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Prepared for course:

GPS SPRING 2019 : “Global Corporate Accountability:
Issues of Governance, Responsibility and NGOs”
Prof Peter Gourevitch

Accountability Case Studies Project
Corporations, NGO and Nonprofits Case Studies Project

No: 19-01

Corporate Behavior Change:
Forced labor in tech supply chains--
The Case of GoPro

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June 2019

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Global Corporate Accountability: Issues of Governance, Responsibility and NGOs

Corporate Behavior Change – Forced labor in tech supply chains – GoPro

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Abstract

Companies that sell electronic goods, such as GoPro, often depend on supply chains that span the globe and involve mining, smelting, and assembling components. Forced labor is a violation of human rights that can occur in any of these phases and presents a legal, financial, and reputational risk that companies are beginning to address. There are best practices available to tackle forced labor and GoPro should implement a detailed timeline for adopting them.

This paper seeks to provide guidelines for changing GoPro's corporate behavior and eliminating forced labor in its supply chains by a) summarizing applicable regulation and the overall manner in which forced labor operates in the ICT industry today, b) describing GoPro and how it compares to peer benchmarks, c) identifying the pressure points and the window of opportunity to act, and d) reviewing common best practices for this field and suggesting a path forward through three key audiences.

Problem Scope

Many people erroneously believe that slavery is part of our collective past. Actually, modern slavery is one of the fastest growing crimes and one of the most profitable ones (Jones and Winterdyk 2017). It is estimated to affect over 45 million people worldwide (Global Slavery Index 2016) and generates an estimated \$150 billion USD in illegal profits per year (ShareAction 2016).

Said briefly, modern slavery involves the "recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery" (Department of State 2018). Modern slavery is a broad term that includes sex trafficking, forced labor, bonded labor, domestic servitude, and child soldiers, among others. This document focuses on forced and bonded labor in the ICT industry and specific ways to minimize it.

The following section will describe current regulatory frameworks, how forced labor operates today, and highlights its incidence in the ICT sector. This will allow us to then expand on what it is that private actors, particularly GoPro, *can* do to curtail this problem.

Definition and Applicable Regulation

The technical definition for forced labor provided by the International Labor Organization (ILO) is “work that is performed involuntarily and under the menace of any penalty. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers or threats of denunciation to immigration authorities” (ILO 2014a). Forced labor goes beyond “bad working conditions”. The severity in the degree of abuse is what differentiates forced labor from simply bad working conditions. In other words, all forms of forced labor belong to the category of bad working conditions, but definitely not all working conditions merit being considered as forced labor.

In an effort to help those involved in identifying instances of forced labor, the ILO has created a summary of circumstances that can serve to indicate its presence: abuse of vulnerability, deception, restriction of movement, isolation, physical or sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime (Special Action Programme to Combat Forced Labour 2012). The presence of one or more of these 11 factors may indicate a forced labor case. Forced labor goes beyond what takes place on the actual worksite and involves economic, physical, and psychological aspects.

There are not one, but several international conventions and protocols that were designed to eliminate forced labor. Some of the most widely adopted are: the UN Protocol to Prevent, Suppress, and Punish Trafficking in Persons; Optional Protocols on the Convention on the Rights of the Child; ILO Convention 29 on Forced Labor; ILO Protocol of 2014 on the Forced Labor Convention; ILO Convention 182 on the Elimination of the Worst Forms of Child Labor; and ILO Convention 189 on Domestic Workers (Department of State 2018; ILO 2014a, 2014b). Many national constitutions consider freedom from forced labor to be a human right, so regardless of ratification of these international conventions, this right should be protected at a local level.

At a domestic level, the US has strict requirements for federal contractors that provide goods and services to the US government which prohibits them from document withholding, fraudulent recruitment, charging fees for work, and requires the provision of

a written contract, among others (Assent 2019a). Furthermore, contractors for the Department of Defense (GoPro's drones are allegedly used by the military (Barzani 2016)) are subject to stricter requirements and are subject to unannounced supply chain audits.

Although it is prohibited by national legislations in over 150 countries and has been addressed by multiple international protocols, prosecution remains low. In 2017, there were only 7,045 global convictions for human trafficking related crimes (Department of State 2018). If we consider that over 45 million people are affected, this number of convictions barely reaches 0.001% of the total number of cases.

It is important to note that human trafficking usually goes hand in hand with other human rights violations: theft, abuse, torture, rape, among others (Global Initiative Against Transnational Organized Crime 2019). The high prevalence of the crime, coupled with low enforcement, motivates novel approaches for decreasing its incidence and is partially why private actors have been increasingly called upon to take a proactive role in eliminating it. We do not believe that more reports and work recommending enforcement of anti-slavery laws is sufficient to promote effective change.

California and UK responses

Given this lackluster response from a prosecutorial standpoint, some jurisdictions have chosen to focus on requiring companies to proactively disclose their own efforts for eliminating forced labor in their supply chain. If companies are to do business within the boundaries of the jurisdiction, they must comply.

The idea behind these requirements is for the state to share the burden of policing with the general public: companies are obliged to disclose their policies, and thus an informed consumer could be in a position to whistle blow or exert pressure and alert regulators that there is something amiss. This is an example of "fire alarm" forms of regulatory oversight in which citizens are given the tools to alert legislators of misconduct (McCubbins and Schwartz 1984).

There are two notable examples of specific disclosure requirements for modern slavery. First, the California Transparency in Supply Chains Act of 2010 requires any company doing business in California with gross receipts over \$100 million USD per year

to provide a link on its homepage that addresses at least: verification, audits, certification, and international accountability and trainings provided related to forced labor (State of California 2014). There are no specified financial penalties for non-compliance; if anything, the company would receive an injunction from the State Attorney General to comply (Assent 2019a).

The UK went further and in 2015 enacted national legislation that requires all companies with a global annual turnover over £ 36 million GBP to disclose on a direct link on its website its efforts to address modern slavery in its supply chain. The disclosure must include the director's signature and have approval from the board of directors (Ernst & Young 2015). This standard is met by demonstrating a signature of the director on its policies (documentary evidence) and a note on the approval of the board of directors. Further compliance could be demonstrated by attaching the board meeting minutes where this was discussed and the votes that approved it. As an example of the fire alarm oversight previously described, the UK government has explicitly stated that the goal of the Act is for "stakeholder and consumer pressure to serve as the primary motivation for compliance" (Assent 2019a). More recently, France has enacted a Duty of Vigilance Law (2017), and Australia began implementing its own version of a Modern Slavery Bill in 2018 (Sakulpitakphon and Casey 2019).

It is in the interest of the company to comply with these regulations for the virtuous signaling that it gives consumers, non-profits and other stakeholders, and for risk mitigation purposes of avoiding a scandal in which their lack of compliance is brought to light. Nonetheless, even if these disclosure requirements are quite broad and general, they often remain unmet.

OECD guidelines and SDG's

Looking beyond ratified international labor protocols and domestic requirements, the United Nations adopted the 2030 Agenda in 2015. At its core are 17 Sustainable Development Goals that provide a roadmap for stakeholders to prioritize their actions and improve livelihoods around the world. Of particular relevance for the topic of forced labor is SDG 8 which promotes "sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all" (Global Forum on Responsible

Business Conduct 2017). Dignified working conditions are also closely related to poverty reduction (SDG 1), hunger reduction (SDG 2), health (SDG 3), and women's empowerment (SDG 5). Having a stable, legal source of income provides individuals and their families with the means to satisfy their needs and materialize some complementary rights. One of the relative advantages of the SDG's is that they are closely linked to the traditional framework of human rights (Shift and Business and Sustainable Development Commission 2016).

Notwithstanding its importance, a recent analysis has found that the greatest gaps in achievement of the SDG's is precisely in its economic, jobs, and gender elements (OECD 2017). We argue that part of this gap can be explained by the generic nature of the recommendations and the difficulties in measuring progress. For example, the ILO recommends taking "immediate and effective measures to eradicate and end modern slavery and human trafficking", implementing international labor standards, and ratifying international protocols (ILO 2014b).

This level of abstraction has been partially remediated by the OECD, which particularly for mining, has established clear, detailed, actionable steps for due diligence procedures. After holding several rounds of consultations with industry leaders, governments from the Great Lakes Region (from which the majority of minerals for electronics come from), and civil society, the OECD defined a proactive on-going process for respecting human rights and avoiding contributing to armed conflict.

Overall, the Guidelines recognize three major phases: identifying circumstances in the supply chain (from extraction to end product), identifying and assessing risks, and preventing and mitigating risks. For private actors looking to implement best practices in this field, the guidelines provide very specific recommendations and an easy to follow five-step framework that includes establishing strong company management systems - communicating the policy and incorporating it into supplier contracts, establishing a chain of custody and traceability system, and a grievance mechanism-, a path for assessing risks, implementing a strategy to respond to risks, third party audits, and reporting. Additionally, they have put together a Model Supply Chain Policy that can be easily

adapted to fit the needs of particular organizations. They also identify reputable sector initiatives that may be joined.

It is important to recall that the OECD guidelines are voluntary and not legally enforceable. Nonetheless, there are trade and commercial incentives for doing so: importers to the EU have to prove compliance, the Dodd Frank rule of the US SEC also requires it, and the London Metal Exchange gave a 2020 deadline for compliance (OECD 2016). For businesses, part of the interest in achieving the SDG's and lifting millions out of poverty is that it can open up over 12\$ trillion in markets (OECD Emerging Markets Sector 2018).

On top of the OECD Guidelines and the UN SDG's, there is also the so-called "Bali Process", a forum for policy dialogue that purports to convene key decisionmakers from South East Asia to identify best practices, share information, and measure progress (Department of State 2018). The efficacy of these "soft", non-enforceable initiatives has been put into doubt and some consider that it is unlikely that they will lead to a significant increase in worker wellbeing (Locke 2013).

Overall, forced labor is an immense problem that affects a significant proportion of the working population and affects their ability to exercise their rights. This has created a response that relies on international law conventions, local legislation, and more recently, disclosure requirements and more general frameworks that link the elimination of forced labor with the broader notion of sustainable development. The efficacy of these instruments has been insufficient to eliminate the problem and private actors are being called upon to play a more active role. For GoPro, the SDG's provide a general roadmap and the OECD Guidance provides concrete steps for moving closer in their direction. GoPro should rely on the OECD Guidance for its responsible sourcing policies.

Having defined the scope of the problem and current strategies for eliminating it, the following section will describe in further detail how exactly forced labor operates in the ICT sector. Only by understanding the mechanisms that drive it will we be able to recommend effective, targeted strategies for GoPro to implement.

Forced Labor in the ICT Sector

Forced labor can take place through either sophisticated organized crime networks, or through informal loosely knit groups that maintain this practice at a micro level in small communities (Department of State 2018). Some of the common denominators of forced labor in the ICT sector include unlawful passport retention, deceptive recruitment regarding wages, hours, overtime, and risk level of the job; debt; loss of freedom of movement; and excessive penalties for leaving the job. Recall that not all bad working conditions constitute forced labor (see above section on ILO indicators and differences).

The production of electronics is a prime example of the vulnerabilities that make forced labor possible: there are complex webs of multiple tiers of suppliers that are responsible for very specific component parts that require low-skilled and easily replaceable workers along the process. Often, there are no direct contractual relationships between the final consumer-facing company and the suppliers downstream. As the director for Human Rights Watch noted, forced labor is hard to identify: “While a lot of this might look like normal work, when you consider the position that many of these workers are in, where they have paid extortionate fees for their jobs, have had to work as long as three years to pay off that debt, and have no access to personal identification documents or any control over terms or conditions of work, then this isn’t decent work – it is akin to modern slavery” (Hodal and Kelly 2016).

Mining phase

To begin with, many consumers may not even be aware of the raw materials that go into the electronics they use daily. Phones, computers, cameras, batteries, etc. contain a mix of at least, coltan/tantalum ore, wolframite/tungsten ore, tin, (3T) and gold. These raw materials are extracted from the ground, transported to a “trading house”, exported (usually to East Asia) to be refined (purifying an impure metal), smelted (heat extraction of a base metal from ore) or alloyed (combined with other metals to avoid corrosion), and then sold to electronics manufacturers (circuit boards, chips, cell phones, etc.). At the refinery and smelting stage, the industry is highly concentrated, with less than 10 companies processing over 80% of the global supply of tin (Lezhnev 2009).

It is in the extraction, smelting, and processing of these materials that there is a high risk for forced labor. For example, field research in the Congo identified 866 cases (23% children) of 7 different forms of slavery (forced labor, forced prostitution, bonded work, child labor, peonage, sexual slavery, forced marriage) in just 3 mine sites (Free the Slaves and Open Square 2013).

GoPro's supply chain meets the criteria for being considered at high risk for slavery and human trafficking: it involves low-skilled labor, offshore manufacturing, long and complex supply chains, and operates in high risk countries (CAR, China, Cambodia, etc.) (Assent 2019a). Forced labor in mining contexts has been extensively studied. Broadly speaking, it can take place directly at the mineral extraction site, through associated activities such as sorting, transporting, catering, or processing; through associated services (suppliers, purchasers, creditors); and finally within indirect activities associated with the mining community (domestic work, sex work) (Hidron and Koepke 2014). The US Department of Labor publishes a yearly list on goods produced with forced labor; minerals have appeared on the reports for at least the past ten years.

Part of the difficulty in identifying and curtailing forced labor in mine sites is that these are usually located in areas with weak state control and presence. Additionally, mining is often at the intersection of high conflict areas in which armed groups control part of the mineral extraction and exploit workers. In the DRC, at least 12 of the 13 main gold mines were under armed group control in 2009 (Lezhnev 2009). This makes practices like deceptive or forceful recruitment, exposure to hazardous chemicals, extended work shifts, debt bondage, wage withholding, or retention of documentation hard to prosecute and quantify (Hidron and Koepke 2014). Furthermore, low security levels can inhibit necessary investments for developing other industries, driving even more people into mining. These internal migrants then go into immense debt with their "employers" and remain bonded to them (Free the Slaves and Open Square 2013).

Certain best practices have already been identified for the prevention of forced labor in small-scale mining. They rely on OECD guidelines and ILO indicators for prevention and risk assessments and promote stakeholder mapping to identify potential allies within the community. For downstream companies like GoPro, sourcing decisions need to be

aligned with responsible sourcing practices that are certified by third parties (Verite 2013). The possibility of improved tracing and tracking of raw materials will be further discussed when describing the specific campaign elements.

Assembly phase: Malaysia case study

Once the raw materials are transformed into something useable for electronics, the format in which forced labor operates changes slightly. During the assembly phase, forced labor involves a subagent X in a source community that charges the incumbent a referral fee for sending their profile to a larger city. Agent Y in the city then charges another fee for preparing the documentation and transportation for a future placement in a job in a different region or country. Agent Z collects a third fee, receives the incumbent in the destination country and links them to a specific placement and company. Sometimes, Z is responsible for providing housing and accommodation for the workers (Verite 2014).

Given the slice of the market it represents, Malaysia is an excellent case study of the incidence of forced labor in the ICT industry. Production is concentrated in Free Industrial Zones and ICT exports account for over \$15 billion USD, employing over 1 million workers. Following the simplified model given above, there are 241 local agencies (type Z) that act like gatekeepers of the jobs and placements (Verite 2014).

A comprehensive report¹ on the state of forced labor in the country found that 32% of the foreign workforce experiences forced labor. An additional 46% are on the threshold for being considered under forced labor as they present at least one indicator of forced labor (Verite 2014). The factors that lead to the prevalence of this situation are interconnected: first, the existence of excessive recruitment fees that are often over one month's wage lead to indebtedness of the workers (the majority of them need over one year to pay it off) which then contributes to excessive overtime to try and pay it off quicker and increases the dependency of the worker on employment agents. Add to the above that companies that hire migrant workers have to pay a levy to the Malaysian state which is customarily passed down to the workers over their first 12-month period. Furthermore,

¹ Quantitative and qualitative data collection and analysis of 501 surveys and interviews with locals and migrant laborers in 2014.

their work permits depend on that particular employer so if they were to leave that position in search of a better option, they would owe the levy to that employer and have to leave the country as they have lost their sponsor (Verite 2014). As this Malaysian example shows, the prevalence of forced labor in electronics and the high degree of human rights violations that it entails merit a more effective way of addressing the problem.

Private brand responses

Over the past ten years, there has been a growing call for novel responses to this problem, including an increase in corporate involvement in curtailing this crime. This has to do with the fact that over 90% of forced labor is imposed by private actors and in 2015 71% of companies had “credible reason to believe modern slavery occurs at some stage in their supply chain” (Assent 2019a). Public entities are also beginning to include the private sector more in their own policy design. For example, the Department of State considers the pillars of an effective strategy against modern slavery to be prosecution (including tracking suspicious financial flows), protection, prevention, and partnerships (vertical across levels of government and horizontal across stakeholders and key decisionmakers).

Recent research initiatives funded by USAID have set out to identify elements that lead to successful partnerships in this field. First, a company must be assessed to gauge its level of maturity and awareness to engage in these sorts of initiatives (a full maturity assessment and spectrum rubric is available online) (Sakulpitakphon and Casey 2019). For example, if a company sees no problem in their supply chain or isn’t willing to take any corrective action, a partnership will not be effective. Second, trust-building activities must be proactively engaged in between partners. Third, partnerships must be designed and developed in a way that is highly context-specific and allows for mutually agreeable timeframe, impact measurements, and role definitions (Sakulpitakphon and Casey 2019). At the end of the day, just the existence of a multi-stakeholder partnership is insufficient to guarantee success of the initiative.

As a result of scandals or moments of crisis, many companies have developed their own private responses to this phenomenon (Locke 2013). Due diligence is now considered part of the regular costs of doing business and has strong links to risk

mitigation at a financial, legal, reputational, and operational level (Assent 2019a). Some of the responses include strict codes of conduct for tier 1 -and increasingly tier 2- suppliers, third-party audits, and their own reporting mechanisms that allow them to share progress with stakeholders. Although these private initiatives have been criticized for being designed for protecting the brands and not the workers, our contention is that it is feasible to do both: you can protect the brand’s reputation and market value precisely by safeguarding the workers. Other companies have joined organizations or initiatives that provide industry-wide codes of conduct.

GoPro

Having described the overall problem of forced labor, its regulatory environment, and how it operates in the ICT sector, the following section will provide a summary of GoPro’s operations, our target company for corporate behavior change.

GoPro is a California-based technology company that manufactures and sells rugged waterproof cameras, accompanying software, and accessories. Their cameras have an image sensor, a processor, a wide lens, and microphones for audio-recording (Pandian 2017). Originally thought of as a camera for surfers, it has since expanded to all forms of extreme sports, drones, virtual reality, and cloud-based storage (Reuters Editorial 2019). Two of the features that allowed it to outpace its competition are the versatility with which it can be mounted on almost any outdoor gear equipment, and the pairing software that allows it to be easily used live on an Android or iOS device. Recently, GoPro has faced a steep loss in market value that stemmed in part from overly stocked inventories that it wasn’t able to sell. As was bluntly stated by an analyst, “consumer hardware simply is a hugely difficult business. Sales depend essentially on the replacement cycle” (Martin 2019).

As a publicly-traded company (NASDAQ 2019), we chose them as prime targets for this initiative to change corporate behavior around labor issues because they have a low stock value that has been recovering slowly from an all-time low less than six months ago (Martin 2019), are not members of relevant multi-stakeholder initiatives, and have quite vague disclosures regarding their supply chains. GoPro is at a critical decision-making moment for the company: after several years of astronomic growth, the company’s value

has dropped and there is increasing skepticism on its ability to deliver innovative products and services in a way that it would be able to remain competitive (Mac 2017).

Additionally, as advantages for this campaign, almost the entirety of GoPro's captive audience consists of a young demographic that is outdoor-inclined, and which has shown signs of being increasingly concerned with environmental stewardship and human rights.

Disclosures

GoPro meets the California Transparency in Supply Chain Act and has a statement easily accessible on its website. It purports to have a Corporate Social Responsibility Code of Conduct that abides to ILO and ETI standards and explicitly prohibits underage and forced labor. Furthermore, the company says that it has an internal compliance team that is trained to enforce the Code and that it "does not need third parties to conduct verifications of product supply chains to evaluate and address risks of human trafficking" (GoPro 2017). We disagree that the company does not need third party verification. As was previously mentioned, a robust due diligence protocol is a crucial element in risk management. Currently, GoPro is exposed to operational risks (supply chain disruptions), reputational risks (decreased brand perception by consumers), financial risks (loss of investors and competitive advantage), and legal risk (increased litigation and penalties) (Assent 2019a)

Regarding the UK Modern Slavery Act, GoPro simply states that upon request it shall provide a statement regarding its efforts regarding human trafficking. This is direly insufficient and does not meet the minimum requirements set by the UK Modern Slavery Act. A careful analysis of the financial statements of the company would be necessary to understand if they meet the financial turnaround threshold that would make them subject to the requirement or if they are just preventively including the statement. Currently, GoPro seems to have the bare minimum necessary on its website and a reactive stance towards social compliance. Today's competitive environment require companies, particularly those with young audiences, to show a proactive posture regarding social and environmental sustainability.

Relationship with Suppliers

The company states that it carries out announced and unannounced audits on its suppliers and that violations may lead to termination of the contractual relationship. The company goes on to say that “GoPro is committed to achieving universal ethical trading standards throughout all parts of its supply chain, and to ensure that the working conditions in GoPro’s supply chain are safe” (GoPro 2017). There is no indication of how this is achieved nor is the Supplier Code of Conduct publicly available.

Human Rights

GoPro sets a minimum age of 15 to work in their supply chain and includes an explicit prohibition of forced labor and trafficking. Notably, GoPro does include a provision that requires suppliers to cover all recruitment fees over one month’s wages and to only withhold documents “to the extent reasonably necessary to complete legitimate and administrative processing” (GoPro 2017). The company also has statements regarding excessive overtime (maximum 60-hour work weeks), anti-discrimination, immigration compliance, and freedom of association.

Minerals Sourcing

GoPro partners with the Conflict Free Sourcing Initiative and applies a policy on all suppliers and subcontractors. All suppliers are required to inquire on the country of origin on the materials, determine chain of custody, and follow OECD Due Diligence Guidance on these matters. Although it generally states that the OECD Guidance should be followed, there is little evidence on how that is being done. We highly recommend that GoPro follow OECD guidance for mineral extraction and abide to the previously described five-step process (OECD 2016). Furthermore, the supply chain policy should more closely emulate the model provided to ensure comprehensive inclusion of all relevant matters.

Pressure Points

Having described the magnitude of the problem and the ineffectiveness of relying solely on legal initiatives, we will now analyze how GoPro can be pressured to implement best practices in responsible sourcing and transparency. The following section will describe the three main avenues for pressuring the company to change.

Publicly-Traded Companies: Stock Price and Reporting Requirements

First of all, there is an increased role of investors that are raising the issue of forced labor in shareholder meetings and demanding compliance with new regulation (ShareAction 2016). These active investors seek to implement governance changes within the company that they hold stock in. To do so, they rely on proxy voting, voicing concerns at annual shareholder meetings, nominating directors, and voting on board compensation. They include not only large, institutional investors such as pension funds, but also impact funds, traditional hedge funds, and individual investors (Larcker and Tayan 2015).

For investors, human rights violations can be seen through the lens of decreased productivity of their assets due to delays in the supply chain, penalties, or legal investigations. Investors will try to minimize these impacts on future revenue streams and normal company operations. A hit to the company's reputation can also significantly affect the market capitalization of a company. This is especially important for consumer facing firms that face higher scrutiny and may be targeted by investigative reporting on their supply chains. The growing field of "impact investing" means that investment decisions will now be subject to more comprehensive risk assessments that evaluate not only traditional returns, but also human rights monitoring and allegations of violations. A company's sustained economic growth in the stock market now requires disclosure of human rights conditions across its supply chains and it is likely that these requirements will expand and grow more stringent.

Second, specific jurisdictions have begun to include social assessment data for publicly traded companies. For example, the EU Parliament introduced reporting requirements of non-financial information (including human rights and environmental stewardship) for companies with over 500 employees. A 2015 analysis found that 38 of the largest 50 economies have some form of government corporate disclosure requirement on environmental and social issues; for some, the disclosures are optional and for others they are mandatory. Countries with mandatory disclosures tend to fare better on ESG ratings than those with voluntary disclosures (Principles for Responsible

Investment 2016). This could be a strong indication for future regulatory developments to implement a policy that is, at least nominally, obligatory instead of optional.

Some stock exchanges, such as the Shanghai Stock Exchange or the Hong Kong Stock Exchange also require listed companies to disclose relevant social sustainability information (BSD Consulting 2016). By 2015, at least 26 stock exchanges have ESG reporting guidelines, many of which are voluntary or comply-or-explain (Principles for Responsible Investment 2016). Many countries have both stock-led disclosure guidelines and government-led guidelines (Hauser Institute for Civil Society 2014). Recognizing that voluntary guidelines are only the first step forward, over 100 institutional investors petitioned the International Organization of Securities Commission to integrate specific sustainability disclosure requirements in listing rules (Lubber 2015). What is still lagging is enforcement. No evidence was found of a global company being delisted from a stock exchange for non-compliance to ESG disclosure guidelines. The future will tell if stock exchanges begin to do so.

Preempt Regulation and Legal Recourse

Even though current reporting requirements are primarily geared towards large corporations, small organizations are also subject to legal action and prosecution. There is a growing trend for lawsuits from survivors of human trafficking, employees, and even consumers to seek legal recourse in different forums, including the US and Europe (Malo 2017; Vendenberg and Grono 2016). Even though not all of these lawsuits have resulted in fines or criminal actions against the defendant firms, their appearance and growing frequency should serve as a warning sign for non-compliant companies.

There are several companies that have been driven to bankruptcy because of forced labor allegations and processes (Brickley 2015). For example, a 2015 case led to a \$14 million USD fine on a maritime shipping company from Alabama that forced it to close its doors (Desai 2015). In the US, by 2008, there were at least three other cases of criminal prosecution of forced labor in the restaurant business and in American Samoa that have led to millions of dollars of financial restitution for the victims and sometimes prison for the executives (Southern Poverty Law Center 2008).

Private codes of conduct and cooperative agreements with industry peers may also serve a role in preventing more stringent regulation that would set a higher bar. For example, Canada has already created a specific civil service role for a government official to ensure Canadian firms operating abroad follow human rights guidelines (Government of Canada 2019).

Stakeholder Pressure

Finally, there is growing consumer awareness and importance allocated to sustainability matters. Customers are considered to be primary stakeholders, or those without whom the business itself would not exist. A review of 77 manufacturing firms found that consumer pressure does generate change in sustainable processing management, including supply decisions (Gualandris and Kalchschmidt 2014). Another reached similar conclusions: stakeholder pressure can lead to increased sustainability awareness within a company, clearly stating goals related to sustainability, and implementation of specific sustainability practices (Luoma and Meixell 2015).

Several supply chain scandals have rocked the technology and electronics sector in the past decade. One event that remains salient for many were the suicides of 14 confirmed (18 alleged) Foxconn employees in 2010 (Wow and Reply 2017). As a supplier for Apple, HP, Dell, GoPro (Foxconn owns 9% of GoPro), etc. with over 1.3 million employees (Merchant 2017), issues within Foxconn are singularly poised to have effects for several actors around the world (Bapna 2012). Consumers organized alongside nonprofits and the media (Barboza 2010; Berg 2018; Hefferman 2013; McLaughlin 2010; Merchant 2017) to bring on quick responses from the brands involved and Foxconn itself. For example, the day after the scandal broke, Foxconn required all employees to sign a release of liability for death; after media outcry, the letter was withdrawn (BBC News 2010). Furthermore, within a week the company had doubled its salaries for most of its Chinese workers (Barboza 2010). Shortly after, Apple and HP announced strict policies for worker wellbeing in their supply chains; this was at least partially motivated by repeated calls to boycott the brands both in China and abroad (McLaughlin 2010). This is a short, concrete example of the power of consumer and media pressure related to supply chain problems on a private actor.

Window of Opportunity for Corporate Change

The three factors described above are the backbone of the campaign to increase supply chain transparency and implement more effective policies for eliminating forced labor at GoPro. Although these may seem obvious, it is important to frame all messages in such a way that highlights that it is in the interest of the company to meet these requirements and be a proactive player in this field.

Many efforts to change company behavior have failed. This set of recommendations relies on recent research from social science norms and behavioral change to apply it to this context.

First of all, it is important to consider timing. There has been an uptick in media coverage on sustainability issues and the average consumer (even more so for the millennial consumer base of GoPro) has become increasingly aware of the potential negative impacts of the manufacturing products we use day to day. In 2012, 70% of consumers surveyed were willing to pay a premium of 5% for a sustainable product and less than 10% were willing to pay more than 25% on the premium (Miremadi, Musso, and Weihe 2012). In more far-reaching surveys in 2014, 50% of millennials answered they were willing to pay more for companies that show a commitment to positive social and environmental impact; by 2015, the number had reached 73% (Nielsen 2015). In other words, sustainability is now very much a part of the public agenda (Kingdon 1995) and is getting attention from media, policymakers, and consumers. In general, there are focusing events or crises that lead some problems to capture the general attention. The Foxconn suicides or increased coverage of the Facebook data harvesting scandal may have served as such events.

There is also an economic argument for timing: brands with commitments to sustainability have grown over 4% at the global level (Nielsen 2015). From a strategic standpoint, this is a good moment for a campaign to get GoPro to implement changes in its social sustainability policies: there is a focused topic, consumer awareness, media coverage, technological readiness, and a strong geopolitical climate (Sin 2018).

Organizational Change

Findings from social norms change can be applied to organizational change. In this context, there are three elements that are helpful for this campaign to be successful: first, it is important to not present the problem of modern slavery as rampant or widely spread. Doing so generates the idea that it is somehow normalized to engage in these behaviors and decreases the agent's willingness to change (Cialdini 2007; Cialdini et al. 2006; Cialdini, Reno, and Kallgren 1990; Schultz et al. 2007). Second, it is important to give GoPro clear examples of how order can be demonstrably achieved; in other words, it is important the campaign include salient examples of how GoPro is actively pursuing the change beyond simply stating that it will change (Kees Keizer, Lindenberg, and Steg 2013). Experiments have shown that explicit behaviors are more effective in guiding perception than abstract messaging (K. Keizer, Lindenberg, and Steg 2008). Third, for the campaign towards GoPro to be successful, it is crucial that we understand that decisionmakers within the company will need to believe that others are already doing what we are suggesting that they do, and more importantly, that those relevant others (competitors, consumers, regulators, etc.) *expect* GoPro to do the same (McAdams 2001). This perception of others' expectations on our behaviors is a first step in generating an attitudinal change within the C-Suite that precedes an actual behavioral change.

Persuasion and Diffusion

An effective campaign with GoPro will also depend on a good understanding on how persuasion operates and how ideas are diffused. For GoPro to be willing to change their behavior in the long-run, as advocates for change we need to be able to communicate the idea in such a way that the innovation we are proposing (changes in their social sustainability policies and systems) will allow them to achieve their desired outcome (increase in market value, positive perception among consumer base, better financial and legal risk management, etc.). In order to do so, Rogers suggests that proponents for change focus on the relative advantage of our idea over the previous status quo (current exposure to risk vs. risk management), compatibility with values (as a young company GoPro needs to be in tune with its consumer base), low complexity involved (step by step guide and three prioritized audiences), and high observability of the change (results will

be visible to stakeholders) (Rogers 2003). Some of the best practices for doing so include demonstrating that near peers have already adopted our proposed actions, and that others will perceive the behavior as being correct (Cialdini 2010). These three pressure points and brief methodological description will be the “how” of the campaign.

The following section will go over the most comprehensive benchmark available for forced labor in the ICT sector and compare the target company’s efforts with said baseline. This will be the “what” of the campaign.

Relevant Benchmark

Know the Chain is one of many benchmarking initiatives that aim to provide guidance and information on the performance of companies in the technology sector. This report was chosen over others because of the neutrality of its reporting and the transparency with which the authors state their methodology.

Forty publicly traded companies were chosen for their market capitalization and workforce leverage to be measured across seven themes that touch on forced labor. The key findings of the benchmark are: first, a disconnect between public commitments and policies and processes to support them, low scores on the themes that have the highest impact on workers (worker voice and recruitment), a correlation between market size and capacity to take action, and notably, the fact that the worst offenders are the suppliers of the big consumer facing firms (Know the Chain 2018). This last finding is crucial; in other words, HP, Apple, etc. fair quite well on these scorecards, and even though they supposedly extend their efforts well beyond their first tier of suppliers, the suppliers themselves don’t pass muster when measured against the same bar. The analysis allows us to identify an “average type” for ICT companies that do provide a supplier code of conduct, have efforts that cascade down their supply chain, provide training for their employees, prohibit fees for recruitment, and audit their suppliers. The “average type” does not assess forced labor risk, train suppliers, implement responsible recruitment practices, have effective grievance mechanisms, nor disclose their specific remedy mechanisms. The description of GoPro’s current disclosures and policies seems to fit this “average type”. The seven themes of the benchmark provide the backbone for the recommendations that will be described in greater detail in the following section.

Recommended Actions

The campaign for driving corporate behavior change in our target company will target the main vulnerabilities of the production of electronics in the mining phase and in the assembly phase. The messaging of the campaign will focus on three key audiences and the risks that each of them most care about. At a very minimum, the initial goal of the campaign is for GoPro's leadership team repeatedly and convincingly show commitment to eliminating slavery from the supply chain. This attitude will then allow the company to adequately design, implement, and communicate the three prioritized initiatives described below.

Audience 1: Shareholders – financial risk

Investors are a key ally for a corporate change campaign because they have a vested interest in the performance of the company and have a common goal in minimizing risk. Even though social ratings do not necessarily present a perfect picture of corporate efforts to address environmental or social concerns, they are a key tool used by investors that are looking for accurate information that will allow them to evaluate future performance (Chatterji, Levine, and Toffel 2009).

Institutional investors are especially relevant because they are better equipped able to drive change within a company. For example, rule 14a-8 in the US allows them to nominate people to the company's board of directors. They can also rely on proxy voting to push for change. The UK has wider powers for investors (P. Gourevitch 2007).

There is growing scrutiny on the behavior of private actors which may affect stock prices. Supply chain disruptions have been found to be linked to a 9% drop in stock prices (Ernst & Young 2018). Savvy, forward-looking investors are aware of this and should be approached to support the primary goal of this line of action (Ruggie 2019). There are several active campaigns in place addressing wages and forced labor on the supply chain. Some of them are pressuring upcoming shareholder meetings to vote on these issues and publicly commit to a timeline for implementation of improvements (Clean Clothes Campaign 2019).

Key goal: Conduct risk assessments

The main objective of this line of the campaign is to get investors to pressure GoPro to conduct human rights risk assessments that are verified by a third party. In order to meet the best practices established in this area, key findings (both positive and negative), should be publicly available. In the benchmark previously mentioned, less than half of the companies included a forced labor risk assessment (Know the Chain 2018). This step should include clear definitions of worker remediation practices in case a violation or non-compliance is found. As is the case with most risk management systems, remediation processes need to be defined before a problem occurs.

Implementing this policy into standard practice would allow the company to become a leader in the field, perform better than its peers in the industry, and prevent financial risk of potential losses in market value. It is also interconnected with reducing regulatory and reputational risk. As previously noted, senior management needs to be involved throughout the risk assessment process and be aware of the particularities of the industry and countries that are part of its supply chains. Fortunately, there are already several tools available for identifying risks related to slavery. One of them is the Slavery and Trafficking Risk Template which provides a detailed questionnaire and tallies points depending on the industry and country (Assent 2019b). Use of this template would be an ideal first step for GoPro. Other tools are available through third party consulting firms or government agencies: the US Department of Labor has an eight-step, free tool for labor compliance in supply chains that is designed for companies that want to begin to implement a more robust management system (U.S. Department of Labor 2019).

Audience 2: regulators – legal risk

The second key audience for the campaign is regulators. Several jurisdictions have already implemented strict disclosure standards, that even if faulty, serve as a guiding compass of where regulation is headed. Australia is in the midst of implementing its own version of the UK Modern Slavery Act and Canada has created a new government office solely for business and human rights issues. Regulators are a captive audience that is interested in staying attuned to the needs of their constituents and being able to prove

commitment to issues that are central to the public agenda. For the target company, preempting stricter regulation and proactively dissuading future lawsuits is of utmost concern.

Litigation has already begun to affect companies in other industries across the globe and legal recourse has been sought by former employees, consumers, and investors (Mucha 2019). In the UK, legal action has been sought against corporate directors which may be held personally liable for forced labor in their supply chains (Taylor 2019). As was previously stated, GoPro has a complex, non-centralized supply chain that depends on a variety of information networks and for which there is low visibility of the entire process (Deloitte 2017). Currently, each supplier operates a different information system that hinders accurate tracking and opens up space for fraud. Moreover, strong hierarchical dynamics in both mine sites and assembly lines make it difficult to accurately monitor working conditions. Blockchain technology can play a part in improving traceability and grievance mechanisms.

Key goal: Blockchain technology for transparency

The key goal of this line of action is to implement blockchain technology to meet best practices in two themes: transparency in mineral sourcing (as Billiton already does for mineral analysis (Ernst & Young 2018)), and worker grievances reporting (RCS Global 2017). By implementing this technology, the target company will also be able to circumvent a recurring critique of the current auditing system which relies on overworked and often poorly trained individuals to collect data that is frequently found to be inaccurate and not trustworthy. As Locke found, information gathering through inspection and audits is not enough to bring about systemic change and improve labor conditions (Locke 2013). Direct contact with workers will partially solve the conflict of interest problem embedded in the auditing system and will result in more accurate and complete information on the real day to day operations of a facility.

A. What is blockchain?

From a technical standpoint, what we frequently refer to as blockchain is really a digital ledger of transactions that is not stored in a single place or system and can never be deleted. Rather, it is stored across various systems owned by different players that can each validate the information without an intermediary (McQuinn and Castro 2019). This

makes it nearly impossible for any single actor to corrupt the ledger. An actor has access to the ledger only if its digital signature matches that of the consensus algorithm of the network (Deloitte 2017). The consensus algorithm is at the heart of the verification process of blockchain (the most common one is proof of work and involves members of the network solving cryptographic exercises that prove their validity in the system). Broadly speaking, its goal is to ensure that each player that has access to the ledger is actually authorized to do so (CoinBundle Team 2018). When a transaction takes place, it is shared within the entire network, validated through the consensus algorithm, and sequentially added to the “block” that gives the system its name.

From a social/political standpoint, by eliminating an intermediary, blockchain allows groups of individuals to cooperate and reach a consensus even if they do not know each other or don't trust each other (McQuinn and Castro 2019). Nobody can alter the record once it's made, and all players have the same access, all the time. This element makes blockchain application to supply chains ideal: parties don't need to know each other, can have competing interests or incentives, and yet all rely on the same information system to record their transactions.

Pros and cons

Distributed Ledger Technologies (blockchain) can allow a company to record any event that takes place across complex, multi-actor supply chains. The ledger is not owned by anyone in particular and tampering with the records is nearly impossible. One of the core advantages of blockchain is the outstanding level of trust it provides: its records are transparent, secure, and auditable (Deloitte 2017). Additionally, the ledgers are automatically updated, and all records are immutable. If we bring together blockchain technology with Internet of Things (IoT), we will be able to collect and aggregate data in a way that is timely, reliable, and at a much broader scale than ever before.

That being said, blockchain is only just now beginning to be used at this scale and there are still unanswered questions: what is the best way to collect information that is fed onto the platform? Note that like any technological system, blockchain can't fix bad data input. How can we create an untampered link between the physical and digital world? At which scale should the token be linked (1 oz of gold? 1 shipment of gold?)? How should

the data be visualized by the consumer? How can this virtual system be integrated with traditional paper-based supply chain systems? And crucially, how do we engage all parts of the supply chain with a technology that requires harmonized standards?

Recognizing these latent questions, Deloitte recommends that companies begin by testing out blockchain in their biggest pain points: where would blockchain be of most value to GoPro? We suggest tagging raw materials from point of sale to smelter as a first step in minimizing contamination with mine sites that may rely on forced labor. There is a nascent body of research on creating tokens for products that suffer multiple transformations across the supply chain and would allow manufacturers to guarantee particular compositions of their goods (Westerkamp, Victor, and Küpper 2018). RCS has also designed a potential blockchain system from mine to market that identifies key information points, and the tokens that would make up each block (ie. bill of lading, certificate of mass and grade, provenance, etc.) (RCS Global 2017). Future developments could include incorporating smart contracts (contracts that are automatically enforced when the conditions are met: ie the price for the mineral goes up if it is above x% purity) into the blockchain system.

From a policy standpoint, there are also several unanswered questions including the neutrality of the technology, the stability and certainty of its use, and international harmonization, among others (McQuinn and Castro 2019). Last, from a purely technical standpoint, blockchain technology still requires incredible amounts of computing power and energy consumption to operate.

B. Mineral sourcing

As previously described, there are severe risks for forced labor in the mining phase of GoPro's supply chain. It is crucial to be able to distinguish the exact mine site from which the minerals are extracted and to be able to prove the chain of custody from mine, to smelter, to assembly line. Blockchain enables GoPro to have a continuous source of information that is shared across its partners, permanently accessible, and effectively raises alarms when there are code of conduct violations or cases of fraud. This technology can serve as the bridge between stating a policy or code, and actually having the means to implement it.

For companies that source raw materials, there are two main challenges in their chain of custody: origin and production methods (RCS Global 2017). The use of blockchain can allow all transactions from mine, to smelter, to assembly to be recorded in high detail: the record can include quantity, quality, origin, production method, etc. and becomes easily shareable with downstream actors and stakeholders. This increased level of transparency is at the cornerstone of heightened assurance and will allow GoPro to meet the expectations of both regulators and the general public and media. Current chain of custody systems struggle to provide material stewardship (who owns what at any given point of the chain), and guarantee responsible production (RCS Global 2017). Part of these challenges stem from disparate control standards that make aggregating information nearly impossible and from the multiple transformations that the minerals undergo along the way which make it more difficult to identify precise points of origin.

By creating tokens for the raw materials that include digital fingerprints, blockchain can allow GoPro to materialize its supply chain policies and to be able to effectively guarantee visibility from mineral extraction to end product. The company would be able to prove material stewardship and responsible production, and address problems in near real time were they to occur. This will lead to a greater cycle of trust with its stakeholders, increase its flexibility and adaptability by being able to more quickly respond to supply chain risks, and better monitor and control its entire chain. For suppliers at the extraction site, they will be able to record exactly how much they sold, of what grade, when. They will also be able to ensure quality control and trace counterfeiting or fraud from their mine site to the smelter. For consumers, blockchain means the possibility of verifying compliance and origin through a trustworthy system. Since the information is encrypted, GoPro can choose the level of detail that it provides to any given stakeholder group.

C. Worker voice

As identified by Know the Chain, worker voice is the lowest scoring theme of the benchmark (Know the Chain 2018). Blockchain allows for anonymized and direct reporting of grievances in a way that protects workers from retaliation and provides instant, real-time information for decisionmakers in the field. This technology, if correctly

designed and implemented, can signify a momentous leap in monitoring worker conditions regularly and with credible results.

Today, grievance mechanisms are theoretically in place at most major companies but seldom used. Anonymity may increase their use and the widespread availability of smart phones may allow for its reach to go deeper into second tier suppliers. Best practices in this area are the implementation of the WEST Principles which “aim to maximize the impact of technology-driven efforts to identify and address the risk of abuse and exploitation of workers in global supply chains” (Worker Engagement Supported by Technology 2019). These principles were born out the realization that emerging technologies could serve to fill in gaps in human rights assessments, but that there was a high risk for their misuse which could end up harming workers more than benefitting them. At their core, they provide a worker-centric methodology for designing the monitoring tool, a safe environment for its deployment, and effective analysis and decision-making guided by the data collected. If correctly applied, this technology can increase the base from which feedback is being drawn and can encourage more honesty than an in person on-site interview. Another advantage is that data processing can include complex integrity tests that are able to identify if a responder has been coached. Third, data gathering becomes less costly and more regular.

That being said, there are several cons that need to be considered and addressed before deployment. First, it is important that workers continue to trust the technology by realizing change after the feedback has been provided. Second, worker voice may become a catchall meaningless term if it is solely interpreted as the technology that supports the tool and can lead to “expectations of a simple tech fix to complex structural problems” (Heuty 2019).

All in all, blockchain can provide a trustworthy grievance mechanism that is an integral part of any remediation process and can enable transparent end-to-end sourcing traceability. It will not solve all problems in today’s chain of custody landscape, and it won’t miraculously lead to effective grievance mechanisms. What it can do is slowly facilitate the transition towards more robust and transparent systems that detect forced labor.

Audience 3: consumers – reputational risk

Consumers are the third leg of the triad on which this campaign stands. They have incredible leverage to change corporate behavior, especially when they are organized around a central topic such as forced labor. Although maybe forced labor does not seem like a salient issue in the immediate environment of most western consumers, it is important to remember that they are the end user of many of the items that are produced with forced labor at some point or another. For example, G20 nations import over \$354 billion worth of at-risk products per year (Dahir 2018). This can be used as the prime motivating factor to mobilize consumers around this issue.

Key goal: publish supplier lists & join relevant organizations

The key goal of this action line of the campaign is to get GoPro to publish their global supply lists and join relevant organizations that have shown a credible commitment to eradicating forced labor from the electronics industry. To meet best practices standards in this theme, supplier lists must be published up to at least the second tier and should include names, addresses and contact information of all suppliers, smelters and refiners (Know the Chain 2018). To be a leader in traceability, the company may also choose to collect information and disclose the percent of migrant workers that participates in each of its facilities. This allows for a better understanding of the proportion of the workers that belong to one of the most vulnerable demographics to forced labor.

For example, members of the Responsible Business Alliance (RBA) have a strict supplier code of conduct and participate in a Supplemental Validated Audit Process that is specifically designed to address forced labor (Responsible Business Alliance 2019). Joining the RBA and endorsing their Responsible Labor Initiative would also mean that the company is now bound to provide reimbursement to workers for excessive recruitment fees.

Although non-profits are not identified as being the key audience of any of these campaigns, they play a relevant role in setting the agenda for investors, regulators, and consumers. Activist organizations are also able to agitate for better standards, stimulate consumers to take action and pressure government to enforce labor regulations (Elliott and Freeman 2003). Furthermore, if credible, they are able to connect with consumers

through shared values and transparent information gathering (P. A. Gourevitch, Lake, and Stein 2012).

Conclusion

Forced labor is a significant problem in the ICT supply chain from mineral extraction to assembly and companies are beginning to respond. GoPro can manage financial, legal and reputational risk by implementing best practices in conducting risk assessments, using blockchain technology, joining relevant organizational and publishing supplier lists. These goals can be met by exerting pressure from three key audiences: investors, regulators, and consumers.

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