

peers perspectives

The Demand for Ethical Supply

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foundation



Ambitious Commitments and Credible Third-Party Auditors Essential to Eradicating Supply-Chain Slavery

Behind the feel-good stories of producing ethically-made products, companies such as West Elm/Williams-Sonoma, Inc., are diligently working on supply-chain transparency to identify and eradicate the use of forced labor. In a recent panel discussion on Conscious Consumerism, part of our lecture series on the Demand for Ethical Supply, the behind-the-scenes partnerships with third-party auditors were a central theme. In addition to adhering to sustainable production principles, there must be the willingness to delve into the dark side of our supply chains. Perhaps with such a commitment, companies could

one day eradicate slavery from their supply chains. That's a story worth heading towards.

Our consumption patterns are directly linked to the ubiquity of modern slavery in the world. Slavery is currently the second largest criminal industry and the fastest growing crime. There are more people enslaved now than at any other time in human history. So much of this slavery exists because of forced labor. With pledges to eradicate human slavery by major companies and laws that forbid slavery, it seems paradoxical that there's an increase in forced labor. That's

because there continues to be an inherent tension between consumers and companies: Consumers wish to buy products at the lowest possible price, while companies want to sell those products at the highest possible price and make the most profit.

It should therefore come as no surprise that slavery is linked to every global commercial supply chain. As multinationals move more and more of their operations offshore in search of cheaper labor and inputs, forced and low-priced labor become a necessary ingredient to compete in global markets. Moreover, as supply chains grow into global, complex supply and opaque networks, the more difficult it's been to track and report abuses.

The Global Slavery Index estimates that in 2018 alone, the top five at-risk slave-made products (technology, garments, fish, cocoa, and sugarcane) imported by businesses and governments in the G20 countries was collectively valued at \$354 billion dollars. The United States was the largest consumer of those high-risk products at \$144 billion or 41 percent.

Major Chocolate Makers Fail on Their Pledges: Is Regulation Necessary?

The majority of the world's cocoa supply comes from Ghana and Cote d'Ivoire. Because cocoa is in the top five at-risk slave-made products imported by the G20 countries, there have been conversations about whether regulation is necessary to eradicate slavery



Tony's Chocolonely is made without slave or forced labor. It's the only chocolate sold at Grace Farms. The company has made inroads into major retailers. © Ashley Sikora

from this supply chain, given the number of children that appear to be victims of forced labor. Major chocolate makers, including Mars and Hershey, pledged years ago to eradicate "the worst forms of child labor" from their West African cocoa suppliers, where about two-thirds of the world's cocoa comes from. The failure on the pledge, nearly 20 years after making it, is told in a recent Washington Post investigative report. Many of the big manufacturers still can't identify all of the farms where their cocoa - a key ingredient in chocolate - comes from, and whether child labor was involved in the production.

*"To eradicate contemporary slavery and build ethical and transparent supply chains, we must assess what's working."
- Krishna Patel, Grace Farms Justice Initiative Director*

Mars, for instance, maker of Milky Way and M&M's, can only trace 24 percent of its cocoa back to the farm level, according to the Washington Post. Nestlé, however, can track 49



Our Conscious Consumerism panel, from left to right: Krishna Patel, Justice Initiative Director, Rebecca van Bergen, Founder and Executive Director of U.S.-based not-for-profit Nest, Doug Guiley, Senior Vice President of West Elm Global Sourcing and CSR Williams-Sonoma, Inc., and Pete Spain, Co-Founder and COO of eye heart hand. © Alexa Bennett

percent of its global cocoa supply to its farms. Representatives from some of the large chocolate makers said they are reluctant to guarantee that any of their products were produced without child labor, according to the report.

Why such dismal track records? The World Cocoa Foundation, a Washington-based trade group, said that when the industry signed onto the 2001 agreement, they didn't know the real magnitude of the complexities, including poverty and corruption.

The International Labor Organization (ILO) estimates that one-fifth of all African children - 72.1 million - are involved in child labor, a proportion more than twice as high than in any other region. "Nine percent of African children are in hazardous work, again highest of all the world's regions," according to the ILO.

The World Cocoa Foundation's spokesperson added that companies are working against strong economic forces that push children into hard labor. The spokesperson added, however, that the industry has made great strides in building schools, supporting agricultural cooperatives, and advising farmers on better production methods. This investment in the community, while important, shouldn't let chocolate makers or any company off the hook. There's also the tendency to point at West African governments, home to some of the poorest areas in the world, for their lack of support.

Judging from the numbers, perhaps companies really don't want to commit. The chocolate industry makes an estimated \$103 billion in sales each year, compared to more than \$150 million spent over the past

Top 5 At-Risk Slave Made Products

products at risk of modern slavery imported into G20 countries (by US \$ value)

1  technology
200.1 billion

2  garments
127.7 billion

3  fish
12.9 billion

4  cocoa
3.6 billion

5  sugarcane
2.1 billion

Source: Global Slavery Index 2018

18 years on the problem, according to the Washington Post.

This investigative report came out shortly after our Conscious Consumerism panel, which included Doug Guiley, Senior Vice President of West Elm Global Sourcing and CSR Williams-Sonoma, Inc., Rebecca van Bergen, Founder and Executive Director of U.S.-based not-for-profit Nest, and Pete Spain, Co-Founder and COO of eye heart hand. Besides actionable strategies that emerged, such as the use of credible third-party auditors, these companies have made real and ambitious commitments to eliminate forced labor from their supply chains.

There were no arguments that a supply chain was too complex or resources were too scarce to tackle this problem. We heard

commitment and follow through. There needs to be an intention not to sell products tainted with slave labor. It's why Grace Farms sells only Tony's Chocolonely chocolates. The Amsterdam-based confectionery chocolate company has made a conscious decision to eliminate slavery in its supply chain so its chocolate could be one-hundred percent slave free.

Like our panelists, Tony's Chocolonely, which reportedly makes over 50 million (euros) in revenue, is committed to knowing its cocoa farmers and supply partners. The company sees itself as an impact company that makes chocolate. "The company pays a higher than average price for their beans and doesn't charge noticeably more at retail," according to an article in Fast Company. "That means slimmer profits, about 3 percent of the price per bar."



Krishna Patel, our Justice Initiative Director, and visitors look at the rugs on display made by artisans for eye heart hand who work with third-party auditor GoodWeave. Nobel Peace Prize Laureate Kailash Satyarthi started GoodWeave over 25 years ago. © Alexa Bennett

Working With Credible Third-Party Auditors

Besides making ambitious commitments, these companies - large and small - partner with third-party auditors. West Elm, maker of furniture and home décor, couldn't have made their supply chains more ethical and sustainable without its third-party auditors. Doug, with more than 25 years of retail sourcing experience said: "It was really about trying to understand how do you look at that

(home-based artisans) sector and how do you find the right partner to bring transparency to it. That's how we became connected with Nest - they really understand artisan craft."

"So, the first thing you do is to make some ambitious goals to see if you can achieve them." - Doug Guiley, Senior Vice President of West Elm Global Sourcing and CSR Williams-Sonoma, Inc.

The company partnered with Nest, a not-for-

profit, founded by Rebecca van Bergen about 13 years ago. "At the time Muhammad Yunus won the Nobel Peace prize for microfinance, and I was really motivated by that concept and exploring ways to support women in a more holistic way," Rebecca said.

Nest focuses on helping women in the home-based craftwork industry - the second largest employment of women internationally. "It's safer, in general, for women to work from their homes in developing countries," she said. "As companies push women into factories there is far less transparency into wages, health, and safety," she added.

Together, Nest and West Elm, drafted and launched the first set of standards for home-based workers. "A lot of those terrible labor issues happen where there isn't a lot of visibility," Rebecca said. "Forward thinking companies such as West Elm do their homework and create policies to protect against labor slavery."

"We spend six to nine months working very closely with them and then come in and do a traditional audit. We call it an assessment that really looks at 130 different standards." - Rebecca van Bergen, Founder and Executive Director of U.S.-based not-for-profit Nest.

Besides working to improve transparency for home-based artisans, West Elm has also built transparency into its furniture-making process. For instance, West Elm established a benchmark: At least 50 percent of the wood they sourced would receive certification from the Forestry Stewardship Council, the gold standard in mapping the supply chains back to the forest to make sure it comes from a sustainable source, Doug said. This benchmark doesn't mean the rest of their wood may not come from

sustainable sources. But the company needed to establish a goal and process that could be replicated.

Size of the Company Doesn't Matter, But Commitment Does

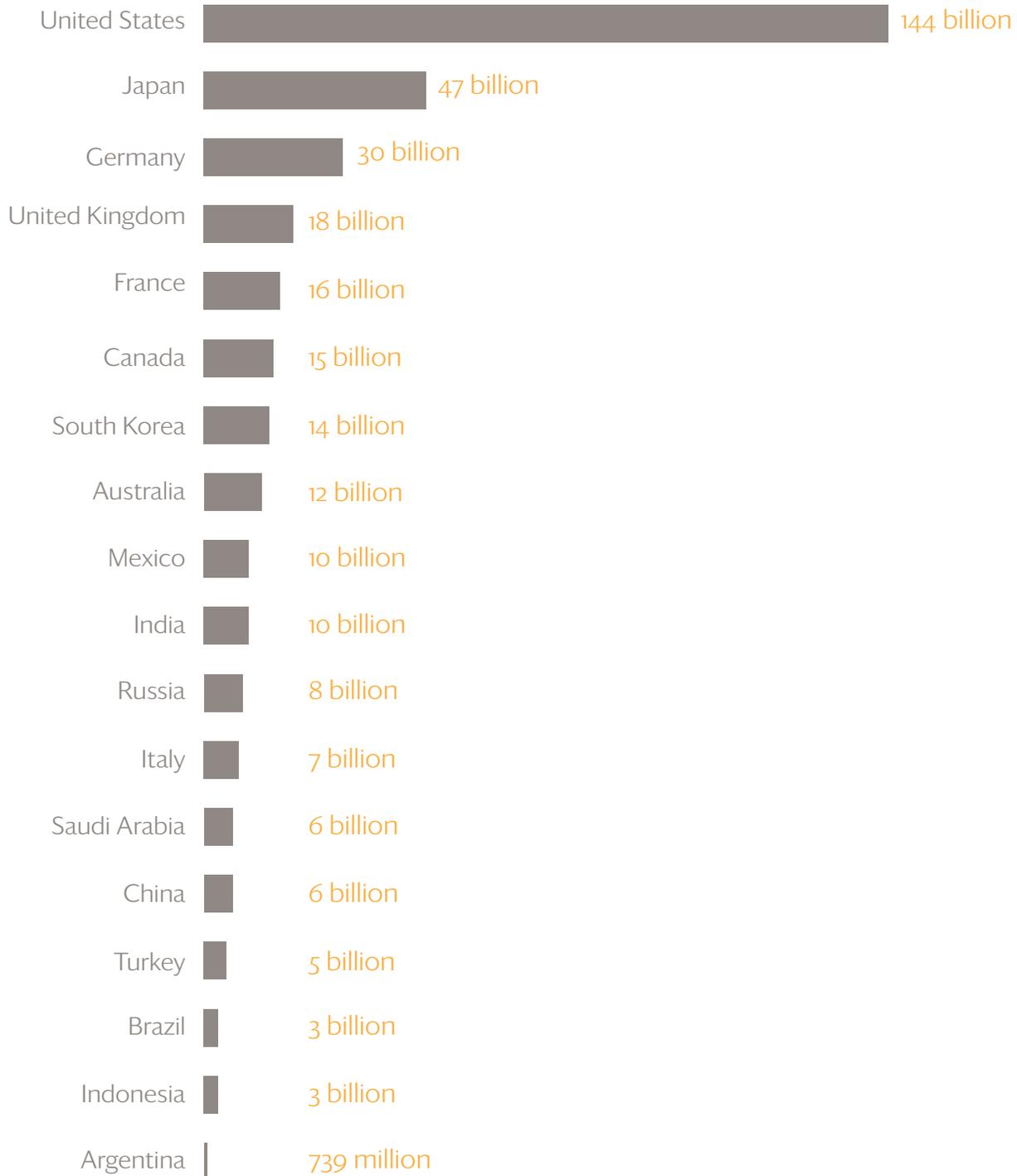
It would be easy to shrug off auditing a supply chain due to the lack of resources. One small manufacturer, eye heart hand, made the commitment to sell their handmade rugs without forced or bonded labor. Each rug is handmade by certified artisans with fine New Zealand wool. It partners with GoodWeave, which certifies that no child, forced or bonded labor, is used in the Indian facilities where its rugs are made. All of their rugs bear the GoodWeave certification label.

"In the past we worked with suppliers who made false claims about the sourcing for our products," said Pete Spain, Co-Founder and COO of eye heart hand. "We wanted to work with artisans who felt they were getting a fair shake in the process. From our experience, well-treated workers and a respected collaboration, leads to extraordinary outcomes."

GoodWeave was started in India by Nobel Peace Prize Laureate Kailash Satyarthi over 25 years ago in an effort to end child labor and trafficking. Since then, he has rescued over 6,700 children from labor and has provided quality education to nearly 26,000 vulnerable children, according to the organization.

"Our rugs are made in a breezy studio where GoodWeave has gone 25 times since March 2017; each time they found it to meet the qualifications - no forced labor, no bonded labor, and documented work-force

Top Consumers of At-Risk Slave Made Products (G20 Countries)



Source: Global Slavery Index 2018



The GoodWeave label means no child, forced or bonded labor, was used in the making of a certified product.

conditions. And the progress criteria is getting better and better,” Pete added.

None of these outcomes mentioned would be possible if not for a commitment to one day eradicate slavery from supply chains. “It’s important to start out with a commitment to ambitious goals,” Doug said. “Such goals certainly raise the concern that it will cost the company too much money and that consumers will balk at price increases. It’s a valid concern, but not the reality,” he added.

Ambitious goals often come from knowing and seeing injustices. Former Dutch journalist Teun “Tony” van de Keuken witnessed the injustices that led to Tony’s Chocolonely. Since the company’s launch in 2005, Tony’s has become the largest Dutch chocolate maker, selling its chocolate at major retailers including World Market, REI, and Whole Foods.

For Tony’s, West Elm, eye heart hand, and Nest,

it would have been easier to turn away and pretend they didn’t know the extent of labor exploitation. It’s time for more companies to make ambitious commitments to support a growing number of consumers who want products made without slavery. It’s also time companies take a leadership role and educate consumers - feel-good stories help, but so does the truth. It is also important for consumers to use their purchasing power to send a message. The next time you have a choice to make about what chocolate bar to buy or rug to purchase or piece of furniture to select, we would ask you to send a message.

Our President and Founder Sharon Prince says, “Once you know, you cannot un-know it.”

Pretending that we don’t know shackles us to old ways of thinking.



Q&A with Rebecca van Bergen, Founder and Executive Director of U.S.-based not-for-profit Nest

You were so young when you actually began Nest. What motivated you?

I had just graduated with my master's degree in social work and at the time Muhammad Yunus won the Nobel Peace Prize for microfinance. So, I was thinking through the lens of social work. I was really interested in looking at opportunities to provide business support to women globally, but in ways that were more holistic than solely lending.

We work with the second largest employer

of women outside of agriculture and so it seemed like a really great place to move the needle for them in terms of poverty alleviation and development. We work with a global community of artisans. But one of the hurdles was that their homebased work was kind of informal and unregulated. Transparency was very difficult in that setting. So, we put together an industry coalition and created the first set of standards and ways to bring transparency to homebased workers globally.

Can you tell me about the process?

One of the things that was happening was that companies wanted to source from artisans. Taking factory standards and applying them to a home can be quite challenging because there's no fire extinguishers, and there's no emergency exits. We were interested in taking some of the visibility and bringing it to the home.

But in a way that made much more sense for a woman practicing craft in her home. We work closely with a business, whether it's a factory that has homebased workers or an artisan co-operative, where all the workers are home-based. For most of the people we work with, they've never learned about business transparency and record keeping.

We spend six to nine months working very closely with them and then come in and do a traditional audit. We call it an assessment that looks at 130 different standards, ranging from recordkeeping to child labor to health and safety to well-being metrics, including harassment abuse, and other indicators. And from there if there are still issues then we create remediation and programmatic support. And then they get to carry the Nest seal on their products.

What have you found to be your greatest successes in this program?

We've been trying very hard to get the industry to reconsider the way they think about their policies and overturn no homemaker policies and instead leverage homework for the value it can provide women. It should be done in a way that ensures ethical wages and full transparency.

Most companies have no home-based work in their policies and the policies actually forbid that type of production. That just pushes the work pretty far underground and there's

not a lot of disclosure, because there's fear of penalty if anyone found out that some of the work was leaving the factory. But at the same time there are women all over the world who can't work in a factory. They can't leave their rural locations where they're living. They also don't have other options for childcare or maybe their husbands don't want them to work outside the home.

Have you found U.S. corporations supporting this new trend yet?

We work with a lot of amazing companies on the process and I think obviously we had a lot of early adopting companies that are really committed to sustainability and worker well-being within their supply chains. We're excited to see the ripple effect and positive early indicators of success. This can bring even more people into the fold.

Modern-day slavery disproportionately affects women and girls. Do you see your model as a bright light that can actually help?

I hope so. I think a lot of companies are fearful about taking steps in their supply chains. They do so quietly, which makes it very difficult for consumers to know how to find products that are doing the right thing. So many companies keep that very hidden from consumers for fear of backlash and a whole host of other things. I think with the rise in technology and automation, consumers are craving the handmade. That's why you know Etsy is booming. Everyone wants to have a sense that there's human hands touching the things that we are consuming and purchasing. I think there's a real opportunity in helping companies see that these women in their homes are making things by hand. It might not all be highly skilled artisan work, but they're humans working on these products and they

have a story to tell. If we can bring consumers into that journey we can adjust the tension between wages and the desire of wanting something at the lowest possible price.

Can you talk about the importance of a fair living wage?

The statistic is that they earn 50 percent less than a factory worker and we think of factory workers being paid a meager wage. I think on average it's \$1.80 a day in India. One of the first and primary challenges we have is to increase wages. In our model, we've created a six-step process because it's not as easy as saying are you will be paid a minimum or fair wage. It's not binary and with subcontractors there's no transparency and the artisans are paid per piece. There is no way to even map it to a minimum wage unless you've done time motion studies.

It's really a journey with the businesses that we're working with on how to implement appropriate wage setting methodology so that you can actually be sure of the wages that are being paid. And then you can build up towards minimum and fair and living wages. We're seeing companies get on board knowing that means that they have to adjust the way their pricing models work.

You know it's easy to want all artisan and ethical products to end up falling in luxury because there's much more room for it. But we feel that there does need to be a democratization to all of this. We do have to bring every consumer into this conversation and make it affordable for everybody to participate in a way that is ethical. The pricing models have to work so that the consumer can purchase it and that the end worker is being paid fairly. I think we can get there.

What do you think will drive the ethical supply chain: companies or the consumer activist?

I think it will definitely take consumer demand. But companies have to be on board with it too. The rise of technologies like block chain are potentially going to bring transparency to our supply chains. I think everyone knows that it's coming and so I think there is an eagerness on the part of both industry and consumers to get on board. I think that the stakeholder often left out of the conversation is the government. The industry polices itself and can use certifications like ours. But there isn't enough labor law or regulations in many of the places where production is happening. It's really important we aggregate and get better data around informal work that can eventually inform policy.

If there's one thing you could tell consumers about buying what would you tell them?

Start small. I think we tend to be so binary like I'm a vegetarian or I'm not. Try to really encourage people to think about ways that they can very easily incorporate more sustainable shopping habits into their day-to-day lives. Come up with ways that work for you, your family, and your budget.



Q&A with Pete Spain

Co-Founder and COO of eye heart hand

Tell us about eye heart hand and how it came about.

The eye is about Kate [Kate Spain is the designer and co-founder with her husband Pete] - she represents the eye of the designer. The heart is about the land and where the shepherds are developing this beautiful wool we use. The hand is the adult artisan who makes these rugs. Our brand is really about

people, places, and processes. And so, the name reflects these three key steps.

Can you tell us about sourcing wool in New Zealand and using artisans in India?

India of course today has wonderful artisans and they want to work with the best materials - New Zealand wool. We thought what if we could get it from this one farmer who had a

great story, a great commitment to the land, to biodiversity, and to the animal's welfare. This wool is super strong; it has great luster. The artisans love to work with it; they do a beautiful job of expressing the designs that Kate, my wife, designs. It's a three-part exercise from the farmer to the artisans and then to Connecticut where we sell directly to consumers.

We care a great deal about transparency and ethical supply chains at Grace Farms. How did you come to care about these issues?

We came to it through a bit of frustration, feeling that we were left out. We license designs to manufacturers and marketers like Crate and Barrel; they're a great company to work with. However, we kind of sign off on the processes and the people and the materials that go into the finished product. So, we thought what if we got a little closer to the supply chain. What if we got inside the supply chain and become a producer. We became aware of the extent of child labor slavery and forced labor and it became a real concern for us. But we didn't know the extent to which [authorities] were



eye heart hand relies on third-party auditors to certify its materials and labor aren't made with forced labor.

addressing and remediating it to get at the root causes, including illiteracy and lack of educational opportunities, largely for women in India, Nepal, and Afghanistan.

How does the desire for transparency and ethical supply chain affect your profit margins?

It does, but we're so small that we're willing to take that risk. If we had to produce 40,000 rugs we would probably have to treat it very differently. So, we're willing to deal with that and work hard to express why the cost includes social, environmental, and health justice.

Who do you think is actually driving this issue of ethical supply chains: corporations or consumers?

I think it's people on the frontlines like Kailash Satyarthi who have seen firsthand the abuse for more than 30 years. I think once you see the Price of Free, once you read about the work that this one individual, his wife, and family have done, it raises awareness.

I think consumers don't want to bring something into their personal space that's been tainted by something so horrific as child or slave labor. You need to think beyond the purchase. How is the product's profile affecting the world as you would like the world to be? And if you can't find the information maybe try to find a substitute that does answer these questions.

So, if a consumer is interested and wants to dig deeper they need to see the Price of Free documentary. It's a story of rooting out child labor and slave labor by Kailash Satyarthi, the 2014 Nobel Peace Prize Laureate, his wife, and family. These stories are harrowing and he wants to eradicate slavery in his lifetime, which is a very ambitious goal.

Five Ways to Live More Sustainably

1 know the issues

watch the Price of Free documentary priceoffree.com/

2 know your products

make ethical purchases endslaverynow.org/act/buy-slave-free

3 practice ethical buying

use your purchasing power to support brands with sustainable practices

4 advocate

support organizations like Made in a Free World

5 tell others

Share why ethical purchasing matters and tag [@gracefarmsct](https://twitter.com/gracefarmsct)

About Grace Farms

Justice initiative

We believe that each individual has an inherent right to liberty and that it is incumbent upon each of us to use our will and wherewithal to ensure freedom for all. With Grace Farms as our nexus for convening the public, private, and government sectors, we develop comprehensive strategies and partnerships that are designed to disrupt and combat all forms of contemporary slavery and gender-based violence. Our Justice Initiative disrupts contemporary slavery and gender-based violence through effective policy, training, and advocacy.

Mission

Grace Farms Foundation supports initiatives in the areas of nature, arts, justice, community, and faith, and encourages participation locally and globally. The Foundation carries out its work through the publicly available facilities and integrated programs of Grace Farms, an 80-acre property owned and operated by the Foundation. Grace Farms was established as an essential platform for the Foundation, serving as a welcoming place where individuals, not-for-profit organizations, and government entities come together to collaborate for the common good.

