

# Podcast Series: Forced Labor and Migration



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## Forced labor and corporate politics: how can a company be confident in its supply chains?

- Good afternoon! Thank you for agreeing to express your opinion on the topic of forced labor and corporate policy. How can a company be sure of its supply chains? Do you think companies should be careful not to use forced labor in their supply chains? And if so, why should it be?

- Thank you and good afternoon. I am very grateful for the opportunity to be a part of this research and initiative. I am happy to share my vision of the situation, taking into account the risks of industrial forced labor in supply chains in companies. First of all, I would like to draw attention to the fact that this is very difficult to track, in particular, if we are talking about the work of large companies. Why? Because usually in such companies there are quite large supply chains. There are many contractors and subcontractors located out of the country in different regions and who can transfer their orders to other contractors. Therefore, it is very important for a company in this context to properly manage these balance deliveries. Firstly, it is correct to build them initially, and if necessary, constantly monitor them and make changes or check them. Monitor for violations, if any, and promptly respond to them, take certain measures.

If we talk about large companies, in which, in particular, I had experience of working and with some I am collaborating now, then for such companies, for large corporations, in particular, if we talk about multinational corporations, often issues related to responsible supply chains do not depend on one person. Representatives of different departments are involved in them, which, of course, again complicates the conditions for monitoring the activities and work of these supply chains.

If we talk about the corporate level, then often representatives of the Procurement Department, representatives of the Logistics Department, and then a manager dealing with the proposal both in central offices and in local offices in the countries where the company is present are often involved in this issue at the same time. Plus lawyers directly, because often this is a legal issue that is part of the legal plane, and therefore it is very difficult to find just the person who can be entrusted with this responsibility.

This is an example of collective responsibility, which should be regulated at the level of full simultaneous understanding of the importance of the issue by different participants in this process in the company, and therefore even a fairly effective way to better control this issue is to create various committees. For example, a responsible purchasing committee or the work of an ethics committee that allows you to monitor progress from time to time and prevent various possible risks, which I will talk about later today.

And also another factor why companies that have not done this before are forced to pay attention to the possible facts of the use of forced labor in their supply chains stems from the strengthening of regulatory forms, in particular, in the countries of the European Union. We know that several initiatives were adopted last year. And in previous years, as well as at the level of individual EU, in particular Germany, Great Britain, and also last year, the proposal of the Act on the inadmissibility of the use of forced labor in the manufacture of goods supplied to the EU was submitted for consideration in the European Union. Again, this suggests that companies should pay attention to this and, if necessary, if they have not been paid enough attention to this, there is still time to step up and establish proper management and control over what is happening with their contractors. the time of production of products according to their order.

That is, to summarize: this is a company's initiative, when the company, within the framework of its responsibility and responsible behavior, assumes such obligations.

The second is the legal requirements, which, if they are not met, may lead to a restriction of sales markets for the company. Because if the initiative within the EU is adopted, then companies that do not track their supply chains simply will not be able to supply products to the EU countries.

And the third point is the responsibility that will definitely come for those distributors or partners who cooperate with a company that is deprived of sufficient responsible practices in terms of responsible delivery methods. None of us wants to be held accountable and, in particular, representatives of European Union companies, again, this may impose certain restrictions on the activities of manufacturers, on their further financial opportunities and also on attracting investment from investors. Because I am sure that this issue will not be limited to the level of toughening and the creation of more stringent legislation. I think that they will continue to talk about introducing requirements for responsible investment already at the level of banks and various other financial institutions, which can tighten the screws on irresponsible companies even more.

Although I hope that there are very few such companies left, and we will talk about this less and less in the future, until we come to the conclusion that this topic has exhausted itself.

- Thank you very much for the extremely detailed answer. Could you please tell me how this initiative of the company, the work of all these departments, perhaps committees, can be implemented in corporate policies? How can this be formulated? How can this be fixed?

- In fact, there are several approaches to how a company can manage its supply chains and the best option, of course, is to prescribe certain norms, certain requirements, for example, in their policies regarding responsible procurement or in the Code of Ethics, codes of responsible behavior, that is each company has its own name for essentially the same document, covering the same issues related to what aspects of the company's activities are important to it, and what exactly they are.

Looking at concrete examples, one can recall how certain events may have influenced a company's decisions to formulate or amend its corporate policies in terms of responsible purchasing. Here I can talk about the company of a well-known international retailer, also represented in Ukraine and in which I had to work for several years, and I was responsible for the department, which was involved in responsible business conduct, had the opportunity to observe how the company can manage its own corporate policies in this context, and I can give such two examples.

Firstly, it was the company's refusal to buy cotton products in Uzbekistan. In particular, this became known during the announcement of one of the public organizations and then the creation of a coalition of all producers who take cotton from Pakistan. Why? In 2007, it was repeatedly stated and proved by various organizations that during the harvest, children are involved in the harvest, in particular, they are forbidden to go to school and sent to large fields where they must pick this cotton.

The second is that even teachers and all workers working in other industries are also involved in this campaign, because it has been so since the Soviet Union that for Uzbekistan the period of cotton harvest was something of a cult and all resources were directed precisely for this job.

And this is generally nonsense, but no matter how frightened the authorities of Uzbekistan, this boycott lasted for 12 or 13 years until 2022, at the end of which the leading public organization, which was just at the origins of the long-term organization of this action, officially during negotiations with The authorities of Uzbekistan canceled this boycott and acknowledged that in recent years the authorities have taken certain steps towards the introduction of criminal liability for the use of forced child labor.

The second is that there have been changes to, I think, about 30 different pieces of legislation that have completely changed the approach. During these 13 years since 2007, many companies, including European and American, have announced in their public policies and in their supply chains that they are ending their cooperation with suppliers or with contractors that they use to manufacture products. which is served in their stores or which is produced by their order, of this particular raw material, which in the future could lead to significant financial losses.

- An important nuance is that often a company implementing its corporate policies is responsible for the use of forced, in particular child labor, in the manufacture of products, if it pays attention to this not only within its activities, within the company, but also prescribes this for suppliers, plus talking about it publicly, draws attention to the problem. And, in my opinion, this contributes to a speedy decision. This is the situation that we have witnessed.
- I think we all have heard about the biggest disaster that happened in Bangladesh. It was a large factory, multi-storey, called RanoPlaza, which housed several workshops for various well-known world brands, both American and European. And in 2013, unfortunately, there was a collapse. More than 1,100 workers died and more than 2,000 were injured in this

factory. This was the first large-scale precedent that generally changed the world of both corporate social responsibility and the responsible conduct of business in general.

- Brief history of this tragedy. It consists in the fact that cracks appeared in this building the day before, and for factory managers, for group leaders who manage these human resources involved in work in factories, certain requirements were put forward regarding compliance with working conditions, temporary maintenance from work, from access to jobs related to the fact that the object needs restoration. But, unfortunately, these demands were ignored by the management, and just at 9 o'clock in the morning, when the factory workers came to their workplaces, this irreparable and very significant disaster occurred. The next day, tags of American and European brands known to us were found on the ruins of this factory.
- This is such a pivotal event that launched various social movements, in particular in France, so that companies begin to pay more attention to their supply chains and not be misled by the fact that in certain factories all conditions are really met, as we are used to in countries Europe. or America.
- A fund was set up to help the victims of this incident. All companies that were direct customers of the products produced in these workshops, plus other companies that simply wanted to support the victims, could raise their funding to help the victims. I have not managed to collect the entire amount yet, but partially through this tool, and I also know that in this company where I worked, a separate fund was created, which dealt not only with the issue of compensation for damage caused to factory workers, but also by entire politicians, related to improving the living conditions of the people of Bangladesh and other countries where the production facilities of this company are located. This is due to improved access to drinking water, access to the medical field, to medical services.
- - That is, this event affected different companies in different ways.
- - Official company documents have been revised. In 2017, the Code of Ethics was rewritten, which tightened, in particular, the company's obligations and how it must monitor compliance with these obligations in its supply chains. It has also become mandatory to conduct social audits for suppliers. If we talk about Ukraine, then in Ukraine for each supplier, whether new or more or less reliable, with whom they cooperate for a long time, the norms for conducting annual or less frequent audits for compliance with social conditions and environmental labor conditions have become mandatory.
- - - Thank you for the answer, very detailed with examples. If possible, the last question. You've already touched a lot on the factors that encourage companies to include measures in corporate policies to at least monitor supply chains and about social movement. You also spoke about the tendency to increase responsibility in this area and consolidate it by law. Are there any other measures to encourage wider adoption of these practices? To motivate the company to include these provisions in its activities, in its corporate policies? If so, who could contribute to this?
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- - Thank you. The basis for creating such policies varies greatly and can be unpredictable. Here everything depends on how the company reacts to this, how much the company itself is directly interested in these practices. First, it can be work with public organizations. The company needs to constantly monitor its field of activity for potential risks and monitor if such risks exist or may appear, then it would be appropriate just to start cooperating with specialists, with experts who may have more information in this area and may be useful in terms of availability of information in terms of helping to develop policies, in terms of conducting the same audits. Or it is possible to borrow good practices from other

countries, because often if we are talking about public organizations, then often it is an international network of certain organizations that can exchange experience and share certain information with each other that prevents the emergence of certain risks, in particular in others. countries or in other industries, and therefore this is the most useless step, such a proactive scenario that allows the company to show its leadership, its interest, its interest and often become trailblazers or a kind of pioneer in building responsible policies, including in the field of responsible supply chains and opposition to forced labor.

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- - Thank you very much for the recommendations, for the suggestions - they are simply extraordinary! And thank you in general for your time, expertise and attention that you have given to the project.