases where auditors discover violations of child or forced labor laws;
- Resources for victim services such as rehabilitation, education, training, employment, appropriate housing, counseling, restitution for lost wages and other material assistance.

In the case of remediation of company's and/or suppliers' systems and processes, the corrective action plans should include:

- Working with suppliers in situations where violations of child labor and/or forced labor standards have been found to develop and implement systems to correct such violations and to build systems aimed at reducing child and/or forced labor on a systematic basis;
- Where appropriate, provide technical assistance to help suppliers with known violations to address specific issues; also provide technical assistance on broader labor issues that underlie child/forced labor (e.g., workplace cooperation, quality control and assurance, health and safety, productivity, working conditions, and human resource management);

- Where appropriate, include positive incentives for suppliers such as the creation of a preferred suppliers list, a price premium, purchase guarantees, access to financing, inclusion in national or country of origin trade promotion/registries, and/or regular public reporting that rewards compliance;
- Where appropriate, include negative incentives for suppliers for example in cases where suppliers have performed poorly and have experienced repeated violations of the company child and/or forced labor standards. The negative incentives may include termination, suspension or reduction of contracts. These steps should only be taken after other remediation and engagement efforts have been explored and failed to achieve the desired results.

- **Follow Up Process**

While the implementation of the action plan is a responsibility of the suppliers, the purchasing company needs to monitor systematically the status of the implementation of the corrective actions and remediation measures. According to the progress achieved, the company decides if the supplier may be suspended or if the commercial relationship continues and the producers and suppliers continue delivering normally. It is important that during the implementation of the corrective actions, an active dialogue is maintained as in some cases the supplier needs more time or additional support to comply with the requested improvement.

The success of the corrective actions depends much on the willingness of the supplier, but also on the fact that no unrealistic goals are

set. The success rate of corrective actions is higher when workers, internal committees such as the Health and Safety committee and in case of child labor remediation, specialized NGOs or third parties are engaged and help to define the measures that need to be adopted.

- **Costs**

In many cases the implementation of corrective actions is accompanied by significant costs. In the case of small producers, this might be a factor that hinders them from participating in the supply chain of an international food and beverage company, unless the purchasing companies consider paying better prices to allow for additional investments by the producers. If agents or traders are the commercial link to these producers, the company can exercise influence over the agents and traders by making clear that the conditions of any purchase have to comply with the supplier code provisions and traders and agents may provide better financial conditions to the producers they relate to.

5. INTERNAL PROCESS REVIEW

a. Key Performance Indicators (KPIs)

The purpose of the regular internal process review is to measure the effectiveness of the company’s program to reduce the overall incidence of child labor or forced labor in the supply chain. The definition of clear goals is a necessary basis for the review process. Below are some examples of possible Key Performance Indicators (KPIs) regarding child labor:

KPI	DESCRIPTION
Child Labor Prevalence	Frequency of evidence of child labor or of cases where minimum age for workers is not respected.
Total Number of Violations	Number of violations regarding child labor reported from the audits.
Suppliers with Violations	Number of suppliers with reported violations of child labor.

The company should periodically check its own progress against its program goals, including determining the effectiveness of its program to reduce the overall incidence of child labor and forced labor in its supply chain. Today, many companies use the Global Reporting Initiative (GRI) Standards to report their sustainability performance. GRI has published a series of standards that focus on the supply chain, specifically on how the company assesses and monitors environmental and social impacts of its suppliers

Where remediation has been undertaken, the company should confirm that remediation has been implemented and is effective.

b. Formalize/Document

Any results obtained and activities undertaken in the effort of controlling and mitigating the risk of human rights violations in the supply chain should be carefully documented and recorded. The documentation and records not only will support the production of a public report, but serve as response to any information demands from current or new clients interested in how the company manages its suppliers and preserves the brand integrity. If the records are already formatted according to the GRI Standards, the documentation will facilitate the production of the report at the end of the year.

c. Report

Even if it is not yet mandatory, companies should report publicly about their management approach and the results they obtained in monitoring their supply chain. Such public reports disclose actions taken to improve performance and include a transparent evaluation if the set targets have been achieved. They should describe the objective of their monitoring program, its status and discuss challenges and steps undertaken to address these challenges.

The performance report can be embedded in the Sustainability or Annual Report of the company, but also be published online in a specific section of the company website. Transparency and openness in such reports are crucial and can increase trust of the public and the clients.

If available and considered relevant, assurance statements or declarations of credible third parties can be included in the report. Some companies adopt the concept of radical transparency and inform the exact location and name of their suppliers. Reporting standards do allow a less radical approach,

as in many cases sensitive information may be involved and disclosing the name of the suppliers may be sensible market information and be protected.

d. Sustainable Development Goals

The UN Sustainable Development Goals (SDGs), also known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 individual goals that comprise the SDGs build on the successes of the Millennium Development Goals, while adding initiatives in new areas such as climate change, economic inequality, innovation, sustainable consumption, peace, and justice, among other priorities. The goals are interconnected – often the key to success in one will involve tackling issues more commonly associated with another.

The SDGs are rooted in a spirit of partnership and pragmatism, promoting the principle of making the right choices now to improve life, in a sustainable way, for future generations. They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large. The SDGs are an inclusive agenda. They tackle the root causes of poverty and bring people together to make a positive change for both humanity and the planet.

- **SDG KPIs**

To make it easier for companies to integrate the SDGs into their structures and implement targeted measures, the UN Global Compact has created a five-step guide in cooperation with GRI and the World Business Council for Sustainable Development (WBCSD); the guide provides approaches for the alignment of entrepreneurial actions with the SDGs and assistance on reporting.

6. THIRD-PARTY MONITORING AND VERIFICATION

Companies applying or seeking to apply the USDA Guidelines should conduct independent, third-party review of their program implementation. Independent review assures the company's stakeholders that the company is meeting the standards on child labor and forced labor and relevant requirements outlined within its own program. There are two possible methods of conducting an independent review:

a. Independent Third-Party Monitoring

Independent third-party monitoring utilizes independent external monitoring organizations and individual monitors to evaluate conditions at the facilities of the company and its suppliers. It may include unannounced or announced on-site visits to evaluate a company's suppliers to determine compliance

with child labor and forced labor standards.

The monitor identifies violations of child labor and forced labor when they are observed.

b. Independent Third-Party Verification

Independent third-party verification utilizes accredited certification bodies to verify the company's ability to implement and maintain a program that ensures its suppliers meet its standards of child labor and forced labor. It includes an evaluation of the company's entire documented program to determine compliance with the program as well as with the standards for child labor and forced labor. It includes also witnessing the company evaluating its suppliers. The verifier does not conduct independent evaluations of suppliers but does identify violations of child labor and forced labor when observed.

The key elements of the two models are described below:

INDEPENDENT THIRD-PARTY MONITORING

- Monitors (be it individuals or a company) should be accredited to conduct independent, third-party monitoring. Monitors should have expertise on labor standards and possess knowledge of local workplace conditions and prevailing industry practices. Monitors should have experience and demonstrate competence in the execution of onsite evaluations of labor standards compliance in an agricultural setting.
- Independent monitoring should be conducted by an entity external to the company and should demonstrate independence and impartiality as a precondition for participating in the monitoring process.
- Monitoring should consist of onsite visits to a representative sample of farms and/or agricultural worksites and should occur on a continuous basis, focusing on times of higher risk of use of child labor and/or forced labor in order to determine if child labor and forced labor standards are being respected and enforced. Unannounced visits are necessary to carry out this function fully. Announced visits may also be useful when it is necessary to have access to specific personnel or documentation.
- Suppliers to be monitored should be randomly selected. However, such selection should focus on suppliers that are known to be at most risk.
- Monitors should provide the company with a report outlining the findings and may make recommendations for remediation measures a company should take to address any incidences where the supplier did not implement the company's standards on child labor and/or forced labor.

c. The Ideal Approach

A company may choose whichever model is most appropriate for its circumstances; however, a comprehensive program should include a combination of the two models. It should be noted that, while these review

methods can verify that companies have robust systems in place to reduce the likelihood that child or forced labor is being used in their supply chains, neither model guarantees the absence of child or forced labor.

INDEPENDENT THIRD-PARTY VERIFICATION

- Verifiers should be accredited certification bodies, complying with ISO/IEC 17021:2006, ISO/IEC Guide 65:1996 or other relevant systems. Verifiers should have qualified and competent personnel with the appropriate skills and knowledge in child labor and forced labor standards.
- Third-party verification should be conducted at least annually.
- Verification should include testing of audit data to confirm that company data systems are reliable.
- Verification should include witness (shadow) audits where the verifier observes the company's monitoring activities.
- Announced audits are important when it is necessary to have access to specific personnel or documentation. Unannounced audits may also be useful in verifying that company policies are being implemented appropriately.
- Verifiers should provide the company with a report identifying weaknesses found in the company's program and program implementation.
- Verifiers should require the company to implement remediation measures to address the weaknesses, and these remediation efforts should then be audited to confirm that they were implemented and effective.
- Verifiers should approve companies whose programs and program implementation are found to be in conformance with the requirements of the Guidelines.
- Every verifier engaged in auditing companies against the Guidelines should provide the public with a list of companies under review, approved, suspended, and/or withdrawn.

7. RESOURCES

NO.	NAME	SOURCE	CONTENT	LINK
1	Supply Chain Mapping, Transparency, Traceability - 1.0	Fair Labor Association	This guide is based on the FLA's deep expertise on upstream supply chains. Since 2006, FLA has researched working conditions in upstream supply chains for commodities such as cotton, leather, synthetics, and other agricultural products. As a result, the FLA has developed reproducible methodologies, strategies, and tools that delve into the supply chain tiers, from manufacturing units to farms.	http://www.fairlabor.org/sites/default/files/traceability_guidance_paper.pdf
2	Supply Chain Traceability and Transparency	Fair Labor Association	International and national regulatory frameworks regarding human rights	http://www.fairlabor.org/sites/default/files/images/supply_chain_traceability_and_transparency_june_2017.pdf
3	Addressing Risks of Forced Labor in Supply Chains	Fair Labor Association	Focuses on best practices for identifying and eradicating forced labor at the supplier level. It explains the indicators of forced labor as incorporated into the FLA code, provides examples of risks and violations reported by the FLA's on-the-ground assessors, and offer recommendations of proactive and cooperative steps that brands can take to ensure suppliers do not engage in or tolerate trafficking and forced labor.	http://www.fairlabor.org/sites/default/files/documents/reports/addressing_forced_labor_in_supply_chains_august_2017.pdf

NO.	NAME	SOURCE	CONTENT	LINK
4	Comply Chain: Business Tools for Labor Compliance in Global Supply Chains	U.S. Department of Labor, Bureau of International Labor Affairs	The app is aimed at companies and industry groups seeking to develop robust social compliance systems for their global production with a focus on child labor and forced labor.	https://www.dol.gov/dol/apps/ilab-comply-chain.htm
5	Good Practice Guidelines on Conducting Third-Party Due Diligence	World Economic Forum	The Good Practice Guidelines on Conducting Third-Party Due Diligence is meant as a practitioner's guide and is intended for all types of businesses. The emphasis is on conducting due diligence on corruption risk.	http://www3.weforum.org/docs/WEF_PACI_
6	Addressing Grievances from Project-Affected Communities	International Finance Corporation	This Good Practice Note provides expanded guidance for companies on the grievance management pillar of stakeholder engagement. It provides guidance on basic principles and general process steps that organizations from any sector and of any size should take into account when dealing with concerns and complaints from affected communities. The document also includes examples from private sector projects of International Finance Corporation (IFC) clients around the world, ranging from large oil, gas, and mining projects to medium and small manufacturing companies. This publication is intended to benefit practitioners working on community and social development issues in a developing country context.	http://www.ifc.org/wps/wcm/connect/

NO.	NAME	SOURCE	CONTENT	LINK
7	Combating Forced Labor: A Handbook for Employers and Business	International Labor	This newly revised edition of the Employers' Handbook on forced labour, produced jointly by the IOE and the ILO, offers updated guidance to employers on what forced labour is, how to detect it and effective ways to combat it, thereby ensuring that business operations remain free of such practices.	http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcms_101171.pdf
8	Agricultural Sector Risk Assessment:	The World Bank	This report provides methodological guidance for conducting an Agricultural Ssector Risk Aassessment. The guidance is based on the World Bank's Agriculture Risk Management Team's experience assisting governments in conducting sector and key commodity supply chain risk assessments in more than 20 countries.	http://documents.worldbank.org/curated/
9	Operational Procedures for Remediation of Child Labour in Industrial Contexts	Impactt	This document sets out operational procedures on how to deal with instances of child labour in the industrial context. These procedures are designed as a practical guide for purchasers, agents, factories, trade unions and NGOs who may be involved in child labour remediation.	http://impacttlimited.com/wp-content/uploads/2017/01/Impactt_
10	A Practitioner's Guide to Ethical Trade	Ethical Trading Initiative Norway	This guide describes how to work in a targeted and structured manner with ethical trade in global supply chains. Ethical trade refers to the efforts companies undertake in promoting human rights, workers' rights and environmental protection in their supply chains.	http://www.etiskhandel.no/Guide/index.html

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