



Modern Slavery Compliance in the Toy Industry

ICTI Ethical Toy Program



Australian Toy
Association

Welcome

Today's webinar will:

- Explain modern day slavery risks – and their implications for the toy industry
- Outline legislation on modern day slavery, and other initiatives driving action to tackle the issue
- Highlight the key steps to mitigate modern day slavery risks
- Help you take action with recommendations for the toy industry

Presenters




Carmel Giblin
President & CEO



Mark Robertson
Senior Vice President



A line of yellow toy cars, possibly Hot Wheels, is shown on a dark, reflective surface that looks like a race track. The cars are arranged in a diagonal line from the top right towards the bottom left. The background is blurred, showing some industrial or workshop-like structures.

We are passionate about toys and the people who make them. We work with the toy supply chain to build better lives for workers and a stronger industry through the ethical production of toys.

Ethical Toy Program

The leading ethical sourcing program for toy, play and entertainment industries

What we do

- Set the standard for ethical toy manufacture
- Social Audits and Toy Factory Certification
- Factory Training and Capability Building
- Programs for Worker Well-Being
- Worker Helpline and Support
- Collaboration to reduce duplication and tackle key challenges

1,200+

factories in
the program

15

year's
experience

1,000+

brands and
retailers

700,000+

workers covered



Brands we work with...



The WALT Disney Company



nickelodeon.



USAopoly

Tucker
Transforming Play



PROXY



Boley
Where the action is!

Micki Leksaker AB



... and retailers

Walmart 



COSTCO
WHOLESALE



 **ASDA**

M&S
EST. 1884

Sainsbury's

★ macy's

coop

K
kmart.



BJ's
WHOLESALE CLUB



 xybul

SHOP
DIRECT

 Auchan

sears

BED BATH &
BEYOND



JCPenney

Walgreens

 **Morrisons**
Since 1899



What the Ethical Toy Program covers



Transparency



Business Ethics



Disciplinary Practices



Discrimination



Employee
Representation



Employment
Practices



Modern Day Slavery



Environment and
Chemical Safety



Safety



Underage Labor



Wages



Working Hours

What is Modern Slavery?

The term 'modern slavery' refers to any situations of exploitation where a person cannot refuse or leave work because of threats, violence, coercion, abuse of power or deception.

In supply chains it commonly in the forms of forced labor, debt bondage or human trafficking.

“Forced labour” or “modern slavery”?

Modern Day Slavery types:

- **Forced or compulsory labor** involves work or service extracted from any person under the menace of a penalty and for which the person has not offered themselves voluntarily
- **Human trafficking** concerns arranging or facilitating the travel of another with a view to exploiting them
- **Debt bondage or bonded labor** occurs where workers pay high recruitment fees and then must work to repay their debts and cannot leave

Scale of the problem



Slavery is illegal in almost every nation, but risks persist almost everywhere



56% are in forced labor in their home country



21 million people victims of forced labor, 4,300 in Australia



Over half of victims of slavery are female



Vast majority of victims are exploited by businesses



Low skilled labor such as toy manufacturing is at risk

A reminder of why this is important

Social compliance in the news since October 1st 2019

- U.S. Detains Imports From 5 Countries Over Forced Labor Suspicions (AP Wire– 1 October)
- Are we buying slave-picked tinned tomatoes? (Newsroom New Zealand – 2 October)
- Workers exploited at farms supplying UK supermarkets: report (Oxfam Behind the Barcodes) (The Guardian – 10 October)
- Australia urged to follow US, ban shipments of rubber gloves over forced labour concerns (Australian Broadcasting Company – 13 October)
- Why New Look is using Leicester supplier it dropped in 2017 following undercover Channel 4 exposé (Leicester Mercury – 13 October)
- Workers making £88 Lululemon leggings claim they are beaten (The Guardian – 14 October)

News > UK > Home News

Human trafficking victim referrals surge almost 80% across UK amid calls for heightened public awareness

Dramatic rise in number of potential trafficking victims identified by councils prompts calls for British public to do more to tackle 'rising threat' of modern slavery within communities

May Bulman | @maybulman | Friday 26 March 2017 02:39 |



Ethical
CORPORATION

Home Communications & Reporting Environment Business Strategy Stakeholder Engagement Supply Chains People & Careers

'We know most global companies have modern slavery in their supply chains'



Supply Chain Risks

Low-cost manufacturing hubs can present high risk for forced labour, low wages and excessive working hours

- E.g. China, Vietnam, Indonesia all score highly on forced labour indices

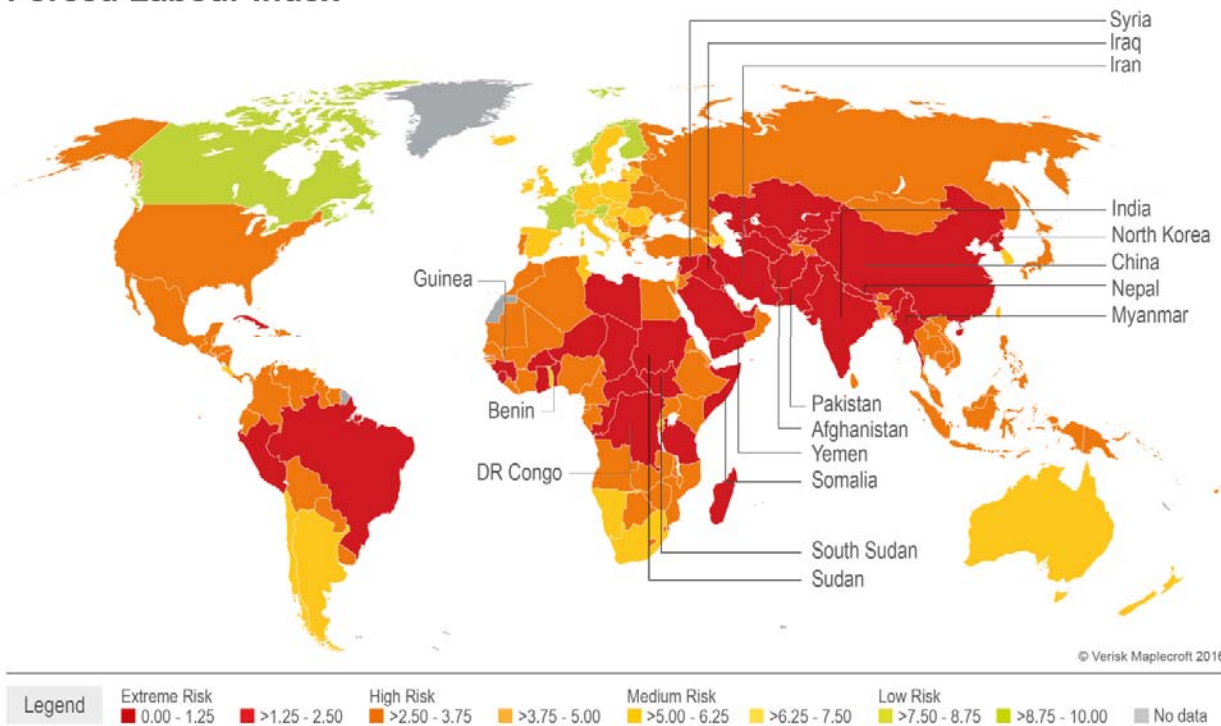
Modern slavery risks are **acute in Southeast Asia linked to high levels of migration**

- Recruitment fees and debt bondage is particular risk in this region

Migrant workers are highly vulnerable to labour exploitation. Where ethical recruitment oversight is weak, opportunities for exploitation multiply

Supply Chain Risks

Forced Labour Index



Risk drivers:

- Prevalence of high-risk and labour-intensive sectors with rapid turnover rates and seasonal shifts such as textiles and manufacturing (e.g. Vietnam).
- High levels of poverty, unemployment and discriminatory cultural practices

Supply Chain Risks

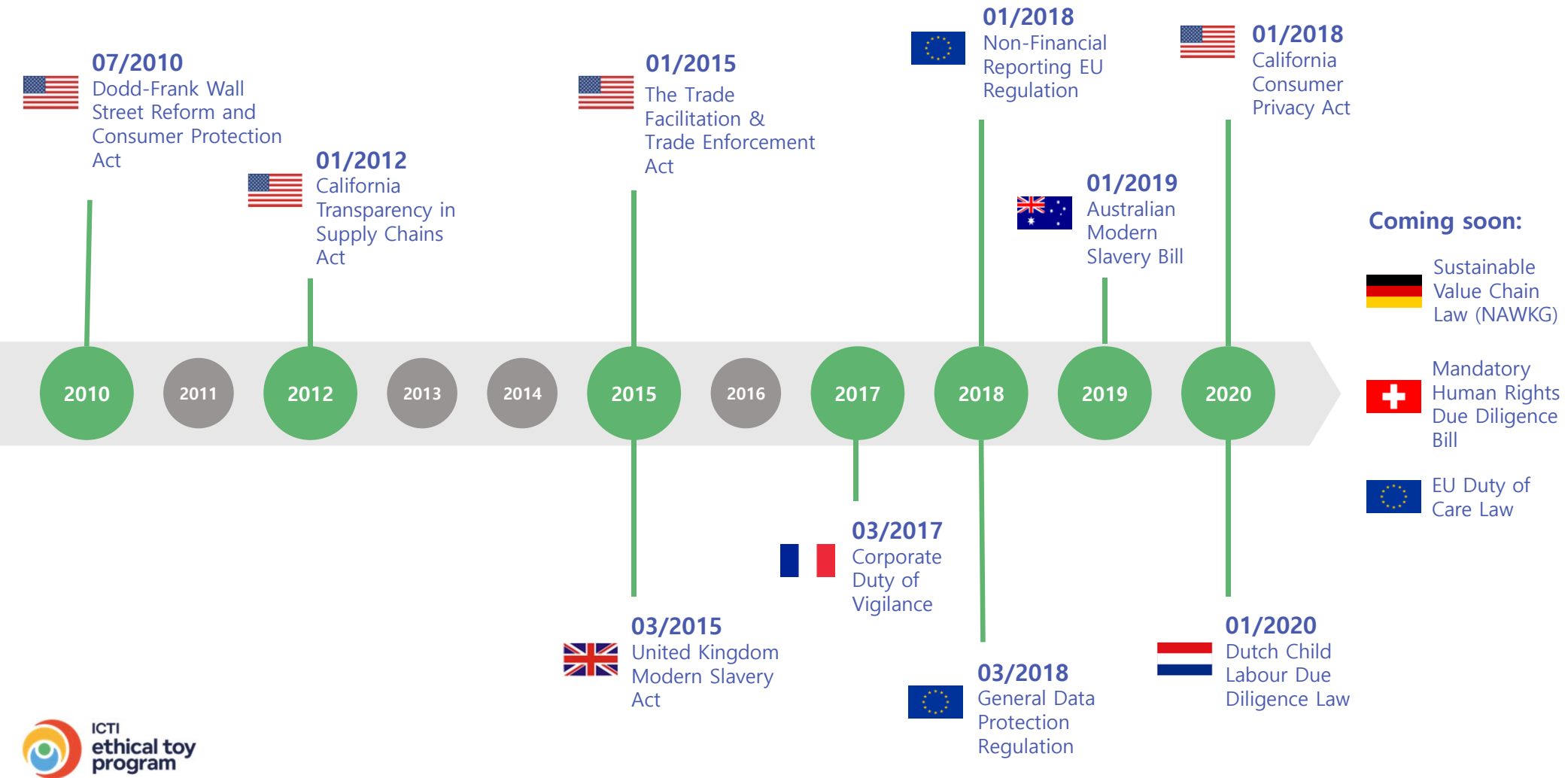


- Risks for Australian companies:
 - The Global Slavery Index of Walk Free Foundation estimates there are about **4,300 slaves in Australia**
 - The US Department of State notes that some migrant workers from Asia and several Pacific Islands, recruited to work temporarily in Australia in agriculture, construction, hospitality, and domestic service were found to be in forced labour
 - **Australian companies may be implicated in using forced labour in their supply chains** through sourcing goods and services domestically and internationally

Regulation, legislation and standards on Modern Slavery

- Raft of new modern slavery legislation, regulation, and guiding frameworks
- Growing pressure from governments, civil society, media and investors to address the issue and promote transparency
- Beyond legal requirements and stakeholders expectations, there is a business case for reporting on modern slavery.

Modern Day Slavery / Human rights due legislation



Impacts of global regulation and legislation

In the **Dodd-Frank Wall Street Reform and Consumer Protection Act** it is stated that companies have to determine whether their products contain conflict minerals.
(Section 1502)

If you sell goods in California, the **California Transparency in Supply Chains Act** requires your company to disclose information regarding your efforts to eradicate human trafficking and slavery within the supply chain.

Due to the **UK Modern Slavery Act** and its Australian equivalent, **the Australian Modern Slavery Bill**, companies that are operating in one of the respective countries are required to disclose annually a statement that assesses the risk of modern slavery in its supply chain. Furthermore, it should contain a detailed approach of how it is managed by your company.

Because of the **Dutch Child Labour Due Diligence Law** from 2020 on, you have to submit a statement to regulatory authorities declaring that you have carried out a due diligence related to child labour in your supply chain.

When the **Sustainable Value Chain Law (NAWKG)** is passed, as a German company you have to name a chief compliance officer who is personally liable for all corporate social responsibility policies.



UK: Modern Slavery Act

Effective since **2015**

- Applicable to any commercial organizations, based inside or outside the UK, and carry on business within that supply goods or services
- Threshold: **£36 million** (A\$68 million) (annual turnover) in United Kingdom (including part of a business)
- Covered business activities: any part of own business and any part of supply chains
- Minimum reporting requirements: "steps taken to ensure that slavery and human trafficking is not taking place, if any"
- Reporting period: Financial year, reports recommended within 6 months after fiscal year end





UK: Modern Slavery Act



What is **suggested** to disclose?

The statement *may* include information about:

- Organization's structure, its business and its supply chains.
- The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place.
- Policies in relation to slavery and human trafficking.
- Due diligence processes in relation to slavery and human trafficking in its business and supply chains.
- The steps it has taken to assess and manage that risk.
- The training about slavery and human trafficking available to its staff.
- Effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate.



Australia: Modern Slavery Act

Effective since **2019**

- Businesses and other organisations above a certain size (consolidated revenue of A\$100 million) *must report annually on the risks of modern slavery in their operations and supply chains, and the action they have taken to assess and address those risks, and the effectiveness of their response*
- The statement must be signed by company directors
- The statements will be publicly available on a central register maintained by the Commonwealth
- The first modern slavery statements are due on June 30th 2020



Modern Slavery Act 2018

No. 153, 2018

An Act to require some entities to report on the risks of modern slavery in their operations and supply chains and actions to address those risks, and for related purposes



Australia: Modern Slavery Act



Modern Slavery Act 2018

No. 153, 2018

An Act to require some entities to report on the risks of modern slavery in their operations and supply chains and actions to address those risks, and for related purposes

What is **required** to disclose?

A modern slavery statement *must*, in relation to each reporting entity covered by the statement describe:

- the structure, operations and supply chains of the reporting entity
- risks of modern slavery practices in the operations and supply chains of the reporting entity,
- actions taken to assess and address those risks, including due diligence and remediation processes (example: actions taken by an entity may include the development of policies and processes to address modern slavery risks, and providing training for staff about modern slavery)
- how the reporting entity assesses the effectiveness of such actions.
- Describe the process of consultation with:
 - (i) any entities that the reporting entity owns or controls;
 - (ii) in the case of a reporting entity covered by a statement under section 14—the entity giving the statement.
- any other information that the reporting entity, or the entity giving the statement, considers relevant.



Australia: Modern Slavery Act

Australian MDS statements
cover all reporting requirements
of the UK MDS Act

How it compares to other legislation:

Australia	United Kingdom
Effects businesses with a revenue of A\$100 million	Effects businesses with a revenue of £36 million (A\$68 million)
Statement must be signed by directors	Statement must be signed by directors
Statement must be posted on website	Statement must be posted on website
Public register of statements administered by Government	No government public register



Australia: Modern Slavery Act

Limitations:

- The government was unwilling to impose a penalty for failing to lodge a statement or for lodging an incomplete statement.
- However, the public register means that companies that don't report properly can be "named and shamed" by non-government organisations. Consumer pressure can itself become a sanction.



Modern Slavery Act 2018

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US: **Trade Facilitation and Trade Enforcement Act (TFTEA) of 2016**

TFTEA key points:

- Bans imports of goods suspected of being made using forced/child labour
- Gives the US Customs and Border Protection (CBP) the authority to issue Withhold Release Orders (WROs) which prevent goods suspected to have been made with forced labor from entering the US.
- The CBP has defined a list of countries/product categories which are high risk for modern slavery and child labor. Toys made in China are on that list.
- Toy companies risk having their goods impounded at the border if produced in a "high risk country" but are unable to demonstrate they were produced in a forced/child labour free environment

Enforcement:

- 13 WROs issued by US Customs and Border Protection since 2016
- Some of these target specific factories, others target entire regions

Toy example:

- March 2018, the CBP issued a WRO against toys manufactured by Huizhou Mink Industrial Co. Ltd, China

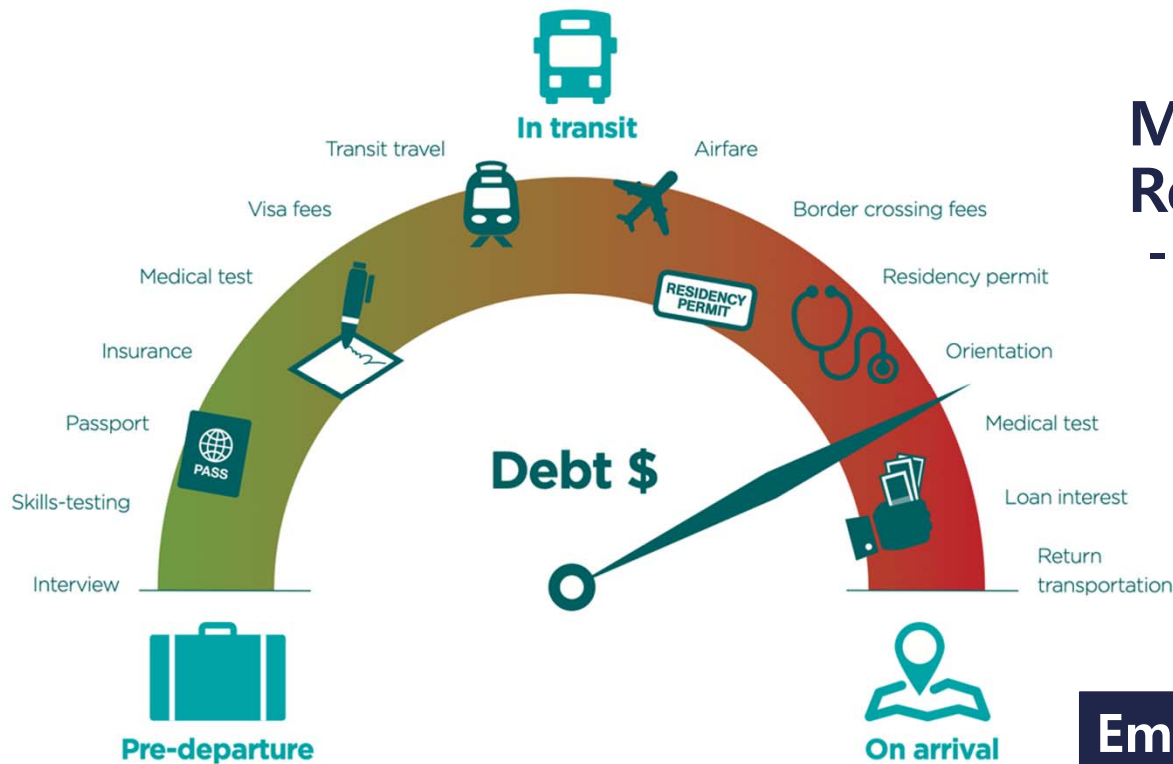
Impacts of global regulation and legislation

- The UK Act has **significantly increased transparency**, the Australia Act is expected to do the same
- More companies are making at least some **information available on their supply chains** and how they undertake due diligence
- The Act is **driving action**: statements show that companies are developing or revising existing policies and due diligence processes to address modern slavery, such as risk assessments, staff training, or supplier contracts

UN Guiding Principles on Business and Human Rights



The Employer Pays Principle



Migrant Worker Recruitment Fees
- the increasing debt burden

Employer Pays Principle
No worker should pay for a job – the costs of recruitment should be borne not by the worker but by the employer.

The Employer Pays Principle and IETP

New IETP audit checklist requirements regarding recruitment fees:

- Edits to existing checkpoints prohibiting the charging of recruitment fees
- Additional protections for directly-recruited workers
- New requirements governing the use of labor brokers
- Factories required to declare if they use labor brokers
- Recruitment fees must be reimbursed to directly hired foreign migrant workers



How the Ethical Toy Program can help

How the Ethical Toy Program can help

Our certification targets Modern Slavery risks at factories:



Workers are permitted to leave employment after giving reasonable notice.



Workers have freedom of movement during the course of their employment.



Recruitment via brokers and agents is responsible and does not exploit



The factory has a written policy on forced labor, bonded labor and prison labor.



All overtime is voluntary. Hiring documents show voluntary employment.



Recruitment fees are prohibited



There are trained staff responsible for ensuring voluntary hiring.

Worker Helpline

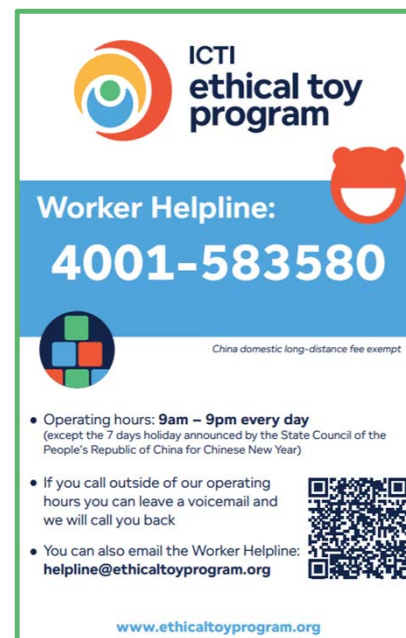
All certified factories must distribute Helpline Cards to workers

Helpline Posters must also be displayed in common areas

Helpline Card features a QR code to a webpage with info on Helpline

Workers can call any day from 9am-9pm (except CNY holiday)

All calls are free and confidential



The Worker Helpline Card is a vertical poster. At the top is the ICTI ethical toy program logo. Below it, the text "Worker Helpline:" is followed by the large number "4001-583580". A small red cartoon character is to the right of the number. Below the number is a QR code. To the left of the QR code is a small icon of a factory. Below the QR code is a list of bullet points: "Operating hours: 9am – 9pm every day (except the 7 days holiday announced by the State Council of the People's Republic of China for Chinese New Year)", "If you call outside of our operating hours you can leave a voicemail and we will call you back", and "You can also email the Worker Helpline: helpline@ethicaltoyprogram.org". At the bottom is the website "www.ethicaltoyprogram.org".

ICTI ethical toy program

Worker Helpline:
4001-583580

China domestic long-distance fee exempt

- Operating hours: **9am – 9pm every day**
(except the 7 days holiday announced by the State Council of the People's Republic of China for Chinese New Year)
- If you call outside of our operating hours you can leave a voicemail and we will call you back
- You can also email the Worker Helpline:
helpline@ethicaltoyprogram.org

www.ethicaltoyprogram.org

1.5 million
Helpline Cards have
been distributed

85% of callers find
out about the
helpline through
Cards and Posters



The Worker Helpline Card is a vertical poster. At the top is the ICTI ethical toy program logo. Below it, the text "Dear worker," is followed by a series of questions: "Do you have any questions about your rights and benefits at work?", "Do you feel unjustly treated at work?", "Are you encountering interpersonal problems, would you like support and help?", and "Do you need someone to listen and give reassurance?". Below the questions is the text "Our free, confidential worker helpline is here to help you." At the bottom is the website "www.ethicaltoyprogram.org".

ICTI ethical toy program

Dear worker,
Do you have any questions about your rights and benefits at work?
Do you feel unjustly treated at work?
Are you encountering interpersonal problems, would you like support and help?
Do you need someone to listen and give reassurance?

Our free, confidential worker helpline is here to help you.

4001-583580

We are here to listen patiently and help find a solution to your problems.

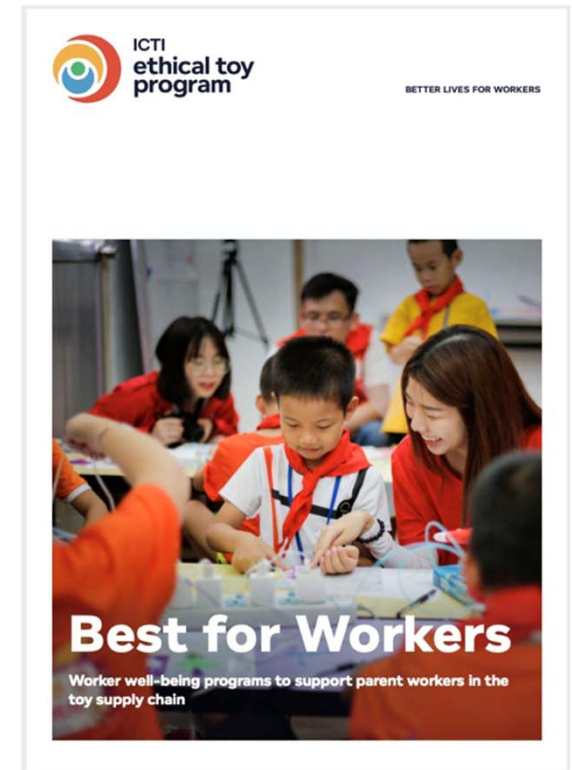
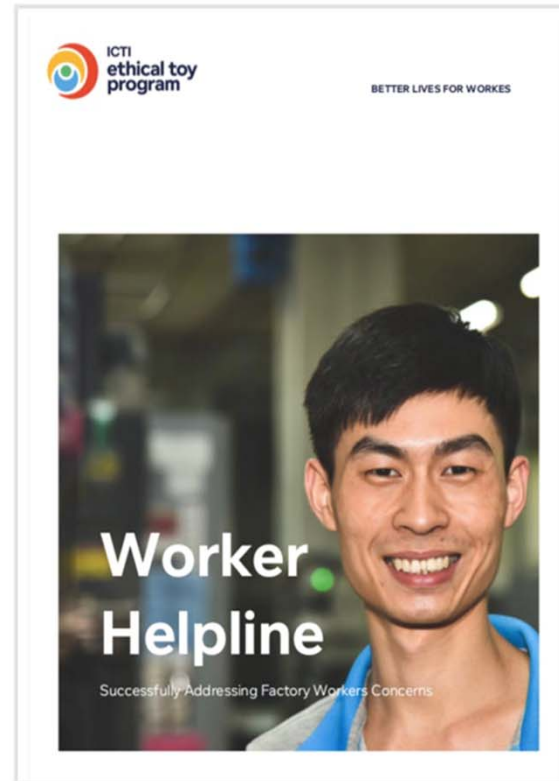
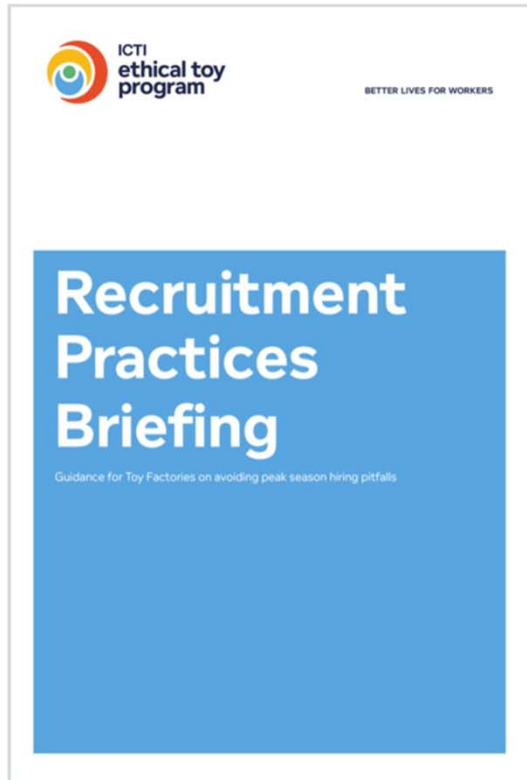
Listening Supporting Helping Caring

You can also contact the local labour bureau at 12333 to find out more about your legal rights.

The Worker Helpline is run by the ICTI Ethical Toy Program to offer free support to workers and promote better workplace relations.

www.ethicaltoyprogram.org

Publications and briefings



Preventing Modern Slavery in your supply chain



1. **Supply Chain Mapping** – a critical first step to drive transparency, so you know who your suppliers are. Also supports the evaluation of risk.



2. **Initial Risk Assessment** – check the compliance status of your suppliers



3. **Auditing** – request high risk suppliers to undergo a social compliance audit via the ICTI Ethical Toy Program



4. **Manage non-compliances** – proper corrective actions ensure the factory has adequate policies and practices to prevent occurrences of modern-day slavery



5. **Engagement and capability building** – Engage with factories to increase awareness and understanding of modern-day slavery risks in your supply chain.

We can help you comply with the Australia Modern Slavery Act

Next steps:

1. Review your Modern Day Slavery policy, approach and statement
 - *IETP team is available to assist our members in creating, reviewing and updating MDS statements*
2. Sign up for a complimentary supply chain assessment
3. Get in touch to find out more about IETP membership

**If you'd like to discuss the benefits of membership
email carmel.giblin@ethicaltoyprogram.org**

Q&A





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Thank you, for more information contact:

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 **@ethicaltoy**