

# Risk, Compliance & Sustainability *In 2020 and Beyond*

Sustainability. Human trafficking. Slave labor. Global pandemic. Relatively new words in the world of business and supply chain now ingrained in strategic priorities of nearly every business – certainly every business that operates globally or is (or hopes to be) publicly traded. The bad news is these are complex, often inter-related problems. The good news, ironically, is that while their impacts and consequences are overlapping, so are many of the actions which work to manage them.

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## Human Trafficking & Slave Labor

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Trafficking in persons and forced labor is a great and growing problem

### Modern Slavery, Forced Labor, & Human Trafficking

#### *By the Numbers*

**\$45.8 million people in 167 countries**  
are estimated to be in some form of modern slavery.  
*The Global Slavery Index*

**\$150 billion**  
in annual profit generated from Modern Slavery  
worldwide.

**\$16 million**  
victims of forced labor in the Private Sector  
worldwide.

As of United States' Official 2020 Trafficking in  
Persons Report, **19 Countries** are rated as Tier 3,  
the worst available ranking, including **China**,  
**Russia**, and the **Democratic Republic of Congo**.

The reality is forced labor is present in nearly every country in the world exploiting the vulnerable for profit. A quick check of headlines from any news source will reveal almost daily stories of another well-known company implicated directly or indirectly by discovery of trafficking in their supply chain. Those same sources highlight stories of increased statutory and regulatory controls planned or implemented to combat forced labor. Not knowing is no longer a valid defense.

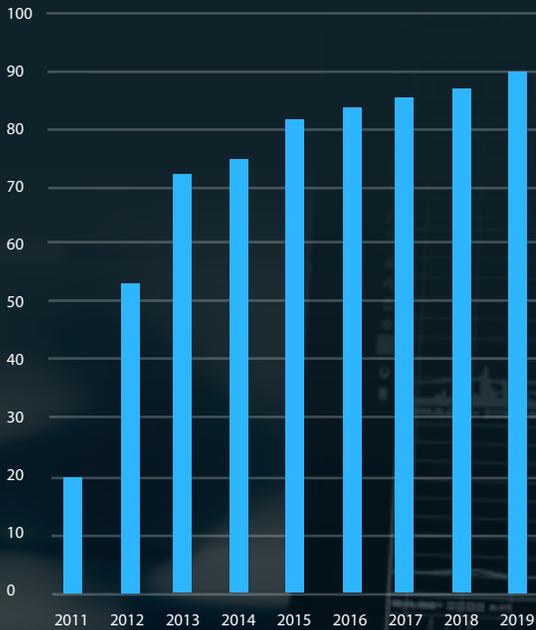
There is a temptation to believe a simple solution exists. Perhaps targeting labor brokers, or fining offending companies could solve the problem. Difficult problems rarely have simple solutions – this is no exception. Any successful effort to truly counter slave labor must consider the conditions in each place where it is occurring – or more accurately, where it could occur. What conditions create worker displacement or otherwise make people vulnerable? What are the indicators or warning signs of potential risk? These risk factors are inextricably linked to environmental, social and governance (ESG) issues.

*According to the organization slavefreetrade, as much as 80% of the products we buy or invest in have some degree of human rights abuse behind them.*

## Environmental, Social & Governance (ESG)

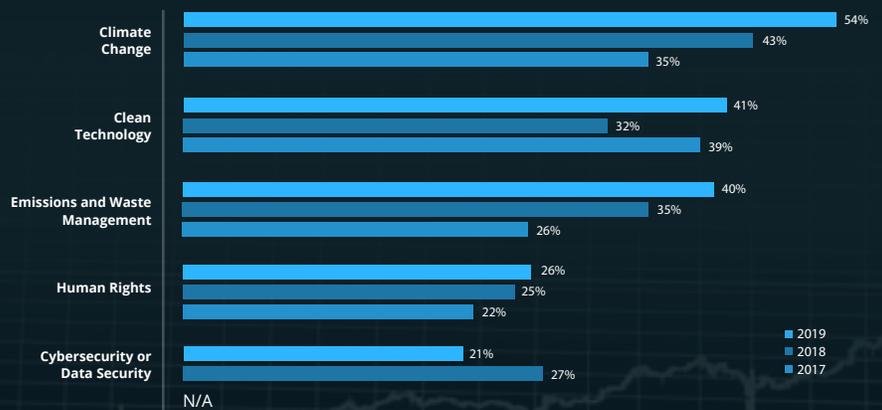
ESG has rapidly moved to the forefront of strategic planning for businesses. Investors, consumers and regulators have insisted, and business leaders increasingly recognize that “sustainability” is a prerequisite not only to social responsibility, but also to long-term profitability. The result is greater focus on, and visibility into ESG efforts.

% of S&P 500 Reporting on ESG Issues



Source: BBL Media, July 2020

Financial Advisors report that ESG issues are a major concern to clients



Source: “Opportunity Knocks: How advisors can capitalize on growing ESG interest.” Investment News, June 2019. Calvert sponsored this report.

Internally, companies have responded with various initiatives and programs to address ESG issues; many have created sustainability offices. A recent survey of US and European CEOs revealed well over 80% believe their companies operate in either a “moderately sustainable” or “very sustainable” manner. A challenge that has arisen is how to define and measure exactly what constitutes sustainable operations. As with any improvement journey, every company begins at a unique level of maturity with distinct strategic priorities based on its industry, geography and resources.

## COVID 19 – The Black Swan Event

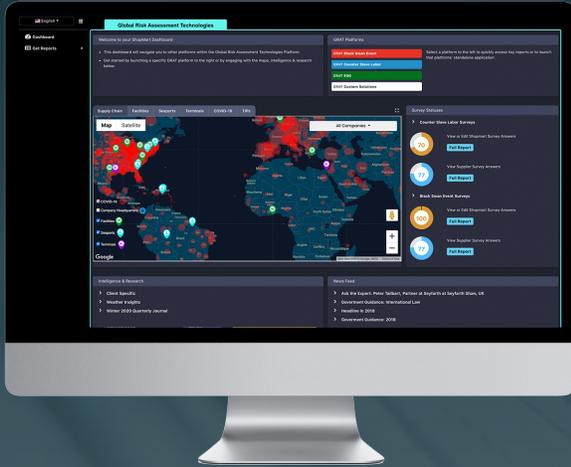
Supply planning, demand forecasting, new product development, and other routine operational challenges are a part of everyday life for executives and supply chain professionals. Weather events, shortages, equipment failure and even geo-political changes are expected variables for which they must plan. The events of 2020 reminded the world a different kind of disruptor is possible. The Black Swan event represents a unique risk; for some businesses, it is an existential threat. Black Swan events are defined as disruptors which:

- Are unexpected
- Have tremendous negative impact
- Appear in hindsight to have been predictable

It is important to note the final characteristic – *that they appear to have been predictable*. No one could fairly be expected to know what the next Black Swan event will be. However, it is entirely practical to expect there will be another, and to use the lessons of 2020 to recover from this one while becoming better prepared for the next. By thoroughly examining where vulnerabilities existed and where breakdowns occurred, organizations can begin to address those vulnerabilities, lessen the risk of future breakdowns, and reduce the impact of breakdowns should they occur. The COVID 19 pandemic has been both an economic and humanitarian disaster around the world. It has also provided a lens into how businesses can – with proper analysis and planning – both reduce the impact of similar events in the future, and speed recovery from this one.



# Global Risk Assessment Technology (GRAT)



The origins of GRAT are in healthcare. Over 20 years ago, GRAT was developed to help hospitals manage risk, optimize revenue and improve processes. The technology was eventually deployed to over 25% of hospitals and clinics in the US. Building on this success, and moved by the plight of vulnerable people around the world Rizk Ventures hired a team of experts to adapt GRAT to assess potential risk of human trafficking in supply chains. Counter Human Trafficking Solutions (CHTCS) became a pioneer in effort to protect the vulnerable by providing on-the-ground intelligence, world-class mapping and predictive analytics, and customized reports and recommendations through an intuitive user interface and proprietary risk scoring system.

Further refinements expanded GRAT's capabilities to include all elements of ESG – either as a tool for managing existing programs on a common platform, or for building specific ESG assessment to fit a client's needs. In 2020, the most recent expansion of GRAT capabilities was made in response to the COVID 19 pandemic. Building upon the same technology and expertise which made GRAT Counter Slave Labor and GRAT ESG leaders in the space, GRAT Black Swan Event was launched.

***The combination of technological excellence, advanced analytics, and unsurpassed expertise in intel and supply chain make GRAT the clear leader in leveraging technology to create sustainable business value.***

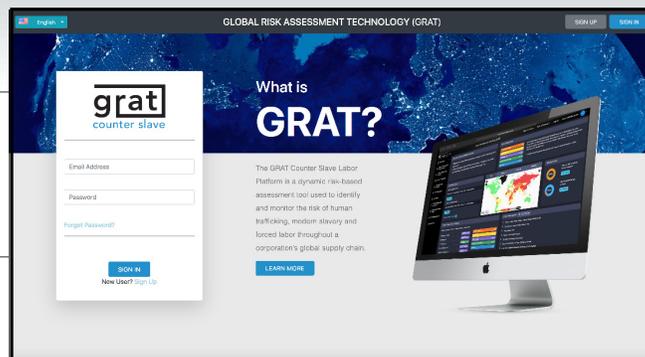
## One Solution for all your risk and compliance needs

### Fully Scalable

GRAT addresses your current needs and grows to address future demands.

### Fully Integrated

GRAT works with current ERP and Supplier management systems.



### Fully Actionable

GRAT delivers information you can use and provides insightful recommendations for improvement and mitigation.

### Fully Customizable

GRAT is configured to your business.