

FORCED LABOUR AND CHILD LABOUR

An investors engagement initiative



SUMMARY

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FIRST YEAR ENGAGEMENT REVIEW WITH TEN COMPANIES

INTRODUCTION

Despite the engagement made in 2015, when the Sustainable Development Goals (SDGs, target 8.7) were adopted[1], to eliminate forced labour and child labour by 2025, the phenomenon remains a reality in many countries around the world. Estimates by the International Labour Organisation (ILO) show that 27.6 million people worldwide were still victims of forced labour in 2021[2]. Furthermore, in 2020, 160 million children, i.e. almost one in ten in the world, were subject to child labour according to the ILO. Of these, 80 million would be in the most dangerous forms of child labour[3].

Yet national and international regulations (international ILO conventions, United Nations guidelines, OECD guidelines, etc.) aimed at protecting human rights have multiplied in recent years. France is a pioneer with the entry into force of the law on the duty of vigilance in 2017. At European level, the Duty of Vigilance Directive and the European regulation banning products derived from forced labour from the EU market are also major advances. These standards and laws are aimed in particular at identifying and preventing serious human rights abuses by companies whose value chains can now be very extensive.

However, despite the emergence of these standards, human rights violations, including forced labour and child labour, are far from having disappeared, particularly in the private sector[4]. Faced with this situation, the NGO Human Resources Without Borders (RHSF)[5] is proposing an original approach to help vulnerable populations. More specifically, RHSF is providing its expertise on child labour and forced labour as part of the Lab 8.7 program in partnership with the French Ministry of Europe and Foreign Affairs (MEAE). Launched in 2020, this program aims to conduct prevention experiments in the supply chains of volunteer companies, with the various stakeholders and the support of the MEAE[6].

[1] SDG 8.7: Take immediate and effective measures to abolish forced labour, end modern slavery and human trafficking, prohibit and eliminate the worst forms of child labour, including the recruitment and use of child soldiers and, by 2025, end all forms of child labour.

[2] <https://www.ilo.org/topics/forced-labour-modern-slavery-and-trafficking-persons>

[3] https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipecc/documents/publication/wcms_797515.pdf

[4] [The ILO estimates that 63% of forced labour comes from sectors of the private economy other than commercial sexual exploitation.](#)

[5] The NGO RHSF was set up in 2006 with the aim of preventing child labour, forced labour and, more broadly, indecent labour in supply chains: <https://rhsansfrontieres.org/>

[6] France is a pioneer of Alliance 8.7.

WHY ARE INVESTORS TAKING PART IN THIS INITIATIVE?

As far as investors are concerned, the issue of respect for human rights in the subcontracting chains of the companies in which they invest is becoming increasingly important, with the strengthening of regulation on the one hand and growing concern about its dual impact, both financial and extra-financial, on the other.

Generally speaking, the ESG analyses currently carried out by investors assess respect for fundamental rights by looking at the engagements and actions already put in place by the company, as well as any controversies affecting it on the subject. However, an ESG analysis does not necessarily start from the risks to people in the supply chain as such, by questioning and assessing the real capacity of the company's policies to prevent them.

While the subject of respect for human rights is receiving increasing attention from investors, addressing it in all its complexity remains a challenge. All too often, companies and investors still place the risk to their own organisation at the heart of risk management and find themselves reacting rather than preventing the risks of human rights violations.

It was against this backdrop that the [French Sustainable Investment Forum](#) (FIR) approached RHSF to co-construct and test a methodology, tailored to investors, aimed at assessing companies on their ability to prevent the risks of forced labour and child labour to which vulnerable populations are exposed. The methodology was also designed to serve as a tool for dialogue with companies.

Thus, from 2021, FIR formed a coalition with about ten of its investor members, since joined by others - Amiral Gestion, Amundi, AXA IM, Candriam, LBPAM, LFDE, Meeschaert AM, Oddo BHF AM, OFI Invest AM and Sycomore AM -

representing more than €3,300 billion in assets under management to work jointly with RHSF on the construction of this methodology. The aim of this coalition is to ensure that the exercise of the duty of care contributes effectively to reducing the risks to individuals.

CONSTRUCTION OF THE METHOD

During an initial nine-month phase^[7] the coalition and RHSF shared their knowledge and practices to develop an assessment method that complies with international requirements on due diligence and incorporates the specific features of forced labour and child labour^[8].

This method assesses a company's maturity in preventing forced labour and child labour. Maturity is assessed using four criteria: knowledge of the subject, the engagement expressed in the light of this knowledge, the targeting of the approach in the light of the engagement and, finally, the relevance of the measures deployed in the light of the targeting. For each criterion, three levels of maturity (from 0 to 2) have been determined.

Based on a risk-based approach for individuals, the aim is for the company, accompanied by its investors, to acquire vigilance over the entire value chain from products or services to the countries of origin. However, the complexity of the subject means that we need to start by mapping and identifying the risks in the various activities in order to assess and deal with the segments that are most at risk ^[9].

[7] November 2021 to July 2022

[8] See the prevention guide written by RHSF with the support of the MEAE, and tested as part of the Lab 8.7 programme.: <https://rhsansfrontieres.org/wp-content/uploads/2023/05/Guide-de-prevention-Travail-des-enfants-et-travail-force.pdf>

[9] The evaluation grid follows a continuous iteration process and may evolve over time as feedback is received

In addition, the valuation method was tested to ensure that its use:

- Produces an analysis that is consistent with the opinion of an expert with access to the same information
- Is quick and simple for the analyst
- Is educational for the analyst who uses it and the company that is subject to it
- Is a source of dialogue between the investor and the company

DIALOGUE AND ENGAGEMENT WITH COMPANIES

Based on the assessment methodology, finalised in summer 2022, a phase of dialogue and engagement with companies was launched in early 2023. **Ten French companies from sectors considered to be high-stakes**^[10] were selected by the investors to begin a constructive dialogue with them. The aim of this dialogue is to gain a better understanding of the risks of forced labour and child labour in the value chain of these companies and how investors can contribute to the prevention of these risks in their relations with companies.

This deliverable is **an initial assessment of the companies' level of expertise** of the companies following discussions with the selected companies since the beginning of 2023.

The levels of expertise were determined on the basis of the companies' public documentation and adjusted whenever necessary following meetings with the companies. The dialogue with the companies was often useful in completing or clarifying the analyses, without changing the initial assessment of the level of maturity in most cases. It was noted that companies do not always communicate in a very granular detailed way on these subjects.

For example, the discussions often provided a better understanding of who is involved and how risk mapping is constructed in practice, which products/materials/geographies pose the greatest risk to people, the dialogue conducted with local stakeholders, etc.

The way in which the dialogue was received by companies varied, with some being very open while others were initially more closed-off, perceiving the request as yet another reporting request, or needing more time to understand the benefits of the approach and its methodology.

In a spirit of transparency and collaboration, as well as carrying out their own analyses on the basis of the analysis grid developed jointly with RHSF, the investors have shared this blank analysis grid with interested companies so that they can better understand the approach and make it their own.

Finally, this first year of engagement has also confirmed the initial feeling that tackling this issue is not always easy, that it takes time and that progress in both transparency and practices takes time. This issue often goes beyond the scope of possible action by investors, hence the importance of multi-stakeholder collaboration (investors, companies, public authorities/NGOs, etc.). The contribution of each of these parties helps us to better understand the subject, to reflect on possible courses of action - and to make them achievable through cooperation.

This report is divided into two parts: one analysing the maturity of companies on forced labour and the other on child labour.

[10] Food, Automotive, Consumer Discretionary, Construction, Hotels, Industry and Utilities

As explained above, within each part, the maturity of companies is analysed in four main areas: their knowledge of the subject, their engagement to the subject, the targeting of their approach and finally the measures deployed. Companies are rated from 0 to 2 on eleven criteria divided into these four main areas.

Claire Mouchotte, SRI analyst at Sycomore AM said:

“Sycomore AM joined this initiative as a continuation of its human rights approach, formalised through a dedicated policy and based on the observation that understanding the issues of forced labour and child labour requires dedicated expertise. Although these issues are an integral part of our analysis of social and societal challenges, they remain complex, and our capacity for action as an investor is potentially limited by the nature of the information made available to us by companies and the lack of dialogue with the teams in charge of these issues.

The initiative led by the FIR enables us to work on these limits: both in terms of method and expertise, thanks to the analysis grid developed by the group and the support of RHSF, and in terms of access to information on the knowledge and consideration of these issues via our dialogues with companies.

This initiative enables us to develop our approach to these issues and to go beyond the regulatory aspects and reporting exercises, with a paradigm shift: away from the risk to the company, and towards the risks to people. It's a change we hope to see in companies too, by starting to identify the populations most at risk locally, and the internal and external factors contributing to any situation of forced labour or child labour.

We have learned several lessons from this first year of engagement:

- *Tackling these complex issues is not always easy, and companies' reactions to our approach vary;*

- *Effectively reducing forced labour and child labour goes well beyond the scope of possible action by investors, hence the importance of multi-stakeholder collaboration: investor / company / public authorities/NGOs;*
- *Progress will be made over time, even if the first dialogues are also an opportunity to identify interesting practices already underway in some companies;*
- *Sharing the analysis grid with companies and within our teams is an opportunity to better understand these issues and take them into account..”*

Camille Bisconte de St Julien, Human Rights Analyst at LBP AM said:

“In 2024, LBP AM published its new Human Rights Policy, which reaffirms its engagement to the respect of human rights in all its investment activities and the need to implement due diligence in line with the expectations of the United Nations Guiding Principles on Business and Human Rights (UNGP).

It is based on a mapping of the human rights risks of the portfolios, which identifies the risks of violations of workers' rights, in particular the risks of forced labour and child labour, as 'salient' risks, i.e. widespread and serious for individuals. Contrary to what one might think, these risks are present in the majority of sectors and in all geographies. To prevent and mitigate them, companies must identify the populations most at risk in their value chain, deploy action plans and work with their stakeholders to reduce these risks sustainably.

This is the approach that the analysis grid, developed jointly with RHSF, can be used to assess. Our engagement to companies and the grid enable investors to better identify virtuous companies and those lagging furthest behind in managing the risks of forced labour and child labour, and also to reduce the financial materiality risks that may be associated with them”..”

PART I

ANALYSIS OF THE DEGREE OF MATURITY OF COMPANIES WITH REGARD TO FORCED LABOUR

A. KNOWLEDGE OF FORCED LABOUR

Définition of forced labour

The first part of the assessment aims to determine the extent to which companies have a thorough understanding of the systemic issue of forced labour and the vulnerability of individuals who may be exposed to it within their supply chains. This step is fundamental because it is a prerequisite for a company's informed engagement to the fight against forced labour. To tackle the issue of forced labour effectively, companies must first recognise its complexity. This includes not only understanding the different forms of forced labour, but also recognising the associated risk factors. Companies must take into account socio-economic contexts, regional dynamics, migration flows and other factors that contribute to the vulnerability of individuals to forced labour.

At this stage, the analysis of companies consists of determining whether they have the necessary knowledge to make an informed engagement. This includes the ability to define precisely what forced labour is, the populations exposed to it in the supply chain and the factors internal and external to the company that contribute to it.

Forced labour is still a poorly understood and defined phenomenon, despite the existence of international conventions[11] and practical guides[12]. It is essential for companies to remind employees what is meant by forced labour, in particular by referring to the key indicators of forced labour defined by the ILO[13].

So, in this first stage of taking stock of the company's understanding of forced labour, **half** of them did not define forced labour, or did so inadequately.

Five of the ten companies analysed refer to the exact terms of the ILO's international conventions to define forced labour, and only **two** of them go further in their approach. As well as referring to the international texts, they specifically mention in their definition of forced labour the criteria that can be grouped under four main indicators[14]: **lack of consent, constraint/coercion, isolation and restriction of freedom of movement**. This effort to define forced labour precisely is a first step in their efforts to prevent this practice in their supply chains.

[11] According to ILO Convention 29 on forced labour, forced labour means any work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

[12] See, for example, the guide on EU companies' duty of care regarding the risk of forced labour in their operations and supply chains, "Recognising forced labour, p: 2".

[13] Indicators of Forced Labour - https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf

[14] Based on the 11 indicators of forced labour identified by the ILO

For example, a company in the consumer discretionary sector refers to the definition of forced labour contained in Convention No. 29 of the International Labour Organisation on the subject. Forced labour is defined as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". It specifies that in certain regions of the world where it is present, practices contrary to internationally recognised human rights, such as the withholding of identity papers from migrant workers, are commonplace. All forms of forced labour are prohibited.

However, after referring to the ILO Convention and the four main indicators, the company would be expected to show that it has understood that the phenomenon of forced labour results from a number of factors. The company has a direct influence on some of these (e.g. the transparency of recruitment and employment conditions) but must also consider that other factors have structural dimensions (e.g. bilateral labour agreements between countries and the steering of these agreements by the authorities) and that exposure to the risk of forced labour is high for certain groups of people (e.g. rural migrants, ethnic minorities, etc.). Based on these observations, the company is committed to raising awareness and working with its partners to reduce all forms of lack of consent, coercion (particularly through debt), isolation and restrictions on freedom of movement.

Exposure of people in the supply chain

Based on the international reference texts[15] and on various reports[16] and observations in the field, the RHSF prevention guide on forced labour and child labour concludes that the populations vulnerable to forced labour are mainly (for the formal chains of European contractors):

- **people from rural areas who migrate** to another region or country to work;
- **people working in low-skilled manual jobs;**
- or populations exposed to discrimination (ethnic or religious minorities, social castes, etc.), **with possible multiple combinations of these profiles.**

However, **five** of the ten companies analysed did not provide any specific data to prove their ability to identify populations vulnerable to forced labour in their supply chains.

Four companies mention the risk of forced labour in their supply chains and **one** company stands out for its knowledge of **populations vulnerable to forced labour** in its supply chain.

For example, in its code of ethics, the company states that it pays particular attention to migrant workers: "Migrant workers are among the most vulnerable populations in terms of respect for human rights. Migrant workers are among the most vulnerable populations when it comes to respect for human rights. As they often do not speak the local language, they often have no support from their families and are therefore particularly dependent on recruitment agencies and their employers".

[15] The fundamental conventions of the ILO, the ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO and IOE guidance tool on child labour, the OECD Guide to Due Diligence Guidance for Responsible Business Conduct, and the EU Guide to Business Due Diligence Concerning the Danger of Forced Labour.

[16] In particular, the report on global estimates of modern slavery, September 2022: https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_854796.pdf

To be able to demonstrate a high level of maturity, the company must detail the profiles of these populations, establishing links with its own activities as well as those of its subcontractors and suppliers.

Contribution to forced labour: internal and external factors

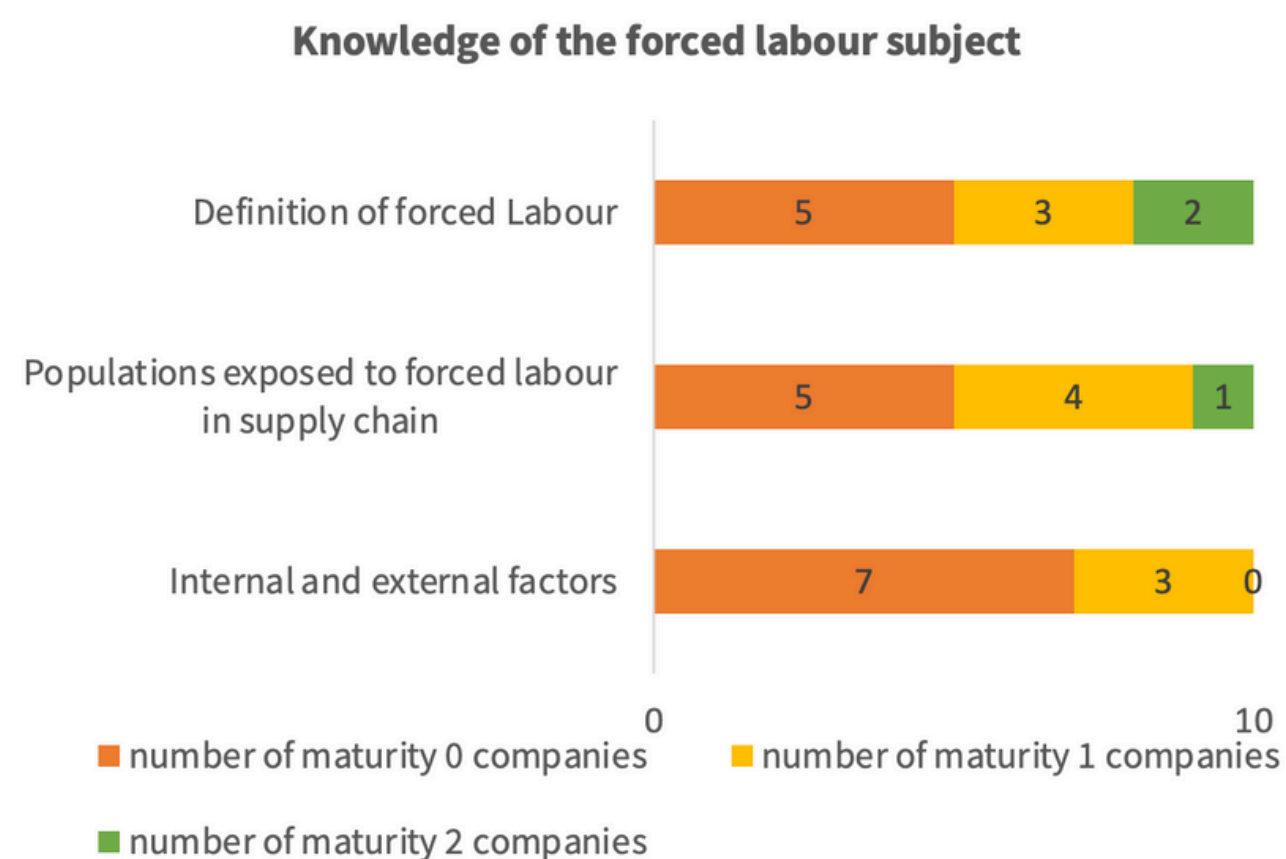
Forced labour can be driven by factors both internal and external to the production unit. **External factors** include the **shortage of local labour, organised recruitment networks based on debt bondage, or the socio-economic profile of workers** (precariousness of workers' families, low employability in their territory of origin), etc.

Factors internal to the production unit are generally **recruitment systems that ignore the risk of lack of consent and debt bondage, or employment and living conditions that keep workers isolated and limit their freedom of movement**[17].

Seven of the ten companies assessed do not provide sufficient information on understanding the internal and external factors that contribute to forced labour.

Three companies mention factors that contribute to forced labour in their supply chains without going into detail. Instead, these factors are described in very generic terms, such as "migration", activities with "high manual added value", etc. As a result, none of the companies assessed achieved level 2 in this category. This means that none of the companies succeeded in describing in precise detail the factors internal and external to their production unit that contribute to forced labour.

Yet such a detailed understanding of these complex mechanisms is essential to implementing effective prevention measures and combating forced labour.



[17] See the RHSF prevention guide on forced labour and child labour, p. 44.



B. THE COMPANY'S ENGAGEMENT TO REDUCING PEOPLE'S VULNERABILITY

The purpose of the engagement

Once the phenomenon has been identified, it is important to assess **companies' engagement** to reducing the vulnerability of individuals to forced labour within their supply chains. This also implies that they engage their partners in this process without shirking their responsibility.

It is important to note that the requirement to comply with national and supranational laws is not sufficient to curb forced labour. When a company bases its duty of care solely on this requirement, it is expressing its desire to comply with the law. However, compliance with the law relates to the risk for the company, but does not in itself address the problem for local populations. The issue of forced labour involves several territories, several laws, which the production unit cannot deal with on its own. As a reminder, the phenomenon of forced labour is systemic: it is the result of a combination of factors, both internal and external to the production unit, involving many players.[18]

For example, **two** of the companies evaluated did not provide any precise data on **the purpose of their engagement** to forced labour. **Six** companies state that they comply with international laws, but it is not possible to assess whether they are genuinely committed to combating the vulnerability of populations to forced labour.

Two companies in the automotive and consumer discretionary sectors stand out for their explicit engagement to reducing the vulnerability of populations to forced labour within their supply chains.

They combine their duty of vigilance with continuous improvement of their practices, with the aim of better protecting vulnerable populations in the areas crossed by their supply chains. These companies involve their partners in this approach without forgetting their own responsibilities. They encourage dialogue and support the development of their partners' skills on this issue. In so doing, they take into account both the risk to vulnerable populations and their own interests.

For example, through its Human Rights policy, a company in the consumer discretionary sector states: "**we are committed to respecting the rights of our employees in accordance with internationally recognised Human Rights.** We do this through various policies, including our Ethics Charter, which covers the prohibition of child labour and the protection of young workers, the prohibition of forced labour, discrimination, sexual or moral harassment, respect for freedom of association and collective bargaining, and respect for privacy (...) We are committed to **open and constructive dialogue with our social partners**".

In terms of its supply chain, the company asks its suppliers and subcontractors to act in accordance with human rights. However, the company is expected not to reduce its relations with its suppliers to a form of injunction, but to establish a **partnership approach based on dialogue.**

[18] Companies can refer in particular to step 1 of the OECD guide on due diligence for responsible business conduct, as well as to the "company policy and management systems" section of the guide on due diligence for EU companies concerning the risk of forced labour in their operations and supply chains for a engagement aimed at reducing the vulnerability of populations.

Cooperation with stakeholders

Cooperation with stakeholders is a central pillar in the prevention of forced labour. The company must combine its engagement to reducing the vulnerability of populations with the necessary cooperation with workers' representatives and local governments, in addition to traditional cooperation with suppliers and intermediaries. The company must **be able to explain both the reasons for its choice of stakeholders with whom it develops cooperation, and the logic of the cooperation it adopts.**

It is important to note that participation in a business coalition on the subject is interesting, but working with a business coalition does not necessarily mean cooperating with the stakeholders. The coalition can nevertheless help to create dialogue and facilitate exchanges with the stakeholders involved in the issue. When a company mentions its participation in a coalition, it must be able to explain in concrete terms what the coalition is achieving and how this fits within its own vigilance approach.

With regard to **the extent of company cooperation with stakeholders** involved in forced labour, **four** companies provide insufficient information or no precise data concerning cooperation with stakeholders in this phenomenon. **Six** companies mention examples of cooperation with workers' representatives, families, local governments, suppliers or intermediaries without describing a specific strategy for this cooperation. These companies should deepen their engagement by developing explicit cooperation strategies with these stakeholders who really contribute to the prevention of forced labour.

Companies are expected to detail the different types of stakeholders with whom they collaborate and to explain precisely their approach to building these cooperative ventures, illustrating this with examples of cooperation at local level.

Integrating its engagement into its policies

The company's policies, and even its business model, are automatically impacted by its engagement to reducing the vulnerability of populations to forced labour. **The profitability of its supply chains needs to be reassessed, because decent work costs more.** Reducing some of the risk factors of forced labour also means adopting HR and purchasing policies that are particularly well-informed on the subject and adapted to the territories concerned. Decisions such as rationalising certain supply chains need to be taken. For example, the company could talk about transforming its product supply chains, its relations with suppliers, etc. Overall, these transformations are the result of **in-depth work by the company to integrate the fair cost of decent work into its business model and to maintain cooperation with local partners** to develop practices that reduce the vulnerability of populations to forced labour^[19].

Four of the companies analysed did not provide a sufficiently precise response regarding the integration of their engagement into their policies or business model. **Four** companies mentioned strengthening their controls within their supply chains. However, they do not detail how their policies, whether related to purchasing, production, sales, human resources, etc., integrate measures aimed at reducing the risk factors of forced labour.

[19] See the RHSF prevention guide on forced labour and child labour, p. 28 to 35, for more details on the company's engagement.

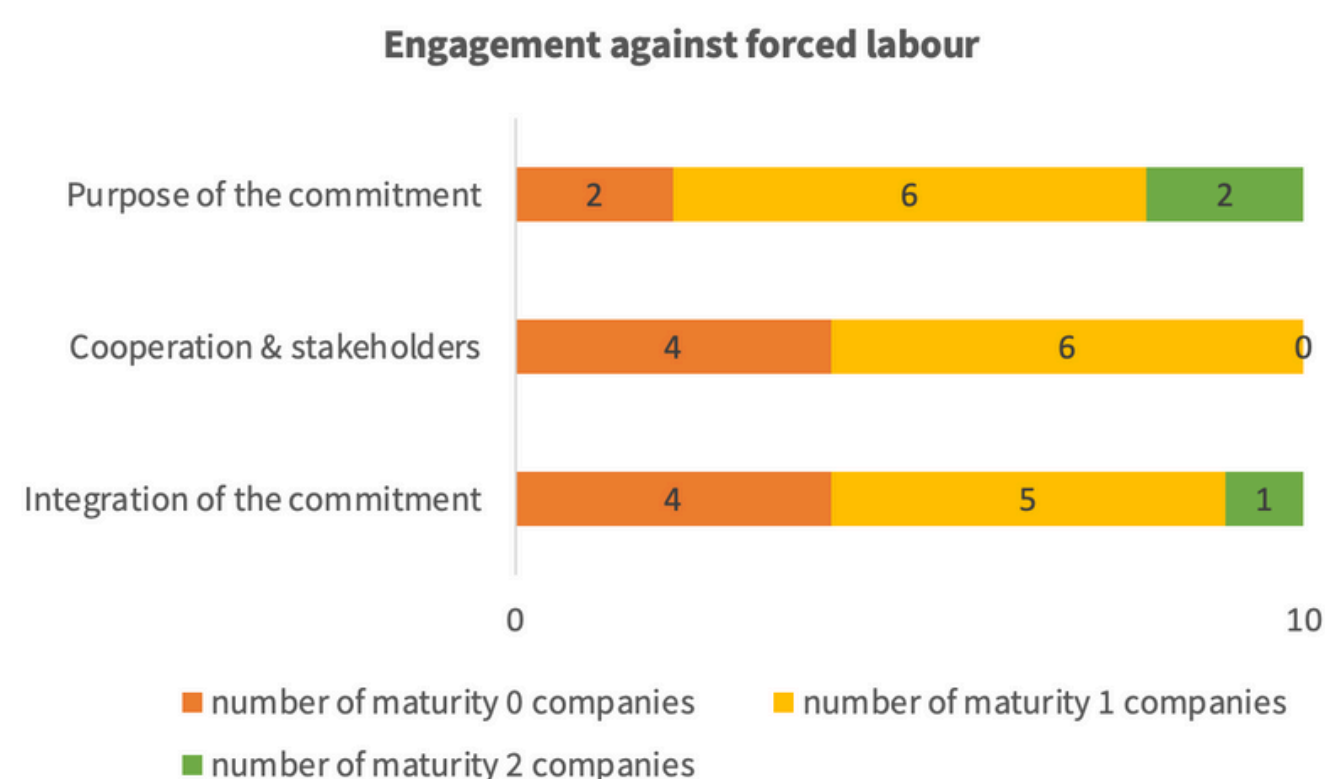
Two companies stand out for having apparently reviewed or partially adapted their policies to be consistent with their engagement to reduce the vulnerability of populations to forced labour.

This example illustrates how knowledge is disseminated across the Group's various sites; however, it does not provide any information on the impact of this knowledge on changes to the business model:

For example, the company's Human Rights policy has been presented internally to all employees to ensure that they are fully aware of this issue at local level. In addition, for the first time in 2023, the managers of the various sites have undergone dedicated training to reinforce and ensure their knowledge of the subject. In the various regions of the Group, the Regional Director is responsible for ensuring that this policy is implemented in all the companies and entities within his or her remit. To this end, he or she may appoint one or more operational managers who are trained in human rights. To complement and ensure continuity of knowledge, all the regions in which the Group operates have an ethics committee responsible for the proper application of the human rights policy.

An example from another company relates specifically to certain raw materials:

"For raw materials on which a risk reduction plan is deployed, the action levers used can be varied. They are specified in the purchasing rules, in order to harmonise the Group's practices in all countries and give impetus to a global approach. These may include: banning the listing of products from certain locations (e.g. Libya or North Korea), development of internal programmes by the company or its suppliers (e.g. for cocoa, the company accepts products from the Transparent Cocoa programme, developed by Cémoi, one of its suppliers, which works directly in the field with planters to help them achieve sustainable and profitable production), ...".



C. TARGETING

Country of origin traceability: a prerequisite for targeting

The following characteristics can be found in countries where people are exposed to forced labour:

- **Countries with a shortage of manual/low-skilled workers** (they generally have bilateral labour migration agreements with less developed countries). This shortage may be purely regional (inter-regional flows may have similar characteristics to inter-country flows).
- **Countries with a very low level of social protection for non-nationals** (or non-regionals in the case of countries fragmented into very heterogeneous states with no strong federal laws).

For the third part of the assessment, it is essential to understand whether the company is correctly targeting the risks of forced labour.



This implies having identified the territories presenting the highest risks for vulnerable populations[20]. Thus, rather than deploying generic measures throughout its operations, the company specifically identifies these areas of vulnerability and focuses its efforts on preventing forced labour there, while actively involving the stakeholders associated with this issue. By actively involving them, the company can benefit from a deeper understanding of local challenges, the mechanisms of forced labour and the specific needs of vulnerable populations. This enables the company to implement more appropriate solutions and strengthen the impact of its initiatives.

For a company to map the risks of forced labour in its supply chain, it needs to know a fortiori the countries through which its supply chain passes.

Controlling the traceability of the country of origin of products/components/raw materials is a prerequisite for risk management.

Four of the companies evaluated do not provide any information or have insufficient data concerning the traceability of the country of origin. **Four** other companies share information on the countries in which their Tier 1 suppliers, i.e. direct suppliers, are located. However, it has not been demonstrated that they control the traceability of the country of origin of their products, components and raw materials throughout their supply chain.

Lastly, **two** companies stand out by communicating adequately **on their control of the traceability of the country of origin of each product, component and raw material, at least for one specific product channel.**

These sectors are selected because of their involvement in products, components or raw materials presenting a risk of forced labour. This in-depth traceability should enable them to identify precisely the sources of risk and target their efforts to prevent forced labour in the most critical areas of their supply chains.

For example, a company in the automotive sector explains: "looking at the market in general terms, 90% of natural rubber comes from Asia, and 85% of volumes are produced on small plantations, generally less than 4 hectares in size; the supply chain is complex and fragmented". As a first step, the company is asking its suppliers to deploy an application designed to improve knowledge of its rubber supply chains, from production sites to their direct suppliers, with the aim of mapping and analysing the various risks (target of mapping 80% of the volumes of natural rubber used by 2022 (2021 target postponed to 2022 because of the pandemic). The resources deployed by the company provide a better understanding of the supply chain, as demonstrated by its risk materiality matrix. By the end of 2021, 52,267 questionnaires had been completed.

Another company in this sector also lists the countries of origin of four of its raw materials (Cobalt, Lithium, Nickel and Graphite). For high-voltage batteries, the company has identified 519 suppliers throughout its supply chain, from mines to factories.

However, tracing the country of origin is only the first step in controlling risks.

[20] Several sources exist to help identify countries at risk: ILO NORMLEX database for countries that have ratified one of the conventions relating to forced labour (C029, C105), [RHSF country maps](#), US Department of Labour website, [Bureau of International Affairs](#) Affairs section, etc. When the available data is insufficient, qualitative country data on forced labour factors can be analysed (labour shortage at national or regional level, bilateral labour agreements, etc.).

Targeting

The links in the supply chains most at risk of forced labour are generally located in countries where forced labour is endemic (with a combination of a shortage of manual/low-skilled workers and social legislation offering very little protection for non-nationals (or non-regionals)). For the company, this means considering the risks at all levels, as this link can be two or more in its supply chain. Companies tend to delegate responsibility for prevention to the Tier 1 supplier, who should then cascade this responsibility up the supply chain. **Yet a company's duty of care requires it to identify and be aware of the risks to which people are exposed, even very far down its supply chain.** To reduce forced labour, companies are expected to mobilise their sphere of influence to bring about changes in practices in the territories where their supply chain passes through.

Concerning the targeting of companies' efforts to reduce the vulnerability of individuals to forced labour within their supply chains, **five** companies evaluated either did not provide information or had insufficient data concerning their targeting approach. **Four** companies have identified countries at risk of forced labour in their supply chains. However, they do not provide any information showing that they adopt a targeted approach in the most at -risk countries, in particular for links located in countries where forced labour is endemic. Finally, **one** company stands out by having **identified the specific links located in countries at risk of forced labour within its global supply chain.** It also **highlights its clearly targeted approach to the links most at risk, considering local contexts and specific risk factors.** This targeted approach makes it possible to optimise resources and prevention measures in the most vulnerable areas.



D. MEASURES TAKEN TO COMBAT FORCED LABOUR

The fourth and final part of the assessment looks at the concrete measures taken by the company to combat forced labour within its supply chain. However, it is not only the implementation of measures that is important, but also their adaptation to the specific risks of forced labour to which people are exposed in this chain. Adapting measures therefore involves identifying the most sensitive links and the populations most at risk, based on external and internal factors, and devising strategies and actions that respond in a targeted way to these risks. A company that obtains a positive assessment in this section shows that it has a thorough understanding of the vulnerabilities and risks of forced labour in its chain, and that it has taken appropriate measures to combat these risks.



Local risk assessment for the population

Regarding the local assessment of risks for populations vulnerable to forced labour within the companies' supply chain, **nine** out of the ten companies evaluated do not provide information or have insufficient data regarding the local assessment of risks for populations vulnerable to forced labour. **One** company mentions local risk assessment, but there is little evidence that it is adapted to the risk of forced labour. There is no evidence that this assessment is prioritised in the highest risk countries, that it assesses risk factors rather than simply verifying compliance with laws and regulations, or that it involves local stakeholders. No company has described an approach that demonstrates a high level of maturity: **targeting its assessment on the most at-risk links, even upstream in its supply chain; assessing risk factors, whether internal or external to the company, rather than simply checking legal compliance; and actively involving local stakeholders, in particular legitimate workers' representatives.** This targeted, participatory approach helps us to better understand specific risks and to put in place more effective preventive measures.

To go a step further, the risk factors to be assessed can be divided into two categories. On the one hand, **external factors such as the reality of the labour inspectorate, the employment pool** (under pressure, for example), **social protection policy, bilateral labour migration agreements, the accreditation system for recruitment agencies**, etc. On the other hand, **internal factors** such as **HR processes** and in particular **health and safety** (access for vulnerable workers, control of high-risk tasks), **social dialogue, the remuneration system and also recruitment** (with monitoring of the agency selection process, in connection with the transparency of the costs associated with recruitment).

In addition, the company must integrate the **stakeholders involved in the phenomenon** of forced labour into its approach at a very early stage, identifying them firstly at the global level of its chain to help it draw up its map, and then more locally when it comes to specifically assessing the risk of forced labour in the mapped links that are most at risk. These stakeholders, and in particular **workers' representatives and civil society organisations providing assistance to workers**, enable the company to assess factors both internal and external to the production unit, and thus to have a complete understanding of the local reality of the phenomenon and the possible levers for reducing the vulnerability of the populations, in consultation with these stakeholders. In addition, the local assessment can be carried out in coalition with other companies, as long as the company remains in control of its vigilance approach. However, the coalition is a means of pooling action and increasing mobilisation; it is not an organisation to which the company subcontracts its vigilance approach.

Action plan by territory

A local assessment of the risks to the local population therefore makes it possible to put in place an **appropriate action plan for each area** to reduce the vulnerability of the local population to forced labour within supply chains. Measures aimed at reducing the vulnerability of populations include, for example:

- To reduce the restriction on freedom of movement,
- the extent of the isolation,
- the burden of debt,
- To make fair recruitment channels accessible and attractive,

- To disseminate knowledge of rights and their appropriation by vulnerable people, at community level, or enable enabling the development of a form of social dialogue.

It should be noted that the **withholding of passports**, which often symbolises forced labour, **is only one aspect of the restriction on workers' freedom of movement**. It is important to **work on the causes** of such restrictions in order to eliminate them. Another point often made by companies **is that the reimbursement of recruitment fees paid by workers is not enough to stem the tide of forced labour**. What's more, the fees levied on workers often exceed a reasonable recruitment cost. It is this lucrativeness of forced labour that needs to be understood and broken down throughout the recruitment chain[21].

Seven companies do not provide information or have insufficient data concerning their action plan by territory.

Three companies mention measures in their territorial action plans. However, there is nothing to guarantee that these measures effectively reduce the vulnerability of populations to forced labour. Thus, no company stands out for having **an action plan by territory that explicitly aims to reduce the vulnerability of populations to forced labour, in consultation with stakeholders**. However, companies that adapt their measures to the specific characteristics of each territory and involve the relevant stakeholders are more likely to reduce the vulnerability of populations to forced labour in different geographical contexts.

The alert mechanism by territory

One of the measures to be deployed also concerns the development of mechanisms for relaying information, facilitating warnings and providing assistance to vulnerable people. The alert mechanism must be built **in consultation with vulnerable populations and involve the civil society organisations** that will be part of the mechanism. In the case of forced labour, this means workers exposed to forced labour and the civil society organisations they trust, both in the host country and in the country of origin. A whistleblowing mechanism is considered to be when it is **legitimate** (potential users have confidence in the mechanism), **accessible** (it is known to potential users and assistance is provided to those who may encounter problems in accessing it), **predictable** (it offers a clear and known procedure), **fair** (users have sufficient access to information and support to engage with it under fair conditions, informed and respectful), **transparent** (parties are informed of progress), **rights-compatible** (remedies provided are consistent with international human rights standards), **a source of continuous learning** (it identifies lessons to prevent future harm), and finally when it is **based on participation and dialogue**[22].

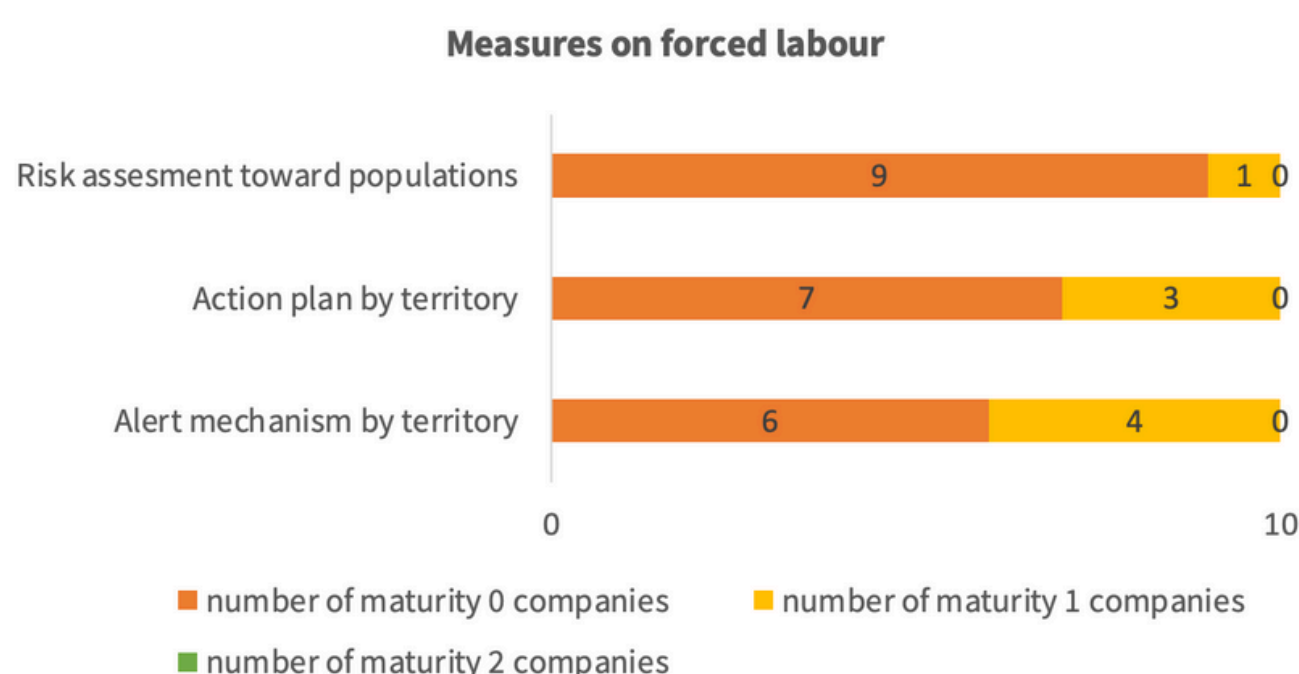
Thus, with regard to the **alert mechanism** by territory put in place by the companies to detect and react to potential cases of forced labour within their supply chains, **six** companies evaluated do not provide any information or have insufficient data concerning their alert mechanism by territory. **Four** companies mentioned a territory-based alert mechanism.

[21] On the subject of measures, see the RHSF prevention guide on forced labour and child labour, p. 54 to 58, which refers in particular to steps 3 and 6 of the OECD guide on due diligence *Due Diligence Guidance for responsible business conduct* *Responsible Business Conduct* and the guide on the duty of care of EU companies concerning *regarding the risk of forced labour in their operations and supply chains*, p. 6 to 8.

[22] [See Principle 31 of the United Nations Guiding Principles on Business and Human Rights](#), p. 33

For example, one company explains that it has tested its alert system with workers to report cases of forced labour in its main subsidiaries and at its main suppliers in India. This included work on the possibility of testifying anonymously.

However, **no company stands out completely by having a warning mechanism by territory that meets the criteria appropriate to the phenomenon of forced labour. In particular, no mechanism was mentioned as having been built in consultation with the workers exposed to the risk, in all the territories at risk, enabling adequate remedial measures to be put in place.**



CONCLUSION

Assessing the maturity of companies in combating forced labour within their supply chains reveals different practices and approaches. The complexity of the issue of forced labour requires an in-depth understanding of the different facets of this phenomenon, as well as a firm determination to implement effective measures. Within this panel of companies, there are significant differences in terms of knowledge, engagement, targeting and measures deployed. In addition, companies **lack maturity with regard to certain criteria, in particular, knowledge of internal and external factors, local risk assessment, adaptation of action plans by territory and alert mechanisms by territory.**

The first crucial step is a thorough understanding of the phenomenon of forced labour, the populations exposed to it and the factors that contribute to it. While some companies display limited knowledge, others demonstrate an advanced mastery of risk definitions and indicators, without any of them being able to mention sufficiently precise factors demonstrating their detailed understanding of the risk factors internal and external to the company. However, this knowledge must go hand in hand with a firm engagement. Companies are committed at different levels, ranging from simple legal compliance to genuine involvement in reducing the vulnerability of populations to forced labour. The companies that stand out are those that integrate this engagement into their business model, cooperate actively with stakeholders and adapt their strategies to the territories at risk.

Appropriate targeting is essential to the effectiveness of the measures put in place. Companies that focus their efforts on the most vulnerable territories, while involving local stakeholders, are better able to target sources of risk and deploy appropriate measures. Furthermore, traceability is a key element in understanding the origin of products and raw materials, in order to identify areas at risk of forced labour. Half of the panel has not yet demonstrated its ability to target risks.

Finally, the relevance of the measures deployed is fundamental to effectively combating forced labour. Companies that understand the specific risks in their supply chain and put in place strategies adapted to each territory, involving local stakeholders, demonstrate a real desire to combat this problem. At this stage, all companies still have a great deal of progress to make in demonstrating the implementation of relevant action plans and warning mechanisms.



Forced labor - Investors' analysis



Table showing investors' assessment of the level of control of companies by evaluation criterion on forced labour, expressed as a number of companies per level of control (at 30/03/2024)

PART II

ANALYSIS OF THE DEGREE OF MATURITY OF COMPANIES WITH REGARD TO CHILD LABOUR

As with the risk analysis for forced labourers, the investors assessed the risk of child labour in companies' supply chains, using the assessment grid co-constructed with RHSF. The grid follows the same steps as for forced labour.

A. KNOWLEDGE OF CHILD LABOUR

In this first part, we assess the panel companies' knowledge of child labour and the vulnerability of those who may be exposed to it within their supply chains. More specifically, it examines whether the company has a thorough and solid understanding of the concept of child labour in general and how it may manifest itself in its own supply chains. The company is assessed on its ability to identify the different forms of child labour, to recognise the associated risk factors and to understand the populations and socio-economic contexts that make individuals vulnerable to this problem.

Definition of child labour

Like forced labour, the definition of child labour is the subject of much confusion, despite the international conventions covering it^[23]. It is imperative that the company clarifies this concept by highlighting crucial aspects, in particular those of dangerous work and work that hinders the schooling and future prospects of the child and his or her family. It is essential to remember that the term "child" refers to any individual under the age of eighteen^[24], in accordance with article 1 of the International Convention on the Rights of the Child (CRC).

Despite differences depending on the legislation in force, it can be generally accepted that **child labour concerns at least abusive forms of work by individuals under the age of 18**. This definition avoids misinterpretations of national and international laws, as well as potential discrepancies with local cultural practices. Furthermore, by emphasising the precept that "in all actions concerning children (...) **the best interests of the child** shall be a primary consideration" (article 3 of the CRC), the company is taking a stance in favour of protecting children rather than their own interests. These details are crucial and should form an essential part of the company's policy document, which is often used to communicate its approach to suppliers.

For example, with regard to the definition of child labour, **four** companies were identified as having either no information or insufficient information to meet the criteria for level 1.

Secondly, **five** companies demonstrated a basic understanding by, for example, recalling the terms of the ILO's international conventions on child labour. However, it is noted that some of these companies did not refer to the definition of "child" and the importance of taking into account the best interests of the child in all decisions affecting them.

[23] International Convention on the Rights of the Child, ILO Convention 138 or ILO Convention 182

[24] Unless majority is attained earlier under the applicable legislation

Finally, **one** company provided more detailed information. As well as reiterating international terms, the company **also clarified what precisely a "child" is from their perspective, as well as the fundamental principle of "the best interests of the child"**. This company stands out for its willingness to communicate in a comprehensive and nuanced way on the issue of child labour.

In its code of ethics, the company states in particular:

"The International Labour Organisation (ILO) sets the minimum working age at 15 and 18 for all forms of hazardous work. In all cases, even occasional work must not prevent children from attending school, nor harm their health and development".

People exposed to it

The **populations exposed to the risks** of child labour within the company's supply chain, particularly in the formal chains of European principals ordering institutions, include :

- people from rural areas,
- workers in the agricultural or extractive sectors,
- individuals working in low-skilled manual jobs,
- people working from home or in communities. These profiles can also be combined in various ways.

In 2020, 160 million children will be involved in some form of child labour (i.e. almost one child in ten), around 70% of whom will be working in agriculture, according to the ILO and UNICEF 2021[25].

Of the companies evaluated, **six** did not provide sufficient information to estimate their knowledge of the populations exposed to child labour within their supply chains. On the other hand, **four** companies demonstrated an awareness of the risk of child labour in their supply chains without, however, describing a particular profile of populations that are vulnerable to it. Notably, no company demonstrated a deep and precise understanding of the populations vulnerable to child labour within its supply chain, identifying specific profiles in relation to its own activities as well as those of its subcontractors and suppliers. This level of detailed understanding would enable more targeted and therefore more effective action.

Internal and external factors contributing to child labour

Factors **both internal and external** to the company contribute to child labour. External factors include the precariousness of parents' jobs and incomes (making them vulnerable to shocks), difficult access to social protection and regulated credit, local labour shortages, and the inadequacy of the education system to give young people access to decent jobs. Internal factors include: a remuneration system that encourages families to take part in the work (e.g. remuneration per kilo harvested), the organisation of work around children's free time, the formalisation and value placed on adult work, and knowledge and control of tasks and conditions that are dangerous for young people. Ultimately, four areas need to be analysed: **the living environment of children, the economic context in which child labour takes place, governance factors** (public authorities and companies) and **the cultural context**[26].

[25] <https://www.unicef.org/press-releases/child-labour-rises-160-million-first-increase-two-decades>

[26] See the RHSF prevention guide on forced labour and child labour, p. 42 to 45.

Of the companies assessed, **eight** did not provide sufficient information to understand how internal and external factors relating to child labour were taken into account. **Two** companies mentioned factors that remained very generic.

For example, a company in the consumer discretionary sector cited Asia and Latin America as regions particularly at risk from child labour, and high value-added manual activities as those most exposed to social risk.

However, these elements do not demonstrate an in-depth knowledge of the specific mechanisms leading to child labour, nor of the influence it can exert on these factors. In fact, **no company** was able to mention specific factors that would show that the company has in-depth knowledge of the mechanisms involved in this problem and of its own role as a principal ordering institution, as well as the role of the production unit.

B. ENGAGEMENT TO CHILD LABOUR

This section assesses companies' active engagement to reducing the vulnerability of populations to child labour within their supply chains. As we have seen, child labour is often the result of various factors, such as poverty, limited access to education, unfavourable socio-economic conditions, etc. By making an engagement to reducing the vulnerability of populations, the company recognises its responsibility to create an environment where children's rights are respected and their well-being is protected.

Purpose of the engagement

As we saw in the case of forced labour, the requirement to comply with national and supranational laws is not enough to curb child labour. When a company bases its duty of care solely on this requirement, it is expressing its desire to comply with the law but is not demonstrating its concern about the risk to local populations. So, either the law is effectively applied in the production unit: the children are then pushed towards other supply chains with less scrutiny; or the law is not or is poorly applied: the situation of the children and their families does not change. As a reminder, the phenomenon of child labour is systemic: it is the result of a **combination of factors, both internal and external to the company, involving numerous players**. It is not a phenomenon that arises solely from the decision of the site/supplier.

Knowledge regarding child labour



Thus, with regard to the companies' engagement to the fight against child labour, **three** companies provided either no information or insufficient information on the subject, leaving room for the necessary improvements to clarify their engagement regarding child labour. **Five** companies limited themselves to declaring their compliance with international laws, stating that there is "no child labour". However, they focused on legal compliance without addressing other aspects in depth. They do not question the ability of their partners to implement these laws and seem to consider only the potential risk to themselves. Finally, **two** companies **have explicitly stated their engagement to reducing the vulnerability of populations to child labour in their supply chain.** They are not only complying with the law but are committed to **improving their practices to protect vulnerable populations in the regions through which their supply chain passes.** They **encourage their partners to share this responsibility, facilitating constructive dialogue and supporting them as they develop their expertise** in this area. These companies take into account the risks for vulnerable populations in addition to their own interests.

For example, a company in the consumer discretionary sector writes in its mutual ethical engagement letter to its suppliers:

"Prevention of child labour: your company prohibits the hiring of workers who are under the minimum legal age laid down by local law or who have not completed their compulsory schooling and, in any event, who are under the age of 16. You have implemented the necessary measures to ensure compliance with this regulation, such as compulsory age checks at the time of hiring. If your company allows the recruitment of people who have not yet reached this age, please inform us so that we can assess this together."

The company explains that "we will be precise and reasonable in our possible requests for improvement. As long as one of our suppliers demonstrates its engagement and ability to comply with our requirements, we will continue to work together and support that supplier. On the other hand, if a supplier is unwilling or unable to improve, we may be forced to terminate our relationship with that supplier."

Cooperation with stakeholders

As in the case of forced labour, the company's engagement presupposes a strategy of **cooperation with stakeholders.** The company must combine its engagement to reducing the vulnerability of populations to child labour with the necessary cooperation with representatives of workers, families and local governments, in addition to the traditional cooperation with suppliers and intermediaries. The company must be able to explain how it chooses the stakeholders with whom it cooperates and the logic of the cooperation it adopts. Participation in a business coalition on the subject is interesting, but it is not equivalent to direct cooperation with stakeholders. The coalition can nevertheless help to create dialogue and facilitate exchanges with the stakeholders involved. When a company mentions its participation in a coalition, it must be able to explain in concrete terms what the coalition is achieving and how it fits in with its own vigilance approach.

Thus, with regard to cooperation with stakeholders, **five** companies did not provide sufficient information to be able to identify an engagement to cooperation with stakeholders. The other **five** companies mentioned examples of cooperation with various stakeholders such as workers' representatives, families, local governments, suppliers and intermediaries.

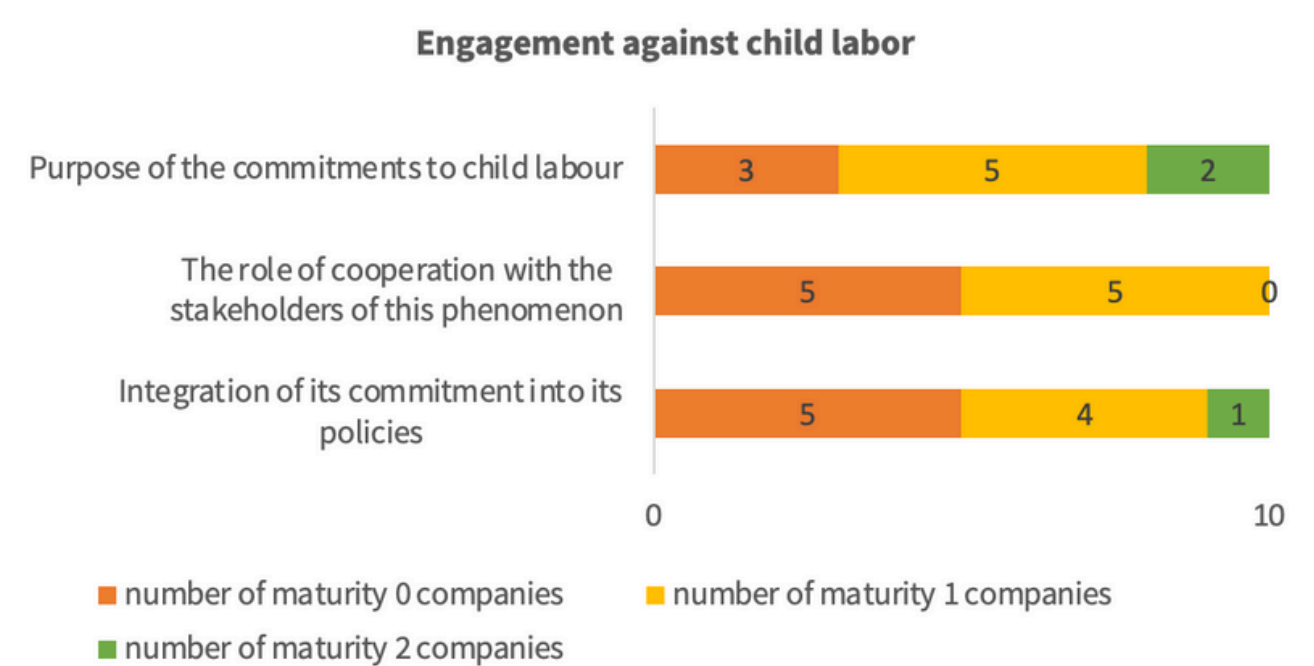
However, they did not mention a specific cooperation strategy with these stakeholders, nor did they detail how they work together to tackle the problem of child labour. As a result, **none of the companies described their cooperation strategy, articulated put together with the stakeholders of the phenomenon.** None of the companies explicitly identified all the stakeholders with whom they collaborate, nor did they explain in detail their approach to building these cooperative ventures.

Integrating its engagement into its policies and business model

The engagement to reduce the vulnerability of populations to child labour should have a direct impact on the company's policies, and even its business model. The profitability of its supply chains will be reassessed because decent work costs more[27] . Overall, these changes are the result of in-depth work by the company to: - maintain cooperation with local partners to develop practices that reduce the vulnerability of local populations to child labour[28] .

For example, five companies did not provide the information needed to understand **how their engagement to combat child labour is integrated into their policies and activities.** Four companies mentioned a strengthening of their controls within their supply chain. However, they did not establish clear links between these reinforced controls and specific measures within their policies. Only **one** company seems to be adapting its policies to be consistent with its engagement to reduce the vulnerability of populations to child labour.

A maximum level of control presupposes that the company has established tangible links between its actions and its purchasing, production, sales, human resources and other policies. This integration ensures that **all facets of the company work together to prevent child labour and protect the rights of children in its supply chain. Changes to its business model can be measured.**



C. TARGETING

This section highlights how the company is specifically targeting its action against child labour to areas where populations are most vulnerable to this phenomenon. This approach also involves working closely with stakeholders who are directly affected by this issue.

[27] See paragraph on "integrating its engagement into its policies and business model" in the section on forced labour above, p:7 for more details on the process the company must follow.

[28] To go further on integrating the engagement at the heart of the company: see RHSF's prevention guide on forced labour and child labour, p:29 to 39, which refers in particular to the ILO and IOE guidance tool on child labour for businesses, C.1 Developing a political engagement and integrating it throughout the organisation, p:28, 2015 edition.



Traceability of the country of origin, a prerequisite for targeting

Country of origin traceability plays a crucial role in a company's ability to assess and manage child labour risks within its supply chain. The company must have a map of its own activities in all the areas in which it operates, as well as activities in its supply, subcontracting and distribution chain. In this way, the company can **map the route of products, components and raw materials and clearly identify the areas and activities where the risk of child labour is higher**.^[29]

Five companies have not yet demonstrated that they can trace the country of origin of their products, components and/or raw materials. Three companies shared information on the countries in which their Tier 1 suppliers are located. However, they did not demonstrate their ability to control the traceability of the country of origin for all products, components and raw materials throughout their supply chain. This shortcoming may limit their comprehensive view of the risks associated with child labour.

On the other hand, **two** companies have provided information enabling them to analyse a certain degree of control over the traceability of the country of origin for each product, component and raw material in at least one product chain. These channels were chosen because of the presence of products, components or raw materials at risk of child labour. This mastery of traceability enables them to precisely identify potentially vulnerable zones and to target their efforts to eliminate the risk of child labour in these sectors.

Targeting

Traceability of the country of origin must be accompanied by a targeted approach to the links in its chain located in countries at risk of child labour. The links most at risk are generally upstream, close to the raw materials and rural populations. As in the case of forced labour, it is therefore essential for companies to consider these risks at levels 2 and above in their value chain.

For example, it has been observed that companies tend to delegate responsibility for preventing child labour to tier 1 suppliers, who are supposed to pass on this responsibility to higher levels. However, the company's duty of care requires it to identify and understand the risks, even at the furthest levels of its chain. To truly reduce child labour, companies are expected to mobilise their sphere of influence to catalyse change within the territories where their supply chain extends.

Six companies have yet to specify their approach to targeting risks in their supply chain. **Three** companies have identified countries with child labour risks within their supply chain. However, they have not detailed how they adopt a targeted approach, particularly for the furthest upstream links in their chain, such as agriculture and the extraction of raw materials.

One company was assessed with level 2 maturity, which involves identifying **the specific links in its supply chain located in countries at risk of child labour**. It explains that countries classified as being at risk and in which the main raw materials of the Group are produced are a factor in triggering supplier audits. However, specific mapping of the risks of child labour still seems necessary to determine precisely which supply chains are most at risk.

[29] To find out more about the areas at risk, the MORMLX database (ILO) for countries that have ratified a convention (C138 and C182) can be used, as well as [the RHSF country maps](#); when the data is insufficient, the qualitative country data available on child labour factors can be analysed (rural environment, precariousness of families, poor formalisation of labour relations, education system disconnected from employment, etc.).



D. MEASURES DEPLOYED

Local risk assessment for populations

It is only once maximum levels of control have been achieved in terms of knowledge, engagement and targeting of risks to combat child labour that the company is in a position to take targeted and effective measures. This section highlights the relevance and adaptability of the actions undertaken by the company to combat child labour within its supply chain. This section highlights the importance of adopting specific and appropriate measures according to the level of risk of child labour to which populations are exposed in order to reinforce its impact. Companies must go beyond generic solutions and develop specific measures that respond to the unique realities and challenges of each link in their supply chain.

Local risk assessment is an essential step in the prevention of child labour in the supply chain. This assessment is based on an in-depth analysis of the various risk factors that influence the presence of child labour and falls into two categories: external and internal factors.

Among the **external factors**, we find several factors in common with forced labour, such as **the reality of the labour inspectorate, the reality of the employment pool** (is it in tension under stress or not?), **social protection policy** (including family policies), but also **the education and apprenticeship system, and the link between the seasonality of the activity and the rhythm of schooling.**

Among the **internal factors**, as in the case of forced labour, emphasis should be placed on **human resources management processes** and, in particular, **health and safety** (access to health care and control of high-risk tasks, especially those involving people under 18 and pregnant women), **social dialogue, remuneration** (avoiding the logic of "more hands to earn more") **and recruitment** (reception and employment policies for young people of working age, as well as local age management, are crucial aspects to be assessed in order to understand the dynamics of child labour). The involvement of stakeholders is an essential dimension of this evaluation. Companies must collaborate with the stakeholders involved in the phenomenon of child labour, starting with the mapping on a global scale, and then more locally during the specific assessment of the links identified as being most at risk. **Family and community representatives play a crucial role** in assessing factors both internal and external to the production unit, and in developing appropriate measures. It should be noted that in the case of a coalition with other companies, it is possible to carry out this assessment together while maintaining control of one's own vigilance approach. As a reminder, the coalition can offer an opportunity to share knowledge and strengthen mobilisation, but the company retains responsibility for implementing its own child labour prevention strategy.

According to our assessment, **eight** companies have not yet demonstrated the relevance of their local risk assessment approach to the prevention of child labour. **Two** companies mention local risk assessment but do not provide sufficient evidence to show that this assessment is adapted to the risk of child labour. There is no evidence that the assessment is prioritised in the highest risk countries, that it assesses risk factors rather than simply compliance with laws and regulations, or that it actively involves local stakeholders. An advanced assessment approach has the following characteristics:

- **Targeting the links most at risk:** the company prioritises its assessment in the links identified as most at risk of child labour, including those upstream in its supply chain.
- **Assessment of risk factors:** the company assesses risk factors that are both internal and external to the company, rather than focusing solely on compliance with laws and regulations.
- **Involvement of local stakeholders:** this actively involves local stakeholders, in particular representatives of families and communities at risk of child labour.

Action plan by territory

The development of an **action plan** for each territory is essential to effectively combat child labour in the supply chain. This action plan aims to put in place specific measures to reduce the vulnerability of populations to child labour, in collaboration with the stakeholders involved. The measures that can be taken are :

1. **Eliminating children's exposure to dangerous work:** the company must identify tasks and conditions that are dangerous for children. These tasks must be reserved for trained adults.

2. **Eliminating exposure to child labour for children under 15.** To combat child labour under the age of 15, a holistic approach is advocated: this involves combining an education and apprenticeship programme that opens up future prospects for children, alongside decent work for their parents.

3. **As in the case of forced labour, strengthening the capacity of vulnerable populations to protect themselves.** This measure comprises several elements:

- Disseminating knowledge about the rights of vulnerable groups within the community.
- Creation of an appropriate and sustainable social dialogue between vulnerable people and employers.
- Development of mechanisms for escalating information, facilitating warnings and providing assistance to vulnerable people.

As far as schools are concerned, access to an education system for children exposed to child labour is an aspect on which the company can focus. However, to be effective, such a project must combine schooling for children with the creation of decent working conditions for parents. In addition, it is crucial to adapt educational programmes to the different age groups of children, as they are not exposed to child labour in the same way. It is important to note that funding schools is not in itself a complete answer to the problem of child labour. Child labour is a complex and systemic problem that requires a comprehensive approach^[30].

[30] On the subject of measures, see the RHSF prevention guide on forced labour and child labour, p. 54 to 58, which refers in particular to the ILO and IOE guidance tool on child labour for businesses, "C.3 Integrating and taking action on child labour impacts", page 39, 2015 Edition.

Thus, **nine** companies have not yet demonstrated the relevance of their territorial action plan in reducing the vulnerability of populations to child labour. On the other hand, one company in the agri-food sector mentions measures in its territorial action plan, but it is not clear whether these measures actually reduce the vulnerability of populations to child labour. There is no evidence that these measures are appropriate and relevant to achieving this objective.

Thus, **no company has demonstrated that the measures mentioned in its action plan for each territory are aimed at reducing the vulnerability of populations to child labour, in consultation with families and in the best interests of the child.**

The alert mechanism by territory

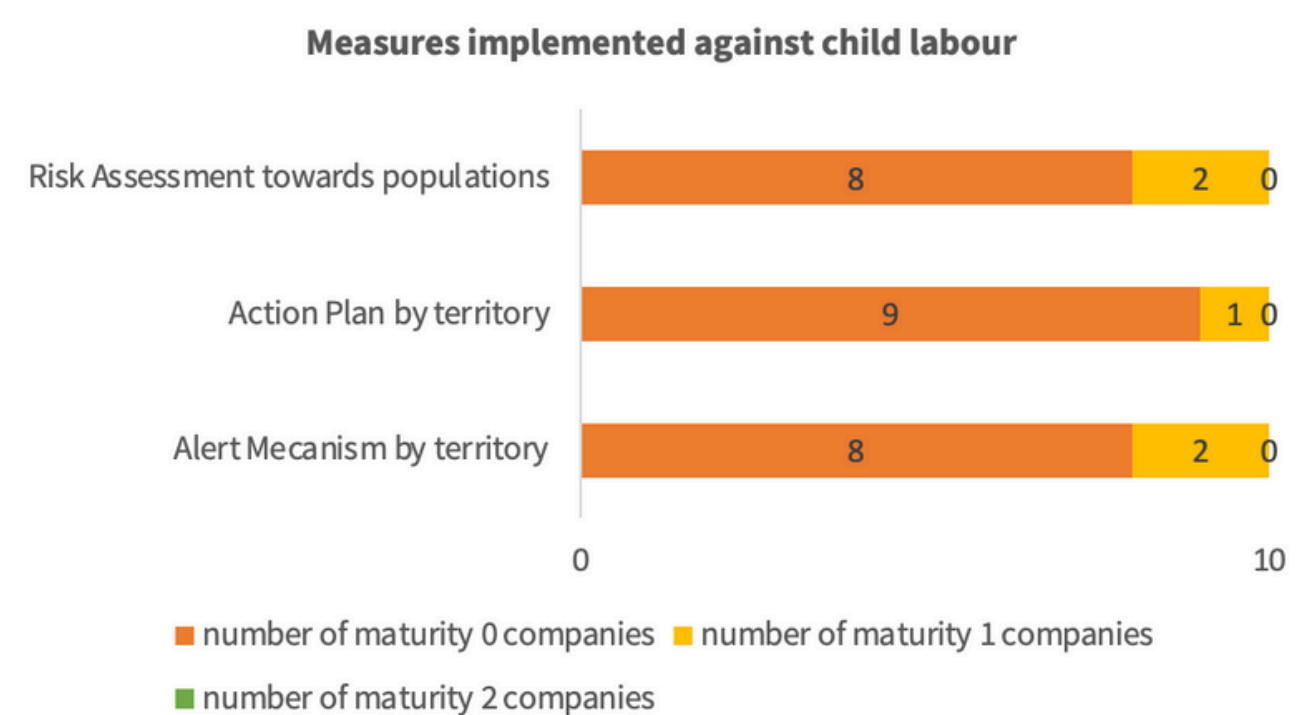
The **territory-based alert mechanism** is one of the essential measures for identifying and preventing cases of child labour within the supply chain. The construction of this mechanism must be based on close collaboration with vulnerable populations and civil society organisations. For child labour, it involves the communities whose children are exposed to child labour, as well as the civil society organisations that hold their trust. Thus, as in the case of forced labour, an appropriate warning mechanism is characterised by the following elements:

- Legitimacy
- Accessibility
- Predictability
- Equity
- Transparency
- Compatibility with rights
- Source of continuous learning
- Based on participation and dialogue^[31]

The territory alert mechanism plays a crucial role in preventing and detecting child labour in the supply chain.

Thus, **eight** companies did not demonstrate the relevance of their alert mechanism by territory for child labour.

Two companies mention the existence of an alert mechanism, but it does not seem to meet the criteria of an appropriate mechanism for the phenomenon of child labour. In particular, it is not clear whether these mechanisms have been developed in consultation with communities at risk of child labour. No company has yet demonstrated that its alert mechanism meets the criteria of an appropriate mechanism for the phenomenon of child labour, including consultation with vulnerable communities, enabling appropriate and effective measures to be taken.



[31] See [Principle 31 of the United Nations Guiding Principles on Business and Human Rights](#), p. 33.



CONCLUSION

In conclusion, this second part presents a preliminary assessment of the maturity of the companies in their approach to combating child labour within their supply chains. This assessment is a first step that aims to be nurtured by constructive dialogue between these 10 companies and the investors concerned. As we have seen, adequate measures presuppose a good understanding of the risks, a strong engagement and precise targeting according to geographical zones and sectors throughout the company's supply chain.

Overall, the consistent application of these different approaches can not only enable companies to meet social responsibility and sustainability standards, but also to play an active role in reducing child labour.

The level of maturity of the companies on the panel with regard to child labour was assessed to be slightly lower than that for forced labour.

The investors will continue this engagement initiative over the next few years with the aim of:

- Further deepening their understanding of the mechanisms linked to forced labour and child labour in order to improve the relevance of their ESG analyses and their dialogue with their portfolio companies and to thus be able to challenge their approaches on the subject.
- Drawing on concrete cases, starting from the ground up, to support companies in their gradual implementation of coherent measures to reduce the vulnerability of people throughout their supply chain.

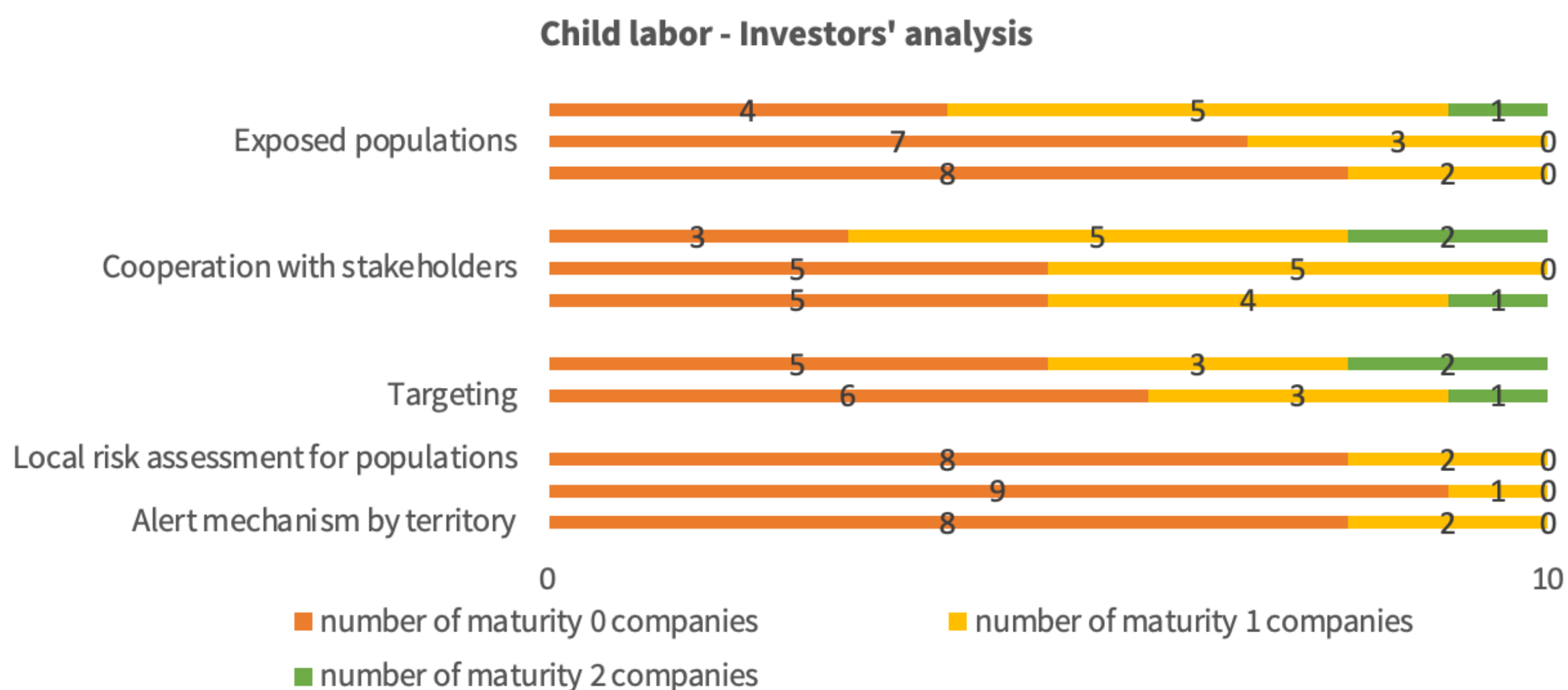


Table of investors' assessment of the level of control of companies by evaluation criterion on child labour, expressed as a number of companies per level of control (at 30/03/2024)



Appendix 1 : Preparatory data on forced labour and child labour

Preparatory data on forced labour :

Activities	Company's activities (operations)		Red flag activities on forced labour ?	
	Activities all along its supply chain		Red flag activities on forced labour ?	
Country	Geographical implantation of the company (including its subsidiaries)		Red flag countries on forced labour ?	
	Geographical implantation of its supply chains		Red flag countries on forced labour ?	

Preparatory data on child labour :

Activities	Company's activities (operations)		Red flag activities on child labour ?	
	Activities all along its supply chain		Red flag activities on child labour ?	
Country	Geographical implantation of the company (including its subsidiaries)		Red flag countries on child labour ?	
	Geographical implantation of its supply chains		Red flag countries on child labour ?	

Appendix 2 : Assessment grid co-constructed with RHSF on forced labour

			Maturity 0	Maturity 1	Maturity 2
<p>KNOWLEDGE OF THE SUBJECT</p> <p>The company is aware of the systemic issue of forced labour and the vulnerability of people who may be exposed to it in its supply chain.</p>	1	The definition of forced labour	No information or insufficient information to complete level "Maturity 1".	<p>The company refers to the exact terms used in the ILO's international conventions to define forced labour.</p> <p>However, it does not spell out this definition, in particular the 4 main indicators of forced labour:</p> <p>1 -defect of consent, 2 - coercion, 3 - isolation, 4 - restricted freedom of movement.</p>	<p>In addition to international texts, the company clarifies the definition of forced labour, in particular by mentioning the 4 main indicators of forced labour:</p> <p>1 - defect of consent, 2 constraint/coercion, 3 - isolation, 4- restricted freedom of movement.</p>
	2	The populations exposed in its supply chain	No information or insufficient information to complete level "Maturity1".	The company mentions the risk of forced labour. However, it does not describe any particular profile of vulnerable populations in its supply chain.	The company reports on its knowledge of populations vulnerable to forced labour in its supply chain. It specifies their profiles, in relation to its activities and those of its subcontractors/suppliers.
	3	Factors internal and external to the company that contribute to it	No information or insufficient information to complete level "Maturity 1".	<p>The company mentions factors that contribute to child labour.</p> <p>However, these factors are very generic (i.e. "migration") and do not show that the company has developed detailed knowledge of the mechanisms at play that lead to forced labour, and of the influence it can have on these factors.</p>	<p>The company mentions factors internal and external to the production unit that contribute to forced labour.</p> <p>These factors are precise and show that the company has a detailed knowledge of the mechanisms at play that lead to forced labour, and of the influence it can have on these factors, at its level as principal, as well as the role of the production unit.</p>

			Maturity 0	Maturity 1	Maturity 2
<p>INTEGRATE YOUR COMMITMENTS</p> <p>The company is making a commitment that helps reduce people's vulnerability to forced labour in its supply chain</p>	4	The purpose of its commitment to forced labour	No information or insufficient information to complete level "Maturity 1".	<p>The company confines itself to declaring that it respects international laws: "no forced labour".</p> <p>It equates its duty of vigilance with the sole requirement of compliance with the law.</p> <p>It states that it also requires its partners to do so, without questioning their real capacity to apply and commit to these laws.</p> <p>The company only considers the risk to itself.</p>	<p>The company is explicitly committed to reducing the vulnerability of populations to forced labour in its supply chain.</p> <p>It combines its duty of vigilance with continuous improvement of its practices, which should help to better protect vulnerable populations in the areas where its supply chain operates.</p> <p>It involves its partners in this process, without subcontracting its responsibility to them. It develops dialogue and helps them to develop their skills in this area.</p> <p>The company considers the risk to vulnerable populations in addition to its own interests.</p>
	5	The role of cooperation with stakeholders in this phenomenon	No information or insufficient information to complete level "Maturity 1".	<p>The company mentions examples of cooperation with representatives of workers, families, local governments, suppliers and intermediaries.</p> <p>However, no strategy for cooperation with these stakeholders is mentioned.</p>	<p>The company describes a strategy for cooperation with the stakeholders in the phenomenon.</p> <p>It is explicit about the different types of stakeholders and its approach to building these partnerships.</p> <p>It illustrates this strategy with examples of cooperation in which it is involved at local level.</p>
	6	The integration of its commitment into its policies, and even into its business model	No information or insufficient information to complete level "Maturity 1".	<p>The company mentions tightening controls in its supply chain.</p> <p>However, none of its policies (purchasing, industrial, sales, HR, etc.) include measures to reduce the risk factors of forced labour.</p>	<p>The company has reviewed/adapted its policies, and even its business model, in line with its engagement to reduce the vulnerability of populations to forced labour, throughout its supply chain.</p>



			Maturity 0	Maturity 1	Maturity 2
<p>IDENTIFY & TARGET</p> <p>The company targets its approach on areas most at risk for the population, by involving the stakeholders in the phenomenon.</p>	7	Traceability of the country of origin: a necessary condition for targeting	No information or insufficient information to complete level " Maturity 1".	<p>The company only shares information on the country of origin of its Tier 1 suppliers.</p> <p>There is no evidence that the company controls the traceability of the country of origin of its products, components and raw materials throughout its supply chain.</p>	<p>The country of origin of each product, component and raw material is traceable for at least one product chain.</p> <p>This supply chain has been selected because it involves products/components/raw materials at risk of forced labour.</p>
	8	Targeting	No information or insufficient information to complete level " Maturity 1".	<p>The company has identified countries in its supply chain at risk of forced labour.</p> <p>However, the company has not provided any information to show that it is adopting a targeted approach in countries most at risk for the populations, in particular in the links located in countries where forced labour is endemic.</p>	<p>The company has identified the links in its total supply chain that are located in countries at risk of forced labour.</p> <p>It clearly states its targeted approach for the links most at risk for people.</p>

Flash analysis of the impact of measures (only for companies with a minimum level of maturity)

			Relevance 0	Relevance 1	Relevance 2
MEASURES IMPLEMENTED	1	Risk assessment towards populations	No information or insufficient information to meet level "Relevance 1".	<p>Evaluation is mentioned but there is little evidence that it is adapted to the risk of forced labour:</p> <ul style="list-style-type: none"> - there is no evidence that this evaluation is carried out as a priority in countries most at risk - there is no evidence that this evaluation assesses risk factors and not compliance with laws/rules - there is no evidence that this assessment is carried out with the involvement of local stakeholders. 	<p>The assessment is adapted to the risk of forced labour.</p> <p>The company shares its local risk assessment approach for the populations concerned:</p> <ul style="list-style-type: none"> - it targets its assessment at the links identified as most at risk of forced labour, even at a very early stage in its chain, - it assesses the risk factors, both internal and external to the company (and not compliance with laws/rules) - it involves local stakeholders, in particular the legitimate representatives of the workers.
	2	Action plan by territory	No information or insufficient information to meet level "Relevance 1".	<p>Measures have been mentioned.</p> <p>However, there is no evidence that they reduce the vulnerability of populations to forced labour.</p>	<p>The aim of these measures is to reduce the vulnerability of populations to forced labour, in consultation with the workers and representatives of the governments involved (host countries and countries of origin).</p>
	3	The alert mechanism by territory	No information or insufficient information to meet level "Relevance 1".	<p>An alert mechanism is mentioned.</p> <p>However, it does not meet the criteria of a mechanism appropriate to the phenomenon of forced labour. In particular, there is nothing to show that it was built in consultation with the workers exposed to the risk.</p>	<p>The alert mechanism mentioned above meets the criteria for a mechanism appropriate to the phenomenon of forced labour. In particular, it was built in consultation with the workers exposed to the risk.</p>
The measures taken by the company are adapted to the risk of forced labour to which people are exposed in its supply chain					

Appendix 3 : Assessment grid co-constructed with RHSF on child labour

			Maturity 0	Maturity 1	Maturity 2
<p>KNOWLEDGE OF THE SUBJECT</p> <p>The company is aware of the systemic topic of child labour and the vulnerability of people who may be exposed to it in its supply chain</p>	1	The definition of child labour	No information or insufficient information to complete level "Maturity 1".	<p>The company recalls the exact terms of the ILO's international conventions to define child labour.</p> <p>However:</p> <ul style="list-style-type: none"> - it does not remind that a child is an individual under 18 years of age, - It does not refer to the best interests of the child, which must be considered in all decisions affecting the child. 	<p>In addition to international texts, the company recalls:</p> <ul style="list-style-type: none"> - what is called a "child" - the principle of "best interests of the child".
	2	The populations exposed to child labour in its supply chain	No information or insufficient information to complete level "Maturity 1".	<p>The company cites the risk of child labour.</p> <p>However, it does not describe any particular profile of vulnerable populations in its supply chain.</p>	<p>The company reports its knowledge of vulnerable populations to child labour in its supply chain.</p> <p>It specifies its profiles, in relation to its activities and those of its subcontractors/suppliers.</p>
	3	Factors internal and external to the company that contribute to child labour	No information or insufficient information to complete level "Maturity 1".	<p>The company cites factors that contribute to child labour.</p> <p>However, these factors are very generic (i.e. "poverty") and do not show that the company has developed a detailed knowledge of the mechanisms at play that lead to child labour, and the influence the company can have on these factors.</p>	<p>The company cites factors internal and external to the production unit that contribute to child labour.</p> <p>These factors are precise and show that the company has a detailed knowledge of the mechanisms at play that lead to child labour, and of the influence the company can have on these factors, at its level as a client, as well as the role of the production unit.</p>

			Maturity 0	Maturity 1	Maturity 2
<p>INTEGRATE YOUR COMMITMENTS</p> <p>The company is making a commitment that helps reduce people's vulnerability to child labour in its supply chain. It incorporates this commitment into its policies.</p>	4	The purpose of its commitment to child labour	No information or insufficient information to complete level "Maturity 1".	<p>The company only declares that it respects international laws: "no child labour".</p> <p>It equates its duty of care with the sole requirement of compliance with the law.</p> <p>It also declares that it demands it of its partners, without questioning their real capacity to apply and commit to them.</p> <p>The company considers the risk only for itself.</p>	<p>The company is explicitly committed to reducing people's vulnerability to child labour in its supply chain.</p> <p>It combines its duty of care with the continuous improvement of its practices, which should contribute to better protecting vulnerable populations in the territories through which its supply chain passes.</p> <p>It engages its partners in this process, without subcontracting its responsibility to them. It develops dialogue and facilitates their skills on the subject.</p> <p>The company considers the risk to vulnerable populations in addition to its own interests.</p>
	5	The role of cooperation with stakeholders in this phenomenon	No information or insufficient information to complete level "Maturity 1".	<p>The company mentions examples of cooperation with workers' representatives, families, local governments, suppliers, intermediaries.</p> <p>However, no strategy for cooperation with these stakeholders in the phenomenon is mentioned.</p>	<p>The company describes a strategy of cooperation with the stakeholders of the phenomenon.</p> <p>It is explicit about the different types of stakeholders and its approach to building these cooperations.</p> <p>It illustrates this strategy with examples of cooperation in which it participates at the local level.</p>
	6	The integration of its commitment into its policies, and even into its business model	No information or insufficient information to complete level "Maturity 1".	<p>The company mentions a strengthening of its controls in its supply chain.</p> <p>However, none of its policies (purchasing, industrial, sales, HR, etc.) include measures to reduce the risk factors for child labour.</p>	<p>The company has reviewed/adapted its policies, and even its business model, in line with its commitment to reduce the vulnerability of populations to child labour, throughout its chain.</p>



			Maturity 0	Maturity 1	Maturity 2
<p>IDENTIFY & TARGET</p> <p>The company identifies the risks of child labour for people and targets its approach on the territories and activities most at risk for the population, by involving the stakeholders of the phenomenon</p>	7	Traceability of the country of origin: a necessary condition for targeting	No information or insufficient information to complete level "Maturity 1".	<p>The company is able to provide information on the countries of operation of its Tier 1 suppliers only.</p> <p>There is no evidence that the company has control over the country-of-origin traceability of its products, components and raw materials throughout its supply chain.</p>	<p>The traceability of the country of origin of each product, component and raw material is controlled at least in one product chain.</p> <p>This pathway was selected because it involves products/components/raw materials at risk of child labour.</p>
	8	Targeting	No information or insufficient information to complete level "Maturity 1".	<p>The company has identified countries in its supply chain that are at risk of child labour.</p> <p>However, the company does not provide any evidence that it is adopting a targeted approach in countries most at risk for populations, in particular at the most upstream links in its supply chain (raw materials = agriculture, extraction, etc.).</p>	<p>The company has identified links in its total supply chain located in countries at risk of child labour.</p> <p>It clearly mentions its targeted approach for the links most at risk for people, in particular those furthest upstream in its supply chain (raw materials = agriculture, extraction, etc.).</p>



Flash analysis of the impact of measures (only for companies with a minimum level of maturity)

			Relevance 0	Relevance 1	Relevance 2
MEASURES IMPLEMENTED	1	Risk assessment towards populations	No information or insufficient information to meet level "Relevance 1".	<p>The assessment is mentioned but there is little evidence that it is adapted to the risk of child labour:</p> <ul style="list-style-type: none"> - there is no evidence that this assessment is being carried out as a priority in countries most at risk - there is no evidence that this assessment assesses risk factors and not compliance with laws/rules - there is no evidence that this assessment is being carried out with the involvement of local stakeholders, in particular representatives of families and communities at risk. 	<p>The assessment is tailored to the risk of child labour.</p> <p>The company shares its approach to local risk assessment for populations:</p> <ul style="list-style-type: none"> - it targets its assessment in the identified links most at risk of child labour, even very early in its chain - it assesses risk factors, both internal and external to the company (not compliance with laws/rules) - it involves local stakeholders, in particular representatives of families and communities at risk.
	2	Action plan by territory	No information or insufficient information to meet level "Relevance 1".	<p>Measures are mentioned.</p> <p>However, there is no evidence to ensure that they reduce people's vulnerability to child labour.</p>	<p>The measures mentioned are aimed at reducing the vulnerability of populations to child labour and, in consultation with families, in the best interests of the child.</p>
	3	The alert mechanism by territory	No information or insufficient information to meet level "Relevance 1".	<p>An alert mechanism is mentioned.</p> <p>However, it does not meet the criteria of an appropriate mechanism for the phenomenon of child labour. In particular, there is no evidence that it was developed in consultation with the communities whose children are at risk.</p>	<p>The alert mechanism referred to meets the criteria of an appropriate mechanism for the phenomenon of child labour. In particular, it was built in consultation with communities whose children are at risk.</p>
The measures taken by the company are adapted to the risk of child labour to which populations are exposed in its supply chain					



Appendix 4 : Investors involved in the commitment with companies

INVESTORS LIST

- ▶ Amiral Gestion
- ▶ Amundi
- ▶ AXA IM
- ▶ Candriam
- ▶ LBPAM
- ▶ LFDE
- ▶ Meeschaert AM - *now called Mandarinne Gestion*
- ▶ Oddo BHF AM
- ▶ OFI Invest AM
- ▶ Sycomore AM