



RepRisk Special Report

Migrant Labor

September 2018

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RepRisk is a leading research and business intelligence provider, specializing in ESG and business conduct risks.

As a premium due diligence solution, RepRisk helps clients prevent and mitigate business conduct risks related to their operations, business relationships, and investments.

Since 2006, RepRisk leverages artificial intelligence and human analysis to translate big data into actionable analytics and metrics. With daily updates, universal coverage, and curated adverse data on companies, projects, sectors, and countries, RepRisk offers a suite of a powerful risk management and compliance services.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide, enabling them to reduce blind spots and shed light on risks that can have reputational, compliance, and financial impacts on a company.

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Introduction

On July 13, 2018, the United Nations (UN) finalized the text for the Global Compact for Safe, Orderly, and Regular Migration, marking a milestone in the history of international cooperation on migration in an increasingly globalized world. Objective 6 of the new migration pact covers the facilitation of fair and ethical recruitment, as well as the protection of all migrant workers from exploitation and abuse. RepRisk’s research is benchmarked against international standards which include the United Nations Global Compact, and since 2015, we have identified migrant labor as an ESG “hot topic”¹ that can lead to reputational, compliance, and financial risks.

According to a 2013 study by the International Labour Organization (ILO), there are approximately 150 million migrants worldwide who are currently employed or seeking employment. The UN defines a migrant worker as a person who is engaged or has been engaged in a remunerated activity in a nation of which he or she is not a citizen, and whose employment could be temporary, provisional, or unauthorized.² While many countries have based their economies on the migratory flow of labor, migrant workers who frequently fill low-skilled and undesirable positions are often unfairly treated due to language barriers and lack of education. The fact that some are entirely dependent on their employers for legal immigration status also exposes migrant workers to higher risks of exploitation.

This RepRisk Special Report on migrant labor looks at the kinds of abuses suffered by migrant workers in the food and beverage, construction, and industrial transportation sectors in the past two years. The three sectors were identified by RepRisk as being among the most exposed to ESG risks in relation to migrant labor.

The food and beverage sector, and in particular the agricultural sector, has traditionally provided jobs for migrant workers. According to the ILO, agriculture employs around one-third of the world’s total workforce. However, the organization reports an increase in the number of migrant workers in industrial-agriculture in high-income countries. As local workers shun farm work for higher-income jobs, migrants from poorer countries are employed to fill the gap in the highly labor-intensive sector. From the meat-packing industry in the US to fruit farming in southern Italy, the report shows how food and beverage has become the sector that is most exposed to ESG risks in relation to migrant workers.

According to a report by Global Construction Perspectives and Oxford Economics, the global construction sector will grow from USD 7.2 trillion to over USD 12 trillion by 2020. This growth, which is being fueled by the rapid urbanization of rural areas and increased state infrastructure spending, will also offer new sources of jobs and income for migrant workers. However, as the cost of labor is a significant factor in the construction industry, migrant workers employed in this

1 RepRisk Topic Tags are ESG “hot topics” that are an extension of RepRisk’s core research scope of 28 ESG Issues. For more information, please visit www.reprisk.com/our-approach.

2 <http://www.unesco.org/new/en/social-and-human-sciences/themes/international-migration/glossary/migrant/>

Introduction

sector are particularly vulnerable to wage theft and workplace accidents, the direct results of cost-cutting practices by their employers.

Migrant labor is also widely used in the industrial transportation sector, particularly in freight transport. While the EU reports that road transport accounts for three-quarters of total inland freight transport in the European Union, this subsector is also characterized by “social dumping,” a controversial phenomenon in which workers from eastern Europe are hired to work in higher-wage countries where they are paid much less than local staff in equivalent positions.

The report also highlights examples from the ship building sector in Poland and the ship scrapping sector in South Asia to show how European companies, despite established rules and policies in the EU, have contributed to the exploitation of migrant workers overseas.

Most Associated Countries

- | | |
|----|--------------------------|
| #1 | United States of America |
| #2 | Russian Federation |
| #3 | Thailand |
| #4 | Brazil |
| #5 | Qatar |

Most Associated Companies

- | | |
|----|---|
| #1 | Federation Internationale de Football Association (FIFA) |
| #2 | Wal-Mart Stores Inc. (Walmart) |
| #3 | Thammakaset Farm Co. Ltd. (Dhammakaset Co Ltd) |
| #4 | Sarbanand Farms LLC |
| #5 | Betagro Group; Industria de Diseno Textil SA; Marks & Spencer Group |

Most Associated Projects

- | | |
|----|--|
| #1 | 2022 FIFA World Cup (Qatar 2022) |
| #2 | 2018 FIFA World Cup (Russia 2018) |
| #3 | Lop Buri Chicken Farm (Thammakaset Farm 2); New Zenit Stadium (Saint Petersburg Stadium) |
| #4 | Crist Shipyard; Imperial Pacific Resort Hotel (Imperial Palace Saipan) |
| #5 | Saadiyat Island Campus (New York University Abu Dhabi) |

Most Associated NGOs

- | | |
|----|---|
| #1 | Human Rights Watch (HRW) |
| #2 | Amnesty International |
| #3 | Dutch Federation of Trade Unions (Federatie Nederlandse Vakbeweging; FNV) |
| #4 | Migrant Workers Rights Network (MWRN) |
| #5 | Building and Wood Workers International (BWI); International Transport Workers Federation (ITF) |

The above four, unrelated, tables display the countries, companies, projects, and NGOs that are most associated with Migrant labor, one of the 57 ESG Topic Tags covered by RepRisk. It is linked to RepRisk’s ESG Issue Poor employment conditions that was selected and derived in accordance with key international standards related to ESG and form RepRisk’s core research scope of 28 ESG Issues. The data in these tables was extracted from the RepRisk ESG Risk Platform, based on the last two years (July 2016 – July 2018), and excludes less severe risk incidents. For more information on RepRisk’s research approach, please see page 11.

Food and Beverage

According to Harvest Public Media, the meat-packing industry in the US employs more than 500,000 people, most of whom are immigrants, and has some of the most dangerous workplaces in the country.

In June 2018, the meat-processing company Fresh Mark was raided by US Immigration and Customs Enforcement, who arrested 146 undocumented migrant workers at the company's Canton, Massillon, and Salem plants. Prior to the raid, the company had been cited by the US Department of Labor for three workplace health and safety violations and had recorded three separate workplace accidents in the previous 18 months. In December 2017, the company's Canton Plant was fined more than USD 211,000 after a worker was killed while cleaning a jammed machine. One year later, the authority probed the company after a worker caught his arm in a ham-skimming machine, and in April 2018, another investigation was launched after a packaging machine severed part of a worker's finger.

In Brazil, a 2016 report by the NGO Reporter Brazil, titled "The Poultry Industry in Brazil," accused meat-processing companies, including BRF and JBS, of modern day slave labor in Brazil's poultry industry. Reportedly, the Brazilian National Bank for Economic and Social Development has provided loans to both companies, but the working conditions at their poultry processing plants have become more precarious due to the lack of protective equipment, poor salaries, and hostility from local residents.

In April 2018, Brazil's Circuit Labor Court in Amparo ordered Seara Alimentos, a subsidiary of JBS Foods, to pay BRL 3 million (USD 769,000) in collective moral damages for poor working conditions. The ruling followed an inspection and a class-action suit filed against Seara by the Public Ministry of Labor (MPT) in September 2014. According to the MPT, which had served Seara with 83 notices, the work environment at the company deteriorated after it started using contracted workers for halal slaughtering. The infractions included verbal abuse, humiliation, excessively long shifts, non-payment of overtime hours, lack of personal protective equipment, and the illegal housing of migrant workers from Bangladesh, Morocco, and Pakistan, in mosques located in the suburbs of Sao Paulo. In some instances, workers were reportedly forced to learn their tasks under the threat of being physically kicked.

Thailand has also faced serious allegations of human rights abuse in its food-processing sector. In what has been hailed as a landmark victory for migrant worker rights in the country, a court dismissed criminal defamation charges filed by the Thammakaset poultry company against 14 migrant workers from Myanmar in July 2018. The charges were filed as a response to the workers' claims that the company seriously violated labor rights and used exploitative practices. Activist groups including Human Rights Watch, Fortify Rights, and Finnwatch called Thammakaset's lawsuit an attempt to punish workers for exercising their right to speak out against alleged abuses at the company's Lop Buri Chicken Farm in

Food and Beverage

Thailand. The workers had submitted a complaint on July 7, 2016 to the National Human Rights Commission of Thailand claiming that the company was violating Thailand's Labor Protection Act by forcing workers to work up to 22 hours a day, paying them below the minimum wage, and making illegal deductions. The complaint also alleged that Thammakaset failed to pay overtime and restricted the movement of workers by confiscating their passports and other IDs, and that in some instances, workers had to work 65 days consecutively. Thammakaset was subsequently ordered to pay THB 1.7 million (USD 51,100) in damages, and the allegations prompted Betagro, a company that sourced meat from Thammakaset, to cut its ties with the poultry company. Thammakaset's lawsuit has been condemned by the European Foreign Trade Association, the International Trade Union Confederation, as well as several online campaigns.

In Italy, the trade union Federazione Lavoratori AgroIndustria reports that more than 100,000 agricultural workers, who are mostly migrant laborers, are employed in slave-like conditions on fruit and vegetable farms in the southern part of the country. Many workers are reportedly hired under "caporalato," an illegal hiring system in which migrant laborers are exploited by "caporale" (gang masters), who serve as recruitment intermediaries.

Princes Limited, Mutti, and Conserve Italia, three main tomato distributors in the EU, have been linked to a supplier known for hiring laborers under caporalato in the Italian town of Nardo. The supplier and the gang master are facing trial for

manslaughter following the death of a Sudanese migrant worker, who allegedly suffered a heart attack in July 2015 while harvesting tomatoes without any breaks despite temperatures of over 40 degrees Celsius. It was alleged that the worker could have survived if he had been allowed hospital treatment. Investigations also found other labor abuses at the supplier, such as 12-hour shifts for seven days a week, payment of minimal wages, and lack of access to medical help. An Italian prosecutor described labor conditions at the company as "absolute exploitation." Mutti, Conserve Italia, and Princes' Italian subsidiary, Princes Industria Alimentari, reportedly stopped sourcing from the farm after the death of the Sudanese migrant worker.

In the Spanish province of Huelva, Sociedad Cooperativa Andaluz Santa Maria de la Rabida, a fruit supplier of Lidl, has been named in an investigative report for sourcing from a strawberry farm whose owner allegedly abused migrant harvesters. According to a worker who allegedly escaped, the owner of the farm often raped female workers and threatened to kill them if they did not cooperate. Many allegedly stayed silent out of fear of losing their jobs. The owner apparently also used violence against workers who failed to meet targets, and only allowed them to shower once a week. The workers, mostly from Morocco and Romania, described the place as a "living hell" and claimed that it was almost impossible to get help, as they did not speak the local language and lived in isolated fields. GlobalGAP and its partner Agrocolor have reportedly provided sustainable certification for the farm's strawberry products.

Construction and Materials

As migrant workers provide a mobile labor force that is flexible and expendable, they have long been a crucial source of manpower for the highly volatile construction industry worldwide. However, the report “Migrant Work & Employment in the Construction Sector,” published by the International Labour Organization (ILO), highlights the increasing use of contractors in the industry, and claims that businesses take advantage of cheaper and non-unionized migrant workers, as it allows them to circumvent regulations related to workplace provisions, safety, and benefits.

Between 2016 and 2017, at least 6,000 migrant workers were reportedly employed through contractors and recruitment agencies to build or renovate football stadiums in preparation for the 2018 FIFA World Cup in Russia. During this time, the global trade union Building and Wood Workers’ International recorded 21 worker deaths on FIFA construction sites. In June 2017, a Human Rights Watch (HRW) report revealed widespread abusive practices, including retaliation against workers who complained, non-payment of wages for up to five months, failure to provide work contracts, and perilous working conditions on the building sites of seven stadiums including Saint Petersburg, Ekaterinburg, Kaliningrad, and Volgograd. It has also been reported that at least 190 North Korean forced laborers were brought to Russia for the construction of the Zenit Stadium in Saint Petersburg. They allegedly worked 11 hours a day without any rest day during the week in violation of Russian labor laws.

A year after the HRW report was published, the NGO reported that it has not received any confirmation from the Russian authorities that the problems had been rectified.

Similar allegations were raised in Saipan in the Northern Mariana Islands, a US commonwealth in the Western Pacific. In March 2018, the US Department of Labor reached a series of settlements with Beilida New Materials System Engineering, Gold Mantis Construction Decoration, MCC International Saipan, and Sino Great Wall International Engineering that required the contractors to collectively pay USD 13.9 million in back wages and damages to 2,400 Chinese employees who were building the Saipan Casino and Hotel, owned by Imperial Pacific International. The workers allegedly arrived in Saipan under a tourist visa waiver program and were paid below the minimum wage required by the US Fair Labor Standards Act.

Also in the US, a District Attorney laid charges against Parkside Construction in connection with a scheme to defraud 520 laborers working on the luxury Steinway Tower residential complex and seven other high-rise buildings being developed in New York by companies including JDS Development, Hidrock Realty, Lam Group, and Property Markets Group. Reportedly, the workers were mostly undocumented migrant workers from Ecuador and Mexico, who were cheated out of more than USD 1.7 million over a three-year period as their supervisors manipulated their timesheets and failed to pay overtime.

Construction and Materials

In Saudi Arabia, HRW has criticized the country's restrictive "kafala" (visa-sponsorship) system, which ties migrant workers' legal residency to their employers, grants employers excessive power over workers, and facilitates abuse. Over the past decade, the NGO has documented rampant employer abuses, including forced labor and abysmal working conditions of migrant workers in the country.

In March 2017, some 29 workers from India were reportedly held in captivity without any food, water, or medicine in Al-Hassa, Saudi Arabia, for at least 12 days by their employer, Al-Hajry Overseas, after they asked to return to their home country. The company apparently demanded payments from the workers and refused to pay their travel expenses.

In August 2016, the Saudi Arabian authorities filed a lawsuit against Saudi Oger for failing to pay USD 800 million in wages to its 31,000 employees from November 2015. The workers included French engineers and managers, as well as laborers from India, Pakistan, and the Philippines. It was also reported that Saudi Oger has dismissed around 3,000 Indian workers, who then became stranded in the country without any money or food. In June 2017, the Saudi authorities seized the assets of Saudi Oger to pay the back wages. The company was shut down a month later.

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Industrial Transportation

Over the past few years, details have emerged of abusive working conditions in the European trucking sector amid repeated claims that companies have been employing migrant drivers from Eastern Europe in order to pay them lower wages. Many migrant drivers have complained of excessive working hours and have alleged that they had to sleep in their trucks and were denied legally mandated rest periods.

In October 2016, Romanian truck drivers working for the Dutch company Royal Rotra Transport claimed they were paid a monthly wage of less than EUR 300. Another Dutch company, Martin Wismans, was also accused of using a Slovakian subsidiary to lure workers from Hungary, the Philippines, and Romania to the Netherlands, and paying them extremely low wages. Similar allegations were made against Jan de Rijk, who reportedly exploited hundreds of Bulgarian drivers in the Dutch city of Roosendaal.

In February 2017, a District Court in the Netherlands ordered Brinkman Trans Holland, a transport subcontractor of IKEA, to pay its Polish and Moldovan truck drivers wages in accordance with Dutch laws. Samskip Van Dieren, who also provides transportation services for IKEA, was simultaneously accused of exploiting its Eastern European workers and providing them with false pay slips.

Similar allegations surfaced in Belgium, when the Belgian Transport Association found at least 25 transport companies registered at the same address in Slovakia. In March 2017, Belgian Federal Police raided the offices of Maes

Transport, Rosantra Transport, and Vervoer Van Dievel, following accusations that they had evaded approximately EUR 7 million (USD 8 million) in social security contributions since 2014 by employing Eastern European truck drivers through subsidiary companies registered in Portugal and Slovakia.

In May 2017, DRV Intertrans, Fonteyne en Cie, and Transport De Soete were fined more than EUR 100,000 (USD 114,000) each in Belgium for using shell companies in Eastern Europe to avoid paying social security contributions for their drivers from Bulgaria and Romania.

In May 2018, several Norwegian companies, including Cargo Transport, Platina Seafood, and Universal Logistics Bergen, were criticized for failing to ensure that Latvian drivers employed by their transportation service provider, SIA Kreiss, were paid properly in Norway.

Multiple allegations of discrimination and forced labor have also emerged in the European shipbuilding sector. According to a report by the Leiden Asia Centre titled “North Korean Forced Labour in the EU,” a North Korean welder who died in 2014 in an accident at Crist Shipyards in Poland was among at least 29 other North Korean workers who were hired illegally through a Polish recruiting agency, Armex. The workers, who had no contracts, were paid only living expenses in exchange for 12-hour workdays, 6 days per week.

The allegations of harsh and dangerous working conditions faced by North Korean forced laborers

Industrial Transportation

at shipyards in Poland continued into 2018, when the Leiden Asia Centre published another report titled “People For Profit, North Korean Forced Labour on a Global Scale,” detailing the exploitation of North Korean workers at Partner Shipyards in Szczecin, which supplies mainly Dutch companies, including ABIS Shipping, Acta Marine, CIG Centraal Staal, Shipkits, Royal Bodewes, Meriara, Royal Boskalis Westminster, and Van Oord.

Poor working conditions of migrant workers are not limited to shipyards in Poland. Approximately 35,000 rural migrant workers were reportedly employed by the shipbreaking industry in Alang-Sosiya of India. These workers reportedly had no contracts, insurance, or pension schemes, and lived in makeshift shacks without adequate drinking water, sanitation, or electricity.

In November 2016, at least 12 workers were killed in a series of explosions at the Gadani shipbreaking yard in Pakistan, where unregistered migrant laborers were said to suffer extremely poor working conditions. The NGO Shipbreaking Platform also reported that at least 25 workers were killed in shipbreaking yards in Chittagong, Bangladesh between 2016 and 2017. Approximately 84 percent of all European end-of-life ships were brought to these South Asian countries during the same period.

Approximately 35,000 rural migrant workers who had no contracts, insurance, or pension schemes, and lived in makeshift shacks without adequate drinking water, sanitation, or electricity were reportedly employed by the shipbreaking industry in Alang-Sosiya of India.

RepRisk's research process

RepRisk Special Reports are compiled using information from the RepRisk ESG Risk Platform, the world's largest due diligence database on environmental, social, and governance (ESG) and business conduct risks, used to conduct in-depth risk research on listed and non-listed companies as well as projects of all sizes, from all sectors and countries, including emerging and frontier markets.

RepRisk believes it is important to look at performance, not just policies. Therefore, we take an outside-in approach to assessing a company: Our research captures and analyzes information from media, stakeholders, and other public sources external to a company. This perspective helps assess whether a company's policies and processes are translating into actual performance on the ground. RepRisk combines artificial intelligence with human analysis in 16 languages to translate big data into curated and actionable research and metrics, using a proprietary, rules-based methodology.

On a daily basis, RepRisk screens over 80,000 media, stakeholder, and third-party sources including print and online media, NGOs, government bodies, regulators, think tanks, newsletters, social media, and other online sources at the international, national and local level. RepRisk's methodology is issues-driven, rather than company-driven – i.e. RepRisk's daily screening is driven by RepRisk's research scope. The scope is comprised of 28 ESG Issues, which were selected and defined in accordance with the key international standards, and of 57 Topic Tags, ESG “hot topics” that are specific and thematic.

For more information on our [research approach](#) and the [ESG Risk Platform](#), please visit our [website](#) or email us at contact@reprisk.com.

The RepRisk Index (RRI)

The RRI is a proprietary risk metric developed by RepRisk that dynamically captures and quantifies a company's or project's reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company. It facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure. A value between 75 and 100 denotes extremely high risk exposure. The Peak RRI equals to the highest level of the RRI over the last two years – a proxy for overall ESG-related reputational risk exposure.

Find out more about RepRisk's suite of risk metrics and how they can support your business [here](#) or email us at contact@reprisk.com.

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