

Protection of Human Rights

Fair Treatment of Workers, including Human and Civil Rights, Safe Workplaces, Living Wage

EIRIS' latest research identifies corporate breaches of the International Labour Organization's conventions on child labor, forced labor, trade union rights and equal opportunities in the supply chains of some of the world's biggest companies. The report, *A Risky Business? Managing core labour standards in company supply chains*, finds that 45% of companies analyzed have no policy or management systems to protect labor standards in the supply chain and fail to report.

❖ Key findings:

- ❖ 13% of large and medium-sized companies in the developed world are assessed by EIRIS as high or medium risk for supply chain labor standards.
- ❖ Products with the greatest risk of poor labor standards associated with manufacturing include clothing, footwear, toys, consumer electronic items and some agricultural products.
- ❖ European and North American companies are the most likely to have been accused of breaching labor standards in their supply chains.
- ❖ 90% of European companies and 70% of North American companies are rated as "good" or "intermediate" in response to allegations of breaches of labor standards in supply chains.
- ❖ Companies in the consumer industry are most likely to have been accused of breaching labor standards in their supply chains.
- ❖ The consumer industry also has the most advanced response to such allegations, with almost 40% of consumer goods company responses to allegations being assessed by EIRIS as "good" and none assessed as having "no evidence" of a response.

Dawn McLaren, report author and Head of Consumer Goods & Services Research at EIRIS, said, "Companies are getting better at providing information on initiatives they have in place to protect labour standards in their supply chains. But more information is needed on what they uncover in their supply chains, such as the level of non-compliance amongst suppliers. This will help investors gain a better understanding of supply chain risk and enable them to track improvements in this area."

Many investors and advocacy organizations are addressing environmental, labor rights, health and safety, displacement and resettlement of populations and other sustainability issues throughout the minerals supply chain. While the World Diamond Council insists that 99.8% of rough diamonds sold to the retail jewelry industry are from conflict-free sources and are certified as such by the Kimberley Process, an international diamond certification scheme designed to eliminate the trade in conflict diamonds, poverty, greed and war continues to drive mineral extraction. Organizations are highlighting the link between mineral extraction and

trading and conflict and human rights abuses, particularly in areas such as the Democratic Republic of Congo and the surrounding Great Lakes region of Central Africa. Minerals originating in conflict regions can end up in electronics and many other products such as airplanes, automobiles and military transport.

New York State Labor Department investigations in April 2010 revealed egregious cases of wage theft against construction workers in Rochester, servers at restaurants in Ithaca, race track employees in Saratoga Springs and retail salespeople on Long Island, to name a few. Statewide, nearly a million workers see their wages stolen annually. The stolen wages amount to 15% of affected workers' paychecks. This trend is consistent with a report from the National Employment Law Project that revealed just how common it is for employers to violate state and federal employment laws by paying less than the minimum wage, making employees work off the clock, stealing tips and failing to pay overtime or workers' compensation. The in-depth study, based on thousands of interviews with working people, found that cheating employees—and the state—has become a routine business practice in many low-wage industries, robbing 586,000 low-wage workers in New York City alone every year. The violations, in this study of New York workers, are common in supply chains and particularly when laborers are trafficked for specific jobs, e.g. construction or driving in Iraq or agriculture in the U.S.

Investors are seeking establishment and enforcement of a human rights policy based on the Universal Declaration of Human Rights, the International Labour Organization's Core Labor Standards, and the United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights for application in all countries in which a corporation operates. The expectation, too, is that the policy will apply to a company's supply chain. Experience to date is that when companies accede to the request, it is a multiyear process for investor and company.

Investor groups have implemented multistrategy approaches, particularly where governments are directly involved. One example is the campaign addressing the violation of children's rights resulting from state-sponsored forced child labor in Uzbekistan's cotton industry. Investors have written letters to 130 apparel and home furnishing companies, called upon the Government of Uzbekistan to publically acknowledge and address this grave situation, and since May 2009, multistakeholder meetings have brought together investors, human rights groups, trade associations and companies to further collaborative actions to address the ongoing situation in Uzbekistan.

While investors raise these extractive industry questions directly with management, the financial-regulation bill, as of May 21, includes a provision to require companies to disclose use of four minerals—columbite-tantalite, cassiterite, wolframite and gold—explaining whether supplies may have come from the Congo or surrounding territory. It also would require them

to state what they have done to “exercise due diligence on the source and chain of custody...to ensure they did not directly or indirectly finance or benefit armed groups in the DRC.”

Ensuring the fair treatment of workers is aligned with the care and concern of the Sisters of Mercy to care for the economically poor, especially women and children.

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