



ENVIRONMENTAL, HEALTH & SAFETY KNOWLEDGE BRIEF

HUMAN TRAFFICKING AND SLAVERY

Internal auditing's role in transparency



**Environmental
Health & Safety**
AUDIT CENTER

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About the Expert

Julia Ormond

Actor Julia Ormond is founder and president of the Alliance to Stop Slavery and End Trafficking, established in 2007. Ormond has been a human rights advocate for decades and has campaigned against forced labor and for transparency in supply chains since 2005. She has been honored by the Coalition Against Slavery and Trafficking and the International Justice Mission. Her awards include the World Economic Forum's Crystal Award, and in 2005 she became the United Nations Office on Drug and Crime's first goodwill ambassador in its fight against human trafficking and slavery.

INTRODUCTION

Internal audit can be a powerful tool

Coordinating suppliers, manufacturers, transporters, and distributors to deliver a finished product to consumers is never easy. When that supply chain includes third or fourth parties on the other side of the world who may be engaged in illegal activities, such as using slave or trafficked labor, ineffective controls heighten the risk to organizations and serve as a clarion call for internal audit.

Internal audit's focus on the supply chain management process and assurance over policies, organizational risks, and process controls can offer the transparency Julia Ormond sees as a powerful tool to expose and end human trafficking and slavery. Ormond, founder and president of the Alliance to Stop Slavery and End Trafficking (ASSET), sees internal auditors as playing a key role in providing that transparency.

An organization needs a “trusted advisor” and a “calm motivator” to establish and maintain transparency about its global supply chain at all levels as part of its good governance, Ormond said. Activists who want change are upset and angry, and they see internal auditors as vital in creating that transparency.

Organizations face risks — operational, legal, financial, and reputational, as well as pushback from consumers — if workers who are trafficked or enslaved are part of their supply chains. Addressing these risks should be a component of an organization's long-term sustainability strategy. (Sustainability is identified as one of the risks expected to see significant growth in relevance in the next five years, according to The IIA's new report, *On Risk 2020: A Guide to Understanding, Aligning, and Optimizing Risk.*)

Awareness is a key step to ending the use of trafficked workers in a supply chain, and internal auditors — because they are positioned inside the organization — can play a critical role in providing the transparency necessary for that awareness and in bringing about change, Ormond said. In a presentation at The IIA's Environmental Health and Safety Exchange, held in September in Washington, D.C., Ormond discussed the role internal audit can play in establishing transparency.

Alliance to Stop Slavery and End Trafficking (ASSET)

ASSET was founded by Julia Ormond in 2007 as a result of her work as a goodwill ambassador with the United Nations Office on Drugs and Crime. The Los Angeles-based non-profit is dedicated to reducing and stopping enslavement and trafficking before it starts and delivering human rights.

The organization was the source and co-sponsor of the California Transparency in Supply Chains Act, which became law in 2012, and collaborated on the inclusion of a transparency clause in Great Britain's Modern Slavery Act of 2015.

<https://www.assetcampaign.org/>

THE EXTENT OF THE PROBLEM

Human trafficking is widespread, profitable

Consumers need to become aware

Creating awareness begins with consumers, many of whom, especially in developed countries, live “blessed lives,” disconnected from the people who labor to make the products they consume, Ormond said. “We are not tapping into, do not understand the circumstances of those people trapped in the poorest working conditions making our stuff,” she said.¹

The International Labour Organization (ILO) estimates that 40.3 million people are victims of human trafficking or slavery, including 24.9 million in forced labor. Of those, 16 million work in the private economy, including 2.4 million who are in manufacturing and another 1.76 million in agriculture or fishing. In 2018, the U.S. Department of

Labor’s Bureau of International Labor Affairs identified 148 goods from 76 countries that it had reason to believe were produced by child labor or forced labor, ranging from coffee, cocoa, and other agricultural products to items like clothing, furniture, electronics, and Christmas decorations.² Forced labor is most common in Asia and the Pacific region, followed by Europe and Central Asia, Africa, the Arab states, and the Americas, according to the ILO.

Forced labor, slavery, and human rights crimes generate \$150 billion annually in illegal profits; money that should be going to workers’ wages and to governments as taxes, Ormond said. Transparency is needed to bring the existence of trafficked workers to wider notice, and internal auditors are a critical part of the process, because their work to support transparency brings about the awareness necessary for change, she said.

The ILO figures do not include the 152 million children trapped in child labor, almost half of whom are between five years and 11 years old, Ormond said. Child labor is not caused by poverty, but causes poverty by denying children an education and exposing them to illness or injury.

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1. *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage*, International Labour Organization and Walk Free Foundation, 2017,

https://www.ilo.org/global/publications/books/WCMS_575479/lang--en/index.htm.

2. “List of Goods Produced by Child Labor or Forced Labor,” Bureau of International Labor Affairs, accessed January 2, 2019, <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>.

Consumers want guidance to make choices

Ormond said that as an actor, she explores human behavior to illuminate the truth, and in the case of a socially impactful story, share with an audience how those behaviors impact society and perhaps cause them to modify their actions. When it comes to social auditing, internal auditors also examine behaviors and as trusted advisors reflect it back to their client audience. “You have enormous potential to have impact as curers and healers on this issue.” Ormond said.

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— Julia Ormond
Founder and President,
Alliance to Stop Slavery and
End Trafficking (ASSET)

Consumers are evaluating a company’s brand by looking at performance on sustainability issues such as social impact and social justice. They want to be empowered to choose products that are produced without slavery and human trafficking, Ormond said.

The image of a product on store shelves — its packaging and claims of origin — is often very different from the reality of the conditions on the supply chain, Ormond said. With abuses up and down the supply chain, her solution was to determine where violations were the worst for the products she purchases for her own home and to make her decisions accordingly.

Consumers who are aware and empowered can make incremental changes in their purchasing habits and be part of the solution to end human trafficking and slavery, she said. These incremental changes are key to a sustainable solution, she said. “At ASSET we believe that if we have the right information, every time we open our wallet, we vote for the world we want,” Ormond said.

Following a supply chain

Ormond cited a 2012 [Bloomberg Businessweek](#) article that tells the story of Yusril, an Indonesian who became a slave when he took a job on a South Korean-flagged fishing vessel that operated in New Zealand waters. The contract he signed through a hiring agency left him with no rights and bound his family to pay nearly \$3,500 if he jumped ship.

The article details the poor working conditions and abuse suffered by Yusril and the other crewmen on the ship and the difficulties of governments in conducting oversight. Once, when Yusril whispered for help to an observer from New Zealand’s fisheries agency, the observer expressed sympathy but said it was not his job. After eight months of abuse, Yusril and 23 other crewmen walked off the ship after it was visited by an investigator for the New Zealand Department of Labour. The abuses suffered by crewmen on foreign-flagged ships led to legislation in 2014 requiring the fishing vessels to reflag to New Zealand, giving the country’s courts jurisdiction over all crew members.

The article illustrates the complexity and the opacity of a global supply chain and the difficulty in determining the truth of claims about product origin when several vendors, multiple levels of supply, and subcontractors in several countries are involved. Fish caught in the South Pacific by Yusril’s boat and others like it were sold to New Zealand seafood companies, which sold the fish to U.S. distributors, which in turn sold it to major restaurant chains and retailers.

THE PUSH FOR TRANSPARENCY

Strong legislation is the first step

A market that liberates people

ASSET is working to end slavery as a system, Ormond said. Transparency is designed to motivate organizations to eliminate trafficking in their supply chains, and the monitoring of workers' rights is their greatest protection.

The organization is working to flip the paradigm from one in which markets enslave people to one in which markets work to liberate people, Ormond said. "It does not have to be profits *or* planet and people, but can be profit *for* planet and people," she said. Transparency legislation is the first step, and ASSET is continually working to strengthen it. "We are effectively working to create a market economy to end slavery," she said.

Ormond's hope is that workers' rights will not be seen as antithetical to corporate growth. Internal auditing can support ASSET's work to end slavery by helping both organizations and activists understand what should be measured at all levels of the supply chain. "Our challenge in a rapidly changing world is to meet the needs through sharing of information," Ormond said.

Directions on MSA

The Chartered Institute of Internal Auditors, the professional association for internal auditors in the United Kingdom and Ireland, released [directions](#) covering the annual statement required as part of the Modern Slavery Act of 2015. Any commercial organization that has an annual global turnover of £36 million, about \$47.4 million, and does any part of its business in the U.K. must file a statement, regardless of where it is headquartered. The directions address key risks in drafting the statement and internal audit's role in mitigating the those risks.

Transparency laws in California, Great Britain

The organization's efforts to support legislation for transparency grew out of the finding that it was very difficult to get information from corporations, Ormond said. Without transparency, organizations had no incentive to release information publicly and face the resulting controversy, because organizations that remained silent could simply continue the illegal practices out of the spotlight.

ASSET was the original sponsor of the California Transparency in Supply Chains (TISC) Act, which took effect on January 1, 2012. The law covers large manufacturers and retailers with worldwide gross receipts of more than \$100 million that do business in California. They are required to disclose on their websites their efforts to eradicate slavery and human trafficking from their direct supply chain, giving consumers information they can use in their purchasing decisions. Between 2,000 and 3,000 firms are subject to the law, Ormond estimated.

Following TISC, ASSET worked with the anti-slavery organization Unseen to include a transparency provision in Great Britain's Modern Slavery Act of 2015. The provision requires large companies doing business in Great Britain to develop an annual statement describing what steps they had taken to ensure that modern slavery is not taking place in their supply chains. The statement must be signed by a director of the company. At least 12,000 companies are affected, the British government has estimated. A number of other countries have passed transparency legislation, including the United States, with the Trade Facilitation and Trade Enforcement Act of 2015. Financial institutions have long obeyed transparency regulations, such as the Bank Secrecy Act's Know Your Customer provisions and other required regulatory reporting aimed at detecting and stopping financial crime such as human trafficking.

Explaining the imperative for legislation protecting adults and children from trafficking and enslavement, Ormond quoted a founding board member of ASSET, labor and environmental lawyer Al Meyerhoff, who would ask, "If we can have dolphin-friendly tuna, why can't we do the same for kids?"

TIMING IS RIGHT

Technology, consumers can support transparency

Undermining environmental goals

From her work with refugees and conflict resolution, Ormond said that she and her organization came to realize that trafficking and slavery are the common denominators undermining each of the United Nations' 17 Sustainable Development Goals. However, environmental activists are only now beginning to work with social activists to look at the environmental damage that occurs because of slavery and trafficking, she said. The issues are interrelated as is their solution, she said.

Technology has been a “huge game changer,” making it easier to trace and assess a supply chain and with the potential to do so in real time, Ormond said. The ability to track the implementation of changes is key to transparency. This tracking is not what ASSET does, and therefore, they need to work with internal auditors who do so and can help ASSET gain that access. Ormond said. “You are invited into a company and we’re not,” she said. However, it’s a two-way exchange, because ASSET, in turn, can share what they see out in the field, Ormond said.

Consumers look to employers

The timing is right for increased transparency; there is much more awareness about the issue of slavery and forced labor in the product supply chain, and there is much more awareness among consumers of responsible consumption.

Transparency offers business the opportunity to bring about change, Ormond said, by offering access to tools and partnerships to work toward a solution. It also offers organizations the opportunity to be authentic. Consumers also are employees who want to have a job with purpose; the C-suite wants to be respected. “It’s to show all of us good, better, and best in terms of practices,” Ormond said.

CONCLUSION

Transparency is a first step toward change

An estimated 16 million people work in the private economy worldwide in conditions of forced labor or slavery, according to the ILO. Overall, forced labor, slavery and human rights crimes generate an estimated \$150 billion in illegal profits, money that should be going to the workers as wages or to governments as taxes.

Transparency is the first step in exposing and ending these conditions by motivating organizations to do so. But in many cases, transparency can be difficult due to global enterprises using multiple suppliers and subcontractors. However, internal auditors can be a vital part of the process to develop transparency, because their work generates the awareness necessary for change on the part of governments, organizations, and consumers.

Greater awareness of the issues of slavery and forced labor can be a stimulus for increased transparency. Such transparency offers organizations the opportunity to build on their relationships with their employees, who expect their employers to take action on important issues.

Consumers are more aware and want more information about responsible consumption. Consumers who are aware and empowered, by their purchasing decisions, can help put an end to trafficking and slavery.

ABOUT THE ENVIRONMENTAL, HEALTH & SAFETY AUDIT CENTER

The Environmental, Health & Safety Audit Center (EHSAC) is a specialty offering of The IIA for environmental, health and safety (EHS) auditing. EHSAC was established to provide auditors with targeted high-quality professional development; networking opportunities for knowledge sharing among EHS stakeholders; and ongoing, timely, and relevant reporting on trends, benchmarking, and thought leadership in the audit profession. This report is reserved for your exclusive use as a member of the Environmental, Health & Safety Audit Center. For more information, visit www.theiia.org/EHSAC.

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**Environmental
Health & Safety**
AUDIT CENTER

Global Headquarters

The Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401
Lake Mary, FL 32746 USA
Phone: +1-407-937-1111
Fax: +1-407-937-1101
www.theiia.org/EHSAC