

Modern Slavery in Pharmaceutical Supply Chains

By the Human Rights and Labor PSCI Team

SPEAKER



Peter Nestor, Novartis

Human Rights Manager

Thanks to:

Samah Abbasi, GlaxoSmithKline

Kasumi Blessing, Novo Nordisk

Maya Reilly, Leo Pharma

Content

1. Introduction to modern slavery
2. Relevance to PSCI members and suppliers
3. Areas of heightened risk
4. Taking action
5. Case studies

Introduction to modern slavery



What is modern slavery?

Modern slavery is an umbrella term that describes when one person obtains or holds another person (adult or child) for the purpose of exploitation. Someone is in slavery if they are:

- Forced to work through mental or physical threat
- Owned or controlled by an 'employer', usually through mental or physical abuse or the threat of abuse
- De-humanised, treated as a commodity or bought and sold as 'property'
- Physically constrained or have restrictions placed on his/her freedom

(adapted from Anti-Slavery International and Unseen)

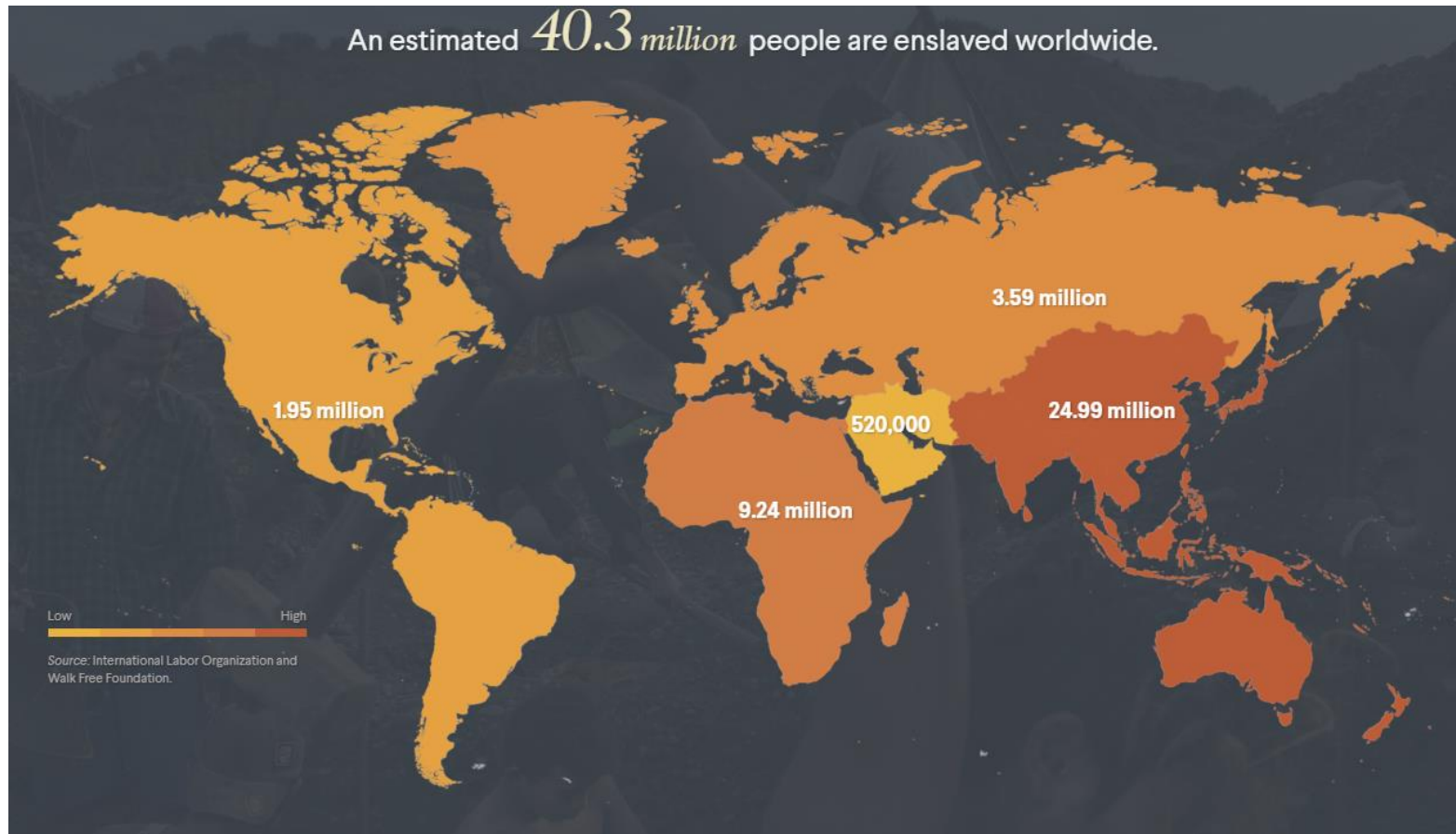
Examples of modern slavery

- **Forced labour**
People are forced to work against their will, under threat of punishment.
- **Bonded labour**
People are forced to work for little or no money to repay a debt that they are unlikely to ever be able to.
- **Organ harvesting**
People manipulated or coerced into giving up an organ (or it may be forcibly removed) for it to be sold.
- **Child slavery**
Children are exploited for their labour for someone else's gain.
- **Sexual exploitation**
People are forced to perform non-consensual or abusive sexual acts against their will, such as prostitution or pornography.
- **Prison labour**
Prisoners are forced to make products for a company in the private sector and are not paid the legal minimum wage.

Relevance to PSCI members & suppliers



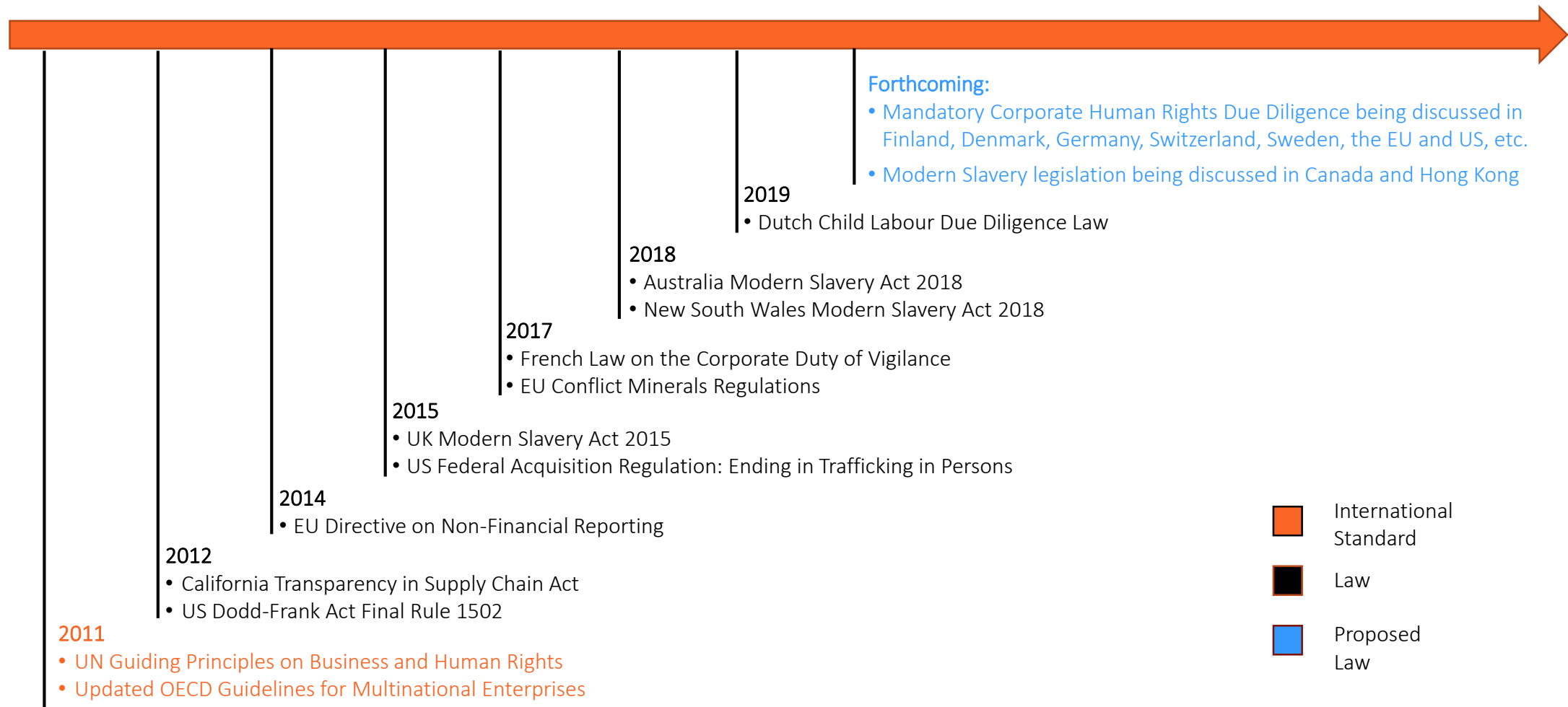
The scale of modern slavery



- Approx. 40.3 million people are in modern slavery
- 24.9 million in forced labour
- Women account for 71%, children for 25%
- Worldwide the slavery trade is worth \$150 billion.
- No sector is immune from this risk

International Labour Organization and Walk Free Foundation

Increasing legislation



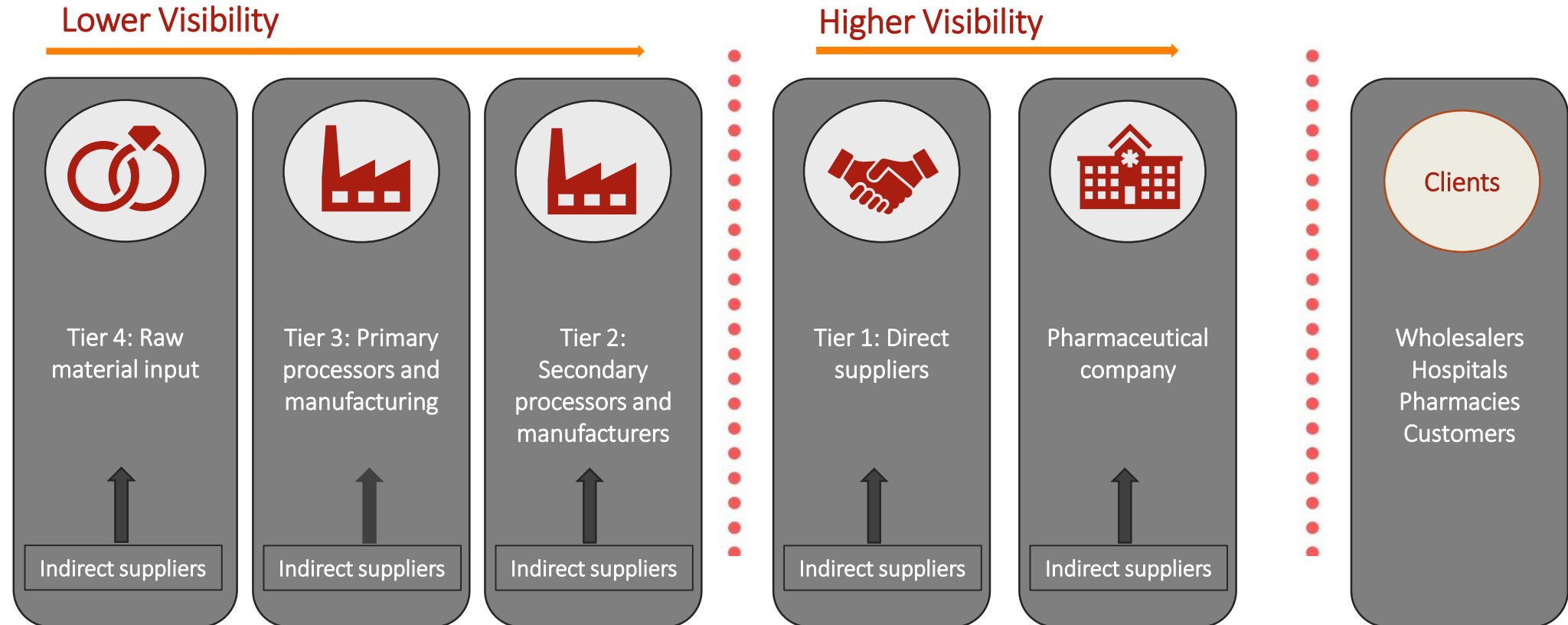
The cost of inaction

- Business activities contribute to severe harm to people
- At odds with corporate values and public commitments
- Loss of trust amongst patients, shareholders, business partners, current and future employees
- Penalties for non-compliance with legislation (i.e. fines, exclusion from public procurement, litigation)
- Decreased security of supply and productivity
- Increased business/credit risk

Areas of heightened risk



Looking beyond Tier 1



Identify 'hot spots'



Country context

What is the national likelihood of modern slavery?
How many modern slavery incidents have been identified in the country? What legal framework are in place to protect workers?



Industry risk

Are there generally high modern slavery risks in the industry of the supplier?

E.g.; Electronics, labour, bio-samples, agriculture, consumables, metal parts, plastic mould, etc.



Materials and commodities

Are there high modern slavery risks in the supply chain of the specific product or commodity?

E.g.; Electronics, aluminium, glass, rubber, sugar



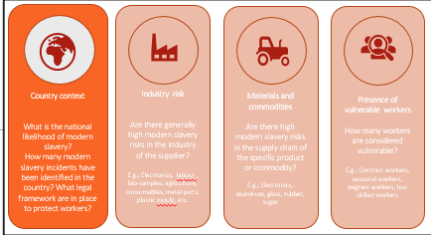
Presence of vulnerable workers

How many workers are considered vulnerable?

E.g.; Contract workers, seasonal workers, migrant workers, low skilled workers

Country contexts

Risks are higher where supply chains extend into countries with poor oversight



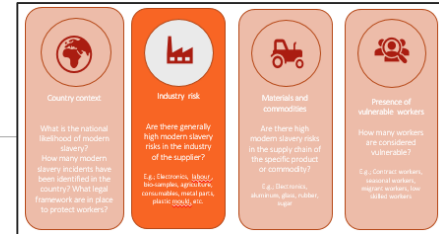
21 million people victims of forced labour



- Changing sourcing patterns in the industry.
- Outsourcing non-core / core functions to emerging markets.
- Priority sourcing countries such as **India** and **China**, and categorised as high risk on GSI.
- Pharmaceutical supply chains extend into high risk countries (see map) and sectors including: manufacturing, construction, agriculture, mining and personal services.

Global Estimate of Forced Labour, ILO

Industry risks



Risks are higher in industries dependent on low-skilled labour

- Electronics
- Plastic mould
- Bio-samples
- Warehouse and logistics, etc.
- Agriculture
- Metal parts
- Consumables
- Recruitment



Modern-day slavery rife in Malaysia's electronics industry

Report says a third of migrant workers in industry are trapped in debt bondage and have their passports illegally withheld



▲ Women work at an electronics factory in Malaysia. A report says forced labour is used in the supply chains of many household brands. Photograph: Jonathan Drake/Getty Images

— Globally, agriculture is one of the high-risk sectors into which workers are trafficked for the purpose of forced labour. [Find out more about ILO's work to end modern-day slavery.](#)



Materials and commodities

Risks are higher for materials and commodities dependent on low-skilled labour

E.G:

- Aluminium (Bauxite)
- Mica
- Rubber gloves
- Carnauba wax



Gummy bear maker Haribo investigating reports of slavery on Brazil plantations



FILE PHOTO: Pompeo alom (jdy) Sabien (Gummihaerchen) made by the German manufacturer Haribo in Dortmund August 23, 2018. REUTERS/Jan Paulsen/Anadolu

The not so happy world of Haribo: German sweet maker investigates claims slave labour 'denied drinking water and forced to sleep outside' is being used on Brazil plantations

- A television documentary alleges the workers are trapped in modern day slavery
- Wax used to make sweets shiny and stop them from sticking produced in Brazil
- A Brazilian official said the workers were 'treated like animals' on plantations
- Haribo itself said the conditions were 'unsupportable' and is investigating

NHS rubber gloves made in Malaysian factories linked with forced labour

Exclusive: firms supplying health service allegedly exploit thousands of migrants



▲ Workers at Top Glove and WRP in Malaysia claim they are subjected to forced overtime, debt bondage and withheld wages. Photograph: Teh Eng Koon/AP



IT'S ESTIMATED THAT 22,000 CHILDREN WORK IN MICA MINES IN INDIA. | PHOTOGRAPH

he paints used by the car and construction industries. Some of the world's biggest cosmetics companies including L'Oréal and Estée Lauder, as well as suppliers such as Merck, source mica from India, one of the top producing mica countries in the world.



ASIA JUNE 22, 2018 / 2:05 AM / A YEAR AGO

Sparkly and shiny, but is your natural make-up free of forced labor?

Kieran Guilbert

3 MIN READ



<p>Country context</p> <p>What is the national likelihood of modern slavery? How many modern slavery incidents have been identified in the country? What legal frameworks are in place to protect workers?</p>	<p>Industry risk</p> <p>Are there generally high modern slavery risks in the industry of the supplier? E.g. Diamonds, silver, tin, copper, aluminium, iron, steel, zinc, nickel, cobalt, lithium</p>	<p>Materials and commodities</p> <p>Are there high modern slavery risks in the supply chain of the specific product or commodity? E.g. Electronics, aluminium, glass, rubber, sugar</p>	<p>Presence of vulnerable workers</p> <p>How many workers are considered vulnerable? E.g. Children, women, migrant workers, racial/ethnic minorities</p>
--	--	---	--

Presence of vulnerable groups

- Contract workers
- Seasonal workers
- Dispatch workers
- Interns or trainees
- Migrant workers – both in-country and foreign
- Children or the elderly
- Minority groups
- Lower status groups



Challenges

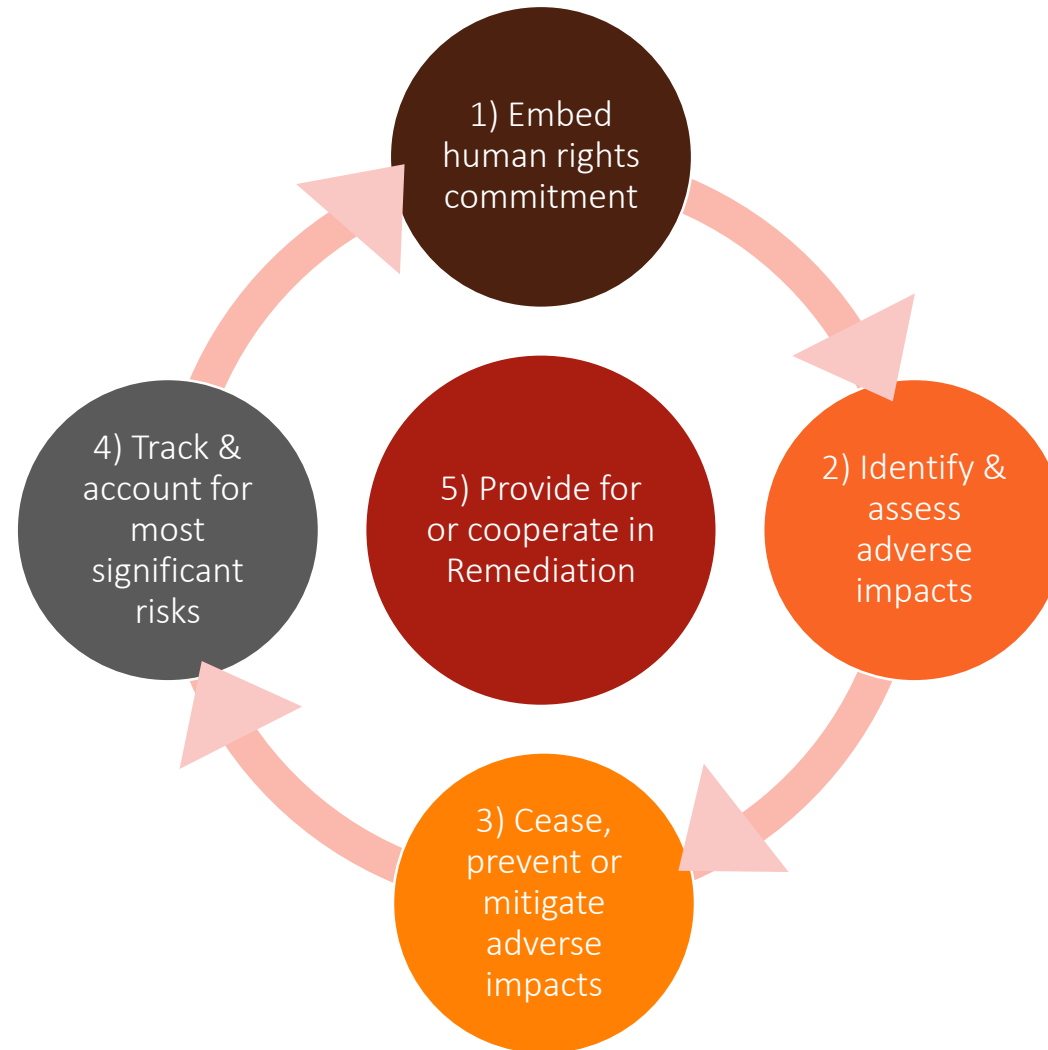
- By its nature, modern slavery is often hidden and difficult to detect through traditional labor or social audits.
- There are many blind spots: Support services like recruitment, cleaning, sub-contractors are often forgotten when conducting risk assessments.
- Red flags: The correlation between corruption and modern slavery is high.
- Investing in or sourcing from a country where there are risks of state-imposed forced labor; such as forced prison work.
- Lack of visibility in supply chains and complex supply chains make it difficult to identify where exactly risks are

Taking action



Human rights due diligence

Focus due diligence on areas of heightened risks (see the previous section)



1) Embed human rights commitment

Policy Commitment

Foundation

Company commitment to respect Human Rights, incl. no modern slavery

Operationalize the commitment into:

- Human resources policy
- Procurement policy and Supplier standard
- Recruitment agency or contingent worker procedure
- Manufacturing policy
- Bioethics policy

Examples: Company Code of Conduct, Human Rights Commitment

Training

Foundation

Training on a company's overall Human Rights commitment, incl. no modern slavery

Internal training for:

- Manufacturing
- Hiring
- Buying and sourcing
- Contracting with distributors (buy and sell products)
- Compliance & Legal
- Suppliers

Examples: Reflection in operational policy to suppliers



We respect and support the protection of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948. We are also committed to upholding the core labor standards set out by the International Labor Organization (ILO).



Novo Nordisk is committed to meeting its responsibility to respect human rights as defined by [the UN Guiding Principles on Business and Human Rights](#). ... The responsibility to respect human rights refers to all internationally recognised human rights, including but not limited to prohibition of forced, bonded or debt labour, slavery, servitude and human trafficking.



Intel Expectations of Suppliers to Address the Risks of Slavery and Human Trafficking

Fees

- No levies or placement fees or costs, even if allowed by local law
- No fees or costs charged to workers as defined by RBA
- No worker debt to obtain or keep a job
- Fees and costs charged must be repaid within 90 days



**Hewlett-Packard
Company Supply Chain
Foreign Migrant Worker
Standard Guidance
Document**

2) Identify and assess adverse impacts

What are common signs of forced labour? What are indicators of forced labour? Remember these are 'hidden'.

How do the workers look physically and mentally?

Is freedom restricted?
Languages?

Living & working conditions?

Finance? In debt?

Under control of someone else?

Forced Labour Indicators - **Involuntariness** (ILO)

- 1) Coercive, deceptive or/and debt-linked recruitment
- 2) Forced overtime, Forced to work on call
- 3) Forced to stay longer while waiting for wages due or to pay off debt or wage advance
- 4) No freedom to resign according to legal requirements
- 5) Limited freedom of movement and communication
- 6) Degrading living conditions
- 7) Induced or inflated indebtedness
- 8) Pre-existence or multiple dependency on employer
- 9) Being under influence of employer or people related to employer for non-work life
- 10) Tradition / birth into slave or bonded status

Forced Labour Indicators - **Menace of Penalty** (ILO)

- 1) Denunciation of authorities, removal of right or privileges
- 2) Confiscation of IDs, travel docs or mobile phones
- 3) 'Violence, threats of violence blackmail against workers or family members
- 4) Punishment (deprivation of food, water, sleep)
- 5) Withholding of Wages or assets
- 6) Locked in workplace or living quarters
- 7) Constant surveillance
- 8) Isolation or exclusion from community and social life
- 9) Imposition of worse/further deterioration in conditions, exclusion from future overtime or employment
- 10) Financial penalties

Indicators of forced labour, ILO (<http://un-act.org/wp-content/uploads/2015/06/Harder-to-See-Harder-to-Count.pdf>)

3) Cease, prevent or mitigate adverse impacts

A suspected case and high risks of forced labour (i.e. forced labour indicators) must be dealt with immediately, with protection and remediation of affected people.

Example 1 :

“The **Foreign migrant workers** at one direct supplier had contracts which were not in their native language and were missing important terms. The workers had paid recruiting and other fees which totalled up to two times their monthly base pay, and they were paying ongoing fees equal to 7% or more of their monthly base pay for services of questionable value. After a number of meetings, the supplier agreed to address the issues. We collaborated on a detailed corrective action plan, tracked progress and verified the violations were corrected, including that workers were being repaid for fees they should not have incurred.” (Intel Corporation Anti-Slavery and Human Trafficking Statement, 2018, p.4)

Example 2 :

“One direct supplier of component parts use contract workers who were **in-country migrant workers**. Overall, there was poor documentation with regard to contract workers’ conditions. Further investigation by an independent third party found that one of the labour agencies were using middlemen who divide workers’ wages and withheld pay. This led to a Corrective Action Plan that includes that the supplier conducts due diligence (identify, screen, select, monitor) of all labour agents and tracking of contract workers’ pay” (Medical device company, 2018)

Example 3 :

Wherever **recruitment agencies** are used, risks of forced labour and trafficking become higher. Some companies have decided to perform direct hiring wherever possible to have greater control over workers’ human rights. Examples: Flextronics, HP.

4) Track and account for most significant risks

Focus on risks of most severe impacts. Businesses have responsibility to formally communicate severe impacts. Ensure that communication does not put victims at further risk.

Example:



What's the issue?

Migrant worker debt bondage in Mauritius

Steps taken — April 2018-March 2019

- Four Mauritian suppliers, employing over 3,000 migrant workers, have recruited over 400 migrant workers under the Employer Pays Principle in this reporting period.
- Pursued wider brand engagement to drive broader application of the Employer Pays Principle in the industry.
- Wrote to the Mauritian Minister of Labour in collaboration with ETI and five other brand signatories, to request specific migrant worker protections.
- Engaged with Verité/ASK to monitor migrant worker recruitment in our supply chain in Mauritius.
- Led on Mauritius workstream in the ETI Migrant Labour Working Group, which is formed of several other international brands.

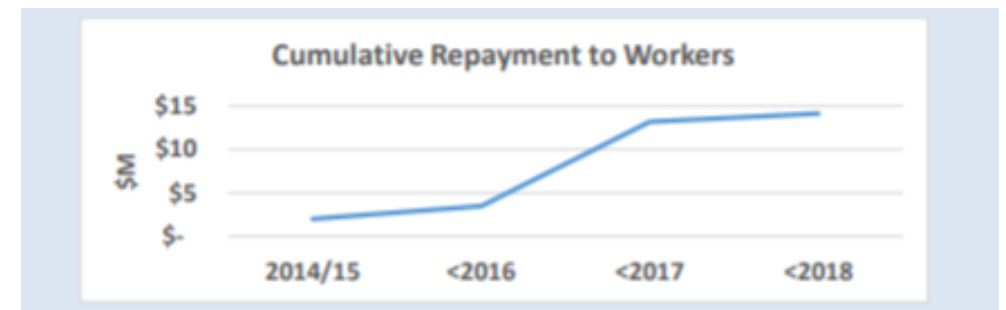
Priorities — 2019/2020

- Continue to monitor the recruitment process to ensure migrant workers are not subject to recruitment fees, false promises or other issues indicative of forced labour.
- Support trade union capacity building in Mauritius, in collaboration with IndustriALL Global Union.
- Provide workers with effective grievance mechanisms, so that migrant workers have the confidence to raise grievances about their working conditions without fear of retribution.
- Work with suppliers to improve worker accommodation standards.

Example:



‘Ensuring suppliers repay workers for fees they were charged is the most challenging action. We are currently working with 10 suppliers on fee repayment. ... Our suppliers have returned approximately \$14 million in fees to more than 12,600 workers since 2014 and implemented new practices to ensure fee collection does not easily recur.’
(Intel Anti-Slavery and Human Trafficking Statement 2018)



5) Provide for or cooperate in remediation

Ensure **grievance mechanisms** are effective:

- Legitimate
- Accessible
- Predictable
- Equitable
- Transparent
- Based on human rights
- Source of continuous learning



Refer to the UN Guiding Principles on Business and Human Rights (UNGPs), Principle 31 'Effectiveness Criteria'



Remediation is a mandatory criteria for reporting under the Australia Modern Slavery Act

Example:



“Suppliers are required to have workplace grievance mechanisms in place that ensure the confidentiality, anonymity and the protection of whistleblowers. Suppliers must communicate their process to their workers so they can raise any concerns without fear of retaliation. Suppliers must state in a policy that it shall not retaliate or tolerate any retaliation by management or any other person or group, directly or indirectly, against anyone who, in good faith, makes an allegation of misconduct or wrongdoing, or helps management or any other person or group investigate an allegation.” (NXP Slavery and Human Trafficking Statement, 2017)

Cases studies



Novartis: Construction project in China



Responsible Procurement

Corporate Responsibility Case Study
China: Novartis Cross-Divisional Campus Construction Project
April 2015



- Problems identified:
 - Sub-standard and unsafe worker accommodation
 - Excessive hours (up to 90 hrs per week, no rest)
 - Part of wages withheld until end of year and not always paid
- Actions taken:
 - Onsite dormitory built and incentive scheme for facilities management contractors
 - Electronic time-keeping system to ensure overtime payment and flag any 60+ hrs
 - Monitoring of end of year lump sum payments introduced
 - Partnered with non-profit Verité to conduct worker interviews and establish complaints hotline
- Impact:
 - Worker camp performance improved
 - Cases of 60+ hrs week reduced from 17% to <1% in 12 months
 - Workers paid as agreed, transparently and on time
 - Hotline received regular calls and workers report feeling more empowered to raise concerns

<https://www.novartis.com/sites/www.novartis.com/files/CNIBR-case-study-20-04-2015.pdf>

Merck: Mica mining in India



- Problems identified:
 - The Indian state of Jharkhand, where Merck sources mica, suffers from high levels of poverty, political uncertainty and widespread child labour
 - A 2008 investigation in India found children with their parents collecting mica from the tailings of abandoned mines or off the ground

- Actions taken:
 - Merck decided to maintain business relationships in the region and safeguard jobs
 - They redesigned the supply chain in 2010 to establish direct business relationships with suppliers who handle mica mining and processing in India
 - New oversight mechanisms to monitor and audit compliance with social standards
 - Engaged with stakeholders to establish the Responsible Mica Initiative
 - Partnered with Indian organisation IGEP to:
 - undertake unannounced monthly inspections of mines
 - Run three schools in the region, funded by Merck, where 500+ children enrolled. Tailoring and carpentry courses also offered
 - Open a health centre to serve the region's 20,000 residents (the first of its kind)

Taking Action



Next Steps

- **Policy:** Check your Code of Conduct and Third-Party / Supplier Code:
 - Ensure that forced labour of all forms is prohibited
 - Require that your suppliers adopt the same policy
- **Investigate:** Check whether you have:
 - High-risk commodities in your supply chain (slide 15)
 - Vulnerable groups in your supply chain (slide 16)
- **Engage:** Call or preferably visit suppliers to understand how they are managing the risk of modern slavery.
- **Report:** Share what you learned; consider joining PSCI Human Rights and Labour Subcommittee

CONTACT



pscinitiative.org



info@pscinitiative.org



Annabel Buchan:
+55 (11) 94486 6315



[PSCI](#)



[@PSCIinitiative](#)

For more information about the PSCI please contact:

PSCI Secretariat

Carnstone Partners LLP
Durham House
Durham House Street
London
WC2N 6HG

info@pscinitiative.org

+55 (11) 94486 6315

About the Secretariat

Carnstone Partners Ltd is an independent management consultancy, specialising in corporate responsibility and sustainability, with a long track record in running industry groups.

