

# Modern Slavery and Child Labor

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There are currently 40 million people trapped in modern slavery and 152 million child laborers<sup>1</sup>. Target 8.7 of Goal 8, Decent Work and Economic Growth, of the UN Sustainable Development Goals calls for us to work together to end these unacceptable violations of human rights. In 2018, we focused on building our strategy and evidence-base to address these two issues with a focus on scalable solutions that can be delivered through partnerships.

## Eradicating Modern Slavery

Li & Fung is taking a proactive approach to combatting all forms and enablers of modern slavery, including abusive recruitment practices. At the start of 2018, we undertook a detailed due diligence assessment to better understand our risk in key countries and also reviewed our audit and investigation protocol and related guidance, including interview guides, to see whether they sufficiently addressed the issue. The due diligence assessment identified China and Bangladesh as our key risk countries for modern slavery, due to their geographical breadth and variation in types of exploitation, including forced overtime and state-imposed, debt-bondage. Some countries within Southeast Asia and also in the Middle East and North Africa region were at a higher risk of forced labor because of practices related to the recruitment of foreign migrant workers.

In 2018, Li & Fung undertook the following activities to mitigate these risks:

- Trained 2,122 colleagues and 74 factories in North China on modern slavery, using videos from the Mekong Club
- Signed the American Apparel & Footwear Association (AAFA) and Fair Labor Association (FLA) Pledge on Responsible Recruitment. As part of our commitments to the Pledge, Li & Fung commits to:
  - i. Incorporate the Commitment to Responsible Recruitment into the Company's social compliance standards, including our Supplier Code of Conduct, before December 31, 2019
  - ii. Periodically report on actions to imbed elements of the Commitment to Responsible Recruitment in corporate policies and processes through sustainability reporting and/or modern slavery legal disclosures
- Developed a new e-learning tool for our suppliers on combatting modern slavery, with a strong focus on recruitment. The tool, which is currently being rolled out to factories in China and Taiwan, teaches suppliers good practice relating to the selection and monitoring of recruitment agencies and how to ensure migrant workers' rights are respected, and also encourages the practice of pre- and post-orientation training
- Undertook unannounced assessments in factories employing migrant workers to better understand recruitment-related practices and challenges. The assessments focused heavily on migrant worker interviews, which were conducted in a confidential setting in the migrant workers' own language
- Worked with the Hong Kong-based Mekong Club and the United Nations University to use mobile-based technology to identify forced labor risks in our supply chain. The "Apprise" app overcomes the traditional language barriers and time constraints of an audit, by surveying migrant workers on their working conditions in the migrant worker's own language

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<sup>1</sup> ILO Global Estimates of Modern Slavery [https://www.ilo.org/global/publications/books/WCMS\\_575479/lang-en/index.htm](https://www.ilo.org/global/publications/books/WCMS_575479/lang-en/index.htm)

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- Worked with Mekong Club and blockchain company, Diginex, to learn how blockchain technology can combat modern slavery in supply chains by creating immutable records of a migrant worker's journey, including their labor contract. The project, E-Min, is currently in the pilot phase in Thailand with further expansion planned in 2019
- Li & Fung publishes an annual statement<sup>2</sup> on its efforts to address and eliminate modern slavery and human trafficking in compliance with the regulations of the California Transparency in Supply Chains Act (SB 657) and the UK Modern Slavery Act of 2015

## Mitigating the Risk of Modern Slavery in China

In 2018, the Ethical Trading Initiative (ETI) partnered with the Swedish-based training company, QuizRR, to pilot a new, modern slavery digital education package targeting factory management in China.

The training capitalizes on ETI's expertise and material related to modern slavery and pairs it with QuizRR's innovative digital platform. The digital training solutions are based on customized film dramas and followed by quiz questions. Participants can do the training individually or in groups on tablets in a fun, fast and engaging way to learn about employment rights and responsibilities. The training is part of ETI's efforts to use digital technology to scale-up awareness of modern slavery and recruitment practices in China's supply chains.

We engaged our suppliers to join the pilot and worked closely with ETI and QuizRR to facilitate effective training implementation in the factories. The pilot is progressing on track and will complete in first quarter 2019. Initial feedback from factories on the training content and approach is positive, including that the training is "vivid, flexible and easy to understand." Its digital and modular format means suppliers are even able to train workers on the production floor during down time. We look forward to the next adaptation of this digital training solution for workers and to scaling its use in more diverse contexts.

## Eradicating Child Labor and Hazardous Forms of Work for Young Workers

Li & Fung's Supplier Code of Conduct prohibits the employment of juveniles younger than 15 years of age, or younger than the age of completion of compulsory education, or the legal employment age of the relevant country, depending on which is higher. It also prohibits the Worst Forms of Child Labor as defined by the ILO Convention No. 182.

In 2018, a specialized Standard Operating Procedure (SOP) was developed to improve and standardize internal processes for identifying and remediating cases of child labor. In 2018, we held in-person training for our colleagues who regularly visit factories to ensure they understand how to communicate the relevant Code requirements to factories, and know how to identify, respond and escalate suspected cases according to the SOP. This training took place in person or through WebEx in Bangladesh, Guatemala, India, Portugal, Sri Lanka and Vietnam.

In 2018, China and Bangladesh remained our highest risk countries for child labor and hazardous forms of work for young workers. We worked closely with the Center for Child Rights and Corporate Social Responsibility (CCR CSR) to train factories in these two countries and to ensure all cases of child labor were remediated in line with international best practices and the best interests of the child. In person or WebEx training related to child labor prevention and education took place for factories and suppliers in Bangladesh, China, Guatemala, India, Jordan, Portugal, Sri Lanka, Pakistan and Vietnam.

<sup>2</sup> <https://www.lifung.com/wp-content/uploads/2018/03/Disclosure-statement-on-modern-slavery.pdf>

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Li & Fung also participated in a study of young workers in China conducted by CCR CSR. The study shed light on the latest demographics, trends, gaps and challenges in terms of young worker management. It also offers suggestions on what brands, retailers and factories can do to address those challenges and foster a motivated, loyal workforce. We have incorporated key recommendations of the study into our updated Supply Chain Sustainability Strategy.

## **Advocating for Children's Rights**

We understand that our supply chain not only impacts people who work in factories but has knock-on effects for their families and communities. In 2018, we joined an effort organized by UNICEF and Norges Bank, convening a group of leading brands and retailers to conduct research, benchmarking and ultimately developing a guidance document, to improve the impact of the apparel and footwear supply chains on children's rights. We look forward to continued engagement with the network to drive further progress on this important issue.