



Annual Report

2021



Contents

1. Message from the President	1
2. Overview	4
3. Our Work in 2021	6
4. Looking Forward	12
5. Board Members	15
6. Funders and Financials	18

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Front cover: Tuul and Bruno Morandi / Alamy Stock Photo



Message from the President

As the COVID-19 pandemic stretches into its third year, isolation has become a shared experience for much of the world. But child laborers and vulnerable workers in global supply chains have suffered such isolation in drastic ways. Take Arshad,* a migrant worker at a Malaysian apparel factory that produces goods for Western buyers.

“I am bound to live here like this,” he said. “It is a jail.” Like many others at the factory, Arshad had gone into debt to pay a recruiter who had charged exorbitant fees in his home country. The recruiter also deceived Arshad about the pay and nature of his work in Malaysia. Arshad said that his passport was taken on arrival, as were those of his fellow workers. His managers were verbally abusive and, at his factory-run hostel, he endured poor living conditions.



Credit: Institute for Global Leadership at Tufts University

Workers like Arshad motivate Transparentem every day. Their courage to speak out and faith that we act in their best interest drives us to innovate around such challenges as COVID-19 variants and movement control orders. It drives us to find new ways to ensure that workers’ stories are heard, and that they get redress.

In 2021, we disclosed our largest investigation to date, which was our first project in India. Of the 120 worker interviews we conducted, most were with workers who were likely under 18 when hired. Our engagement with 20 of 31 buyers that we approached brought remedy for thousands of workers, and led to improved policies and practices in Tamil Nadu’s textile industry—the heart of the sector in India. Our efforts in the region must continue and we will keep working towards greater systemic protections for all workers in Indian export industries.

Drawing from that work in India, as well as from our other investigations in Malaysia and Myanmar, we published a groundbreaking report, *Hidden Harm: Audit Deception in Apparel Supply Chains and the Urgent Case for Reform*. The report illustrates the creativity of those who successfully undermine the multibillion-dollar auditing industry. The majority of the factories where we found evidence of forced labor indicators had been certified by major accreditation bodies. All had undergone—and successfully concealed violations from—past audits.

* Name changed to protect identity.

Peer organizations and major news outlets have praised *Hidden Harm* for its insights. And we continue to press the report's theme: audits that are transparent and worker-centric are best positioned for success. Critically, we provide concrete recommendations for how companies can improve their processes, enhance worker leadership and agency, and progress beyond auditing as the primary mechanism for workplace improvement.

Since the pandemic began, we have disclosed the findings of our investigations into Arshad's factory and four other Malaysian apparel factories. We also disclosed the results of our engagement with those factories' buyers, including major apparel brands popular in Europe and North America. In addition to significant reforms, the five factories agreed to reimburse their workers \$1.8 million for recruitment fees and other related costs. In total, Transparentem has catalyzed over \$3.5 million in reimbursements across 10 Malaysian garment factories.

Our work has only just begun. Although recent reforms around issues like ethical recruitment are encouraging, millions of workers are still exploited in global supply chains.

With investigations at more than 60 worksites now complete, we enter our seventh year with resolve, reinforced by success and a zeal to innovate and improve. Looking forward, we will continue to monitor the work of buyers and suppliers to address our findings in India, Malaysia, and elsewhere; and hold accountable those who fail to live up to their responsibility to protect workers. We will engage with buyers from our first investigation into apparel factories in East Africa, and we will deepen our work with regulatory agencies and financial institutions. We will also sharpen our environmental focus and, for the first time, push beyond apparel into new industries.

As always, your support is indispensable and ensures that we will remain an independent and effective voice in the fight for workers' rights. Thank you.



E. Benjamin Skinner

Overview

About Us

Transparentem advances the well-being of workers and communities by exposing hard truths to those with the power to transform industries. Our goal is to eradicate human rights and environmental abuses in global supply chains.

A catalyst for systemic change, Transparentem spurs companies to play a critical role in remediating abuses at the worksites where they source their products. Through in-depth investigations and strategic engagement with companies, the media, and governments, we use corporate leverage to drive change and transform industry practices.

We choose our areas of focus for the greatest impact, investigating endemic labor abuses and environmental issues that affect the health and welfare of vulnerable workers and their communities.

OUR APPROACH



INVESTIGATE

Field investigators interview workers and gather other evidence at worksites.



TRACE

The US-based team conducts background research and analyzes supply chains to identify companies that currently or recently sourced from the investigated worksites.



ENGAGE

We deliver our findings and detailed recommendations to the identified companies and provide them with a period of time to commit to and carry out remediation.



DRIVE CHANGE

We encourage companies to work on direct remediation and broader systemic improvements with each other and their suppliers, as well as social assessors and other relevant actors.



HOLD ACCOUNTABLE

We give a consolidated report of our findings and company responses (or lack thereof) to influential actors for their awareness and action. We keep monitoring conditions at investigated worksites.



Our Work in 2021

In 2021, Transparentem continued to advance our mission to eradicate abuses in global supply chains. Among other accomplishments, we disclosed two investigations—one in India and one in Malaysia—that highlighted the struggles of marginalized workers in the garment and textile industries, as well as Transparentem’s impact in bringing relief to those workers. We also produced an influential report about the harmful effects of audit deception on apparel workers, which was disseminated widely among peer organizations and the corporate sector, driving important discussions on how to reform the social auditing industry.

2021 HIGHLIGHTS



Three manufacturing groups improving working conditions for young textile workers at multiple facilities in India



Eight buyers increasing oversight of working conditions beyond the first tier



\$700,000 in recruitment fees reimbursed to migrant workers in Malaysia



One influential report on audit deception

Justice for Vulnerable Workers in Tamil Nadu, India

We disclosed our investigation in the Tamil Nadu textile industry—our largest and most ambitious project to date—in April 2021. This investigation showed how Transparentem’s model can bring real improvements to workers’ lives and can drive buyers, including major brands in Europe and North America, to shift their internal policies to generate broader change across the industry.

In response to reports of endemic forced labor, child labor, and hazardous working conditions in Tamil Nadu, Transparentem began in 2016 to investigate spinning mills and garment factories that supply products to the global market. Our investigation focused on workers’ experiences producing garments, fabric, or yarn for four manufacturing groups. Investigators interviewed upwards of 120 workers, as well as more than 20 of their family members; spoke with recruiters, trainers, and company managers; and reviewed extensive documentation of manufacturer procedures and workers’ ages.

Investigators found evidence of indicators of forced labor, as well as illegal adolescent labor. Many interviewees, who were from marginalized castes and impoverished families, said they were hired when they were younger than 18. They often lived far from home and could not speak the local language, making them more vulnerable to exploitation. We found

evidence that these workers experienced a number of forced labor indicators, as defined by the International Labour Organization (ILO). These included excessive overtime, abusive working and living conditions, restriction of movement, retention of identity documents, intimidation and threats, sexual violence, and isolation. We found evidence of some of these indicators at each of the four manufacturers.

Beginning in December 2019, Transparentem contacted 31 companies identified as customers of the four manufacturing groups. We shared reports outlining the evidence of labor abuses we found along with recommendations of remedial actions, policy improvements, and advocacy priorities that companies should pursue in response. Twenty of these companies agreed to collaborate with each other or work alone to follow up with three of the manufacturing groups.

As a result of Transparentem's engagement, these three manufacturers implemented some immediate worksite improvements and committed to training facility management and workers on age verification, legal working hours, and other issues, including freedom of movement, grievance reporting, gender-based violence and harassment, and health and safety procedures. Beyond direct actions with the manufacturers, several companies also reported improving their own corporate policies to prevent the recurrence of issues Transparentem identified. Some companies said they updated their codes of conduct to strengthen prohibitions on forced labor and to ensure that factories maintain adequate dormitory facilities for workers. Eight companies told us they were increasing oversight of working conditions beyond the first tier of their supply chains. Ten companies supported two industry-level campaigns to increase Tamil Nadu's minimum wage to better align it with ILO standards.

Direct Repayment of Recruitment Fees to Workers in Malaysia

Transparentem's work in Malaysia has brought relief to marginalized migrant workers. In December 2021, we disclosed our third investigation into Malaysia's garment sector where we identified forced labor indicators, including recruitment-related debt bondage, deception, the retention of identity documents, abusive living and working conditions, and the withholding of wages. This investigation ultimately resulted in the partial reimbursement of migrant workers' recruitment fees at investigated worksites.

Foreign workers in Malaysian factories are highly vulnerable to exploitation. Migrants from across Asia often pay exorbitant recruitment fees to secure low-paying jobs. These fees can lead to paralyzing debt burdens for the workers.

Beginning in late 2019, Transparentem interviewed around 45 migrant workers from Bangladesh, Nepal, and Indonesia as part of an investigation into labor abuses at three Malaysian apparel factories. As in our earlier projects in Malaysia, we found evidence that workers at the three worksites experienced indicators of forced labor, including possible debt bondage related to the payment of recruitment fees, deception in the recruitment process, abusive living and working conditions, the retention of identity documents, and the withholding of wages. Additionally, workers endured other abuses, such as disciplinary fines, financial penalties for resigning, and a lack of access to effective grievance mechanisms.

All interviewed workers said they paid recruitment fees and related costs. Interviewees reported paying fees to recruiters and employers, which in some cases totaled more than \$4,000, or the equivalent of 15 months of minimum wage pay in Malaysia in 2019.

In the fall of 2020, Transparentem approached 10 buyers connected to the investigated suppliers to discuss our findings and to encourage them to use their influence to improve workers' lives. Of the contacted buyers, four collaborated on addressing conditions at one of the manufacturers, while one buyer apiece worked alone at the other two.

All three suppliers established recruitment fee repayment programs for migrant workers. Two of the suppliers initiated their repayment programs prior to Transparentem's outreach, and one of those suppliers had done so at the urging of two buyers that had worked on a previous Transparentem project to improve conditions for migrant workers in Malaysia. Following Transparentem's outreach, buyers reported successfully pressing this supplier to include a greater share of workers' recruitment costs when calculating reimbursement amounts. Additionally, this supplier took steps to safeguard freedom of association and fire safety, and improved oversight of recruitment agents.



Roberto Westbrook / Alamy Stock Photo

The other supplier that had initiated its repayment program prior to our outreach accelerated its repayments as a result of our engagement, according to one of its buyers, and completed those repayments in July 2021. At two factories, companies reported progress on relieving hostel overcrowding and establishing new grievance mechanisms.

The third supplier initiated a repayment plan as a result of our engagement. The timeframe for this plan was far too long, and thus perpetuated the risk of debt bondage. We continue to press for improvements at all three factories, particularly the third, and engage in enthusiastic conversations with investors, regulators, and other interested parties to better hold the responsible companies accountable.

Once fully realized, the three factories' recruitment fee repayment plans for foreign migrants should provide partial financial remedy to 800 workers, with reimbursements totaling nearly \$700,000.

Across Transparentem's three investigations in Malaysia, suppliers have repaid (or committed to reimburse) around \$3.5 million in recruitment fees to workers and returned 1,600 previously withheld passports.

New Insights into Audit Deception

For many years, large buyers have relied on social audits, in which assessors evaluate the management and working conditions at a company's production or manufacturing facilities, as a way to identify and manage human rights risks. Across most of Transparentem's projects and investigations, however, it has become clear that audit deception (efforts to conceal labor rights violations from social auditors) is widespread and seriously impedes efforts to identify and remedy human rights abuses in global supply chains. Good audits find problems, but poor audits can provide false assurances to buyers while masking abuse.

To confront the systemic problem of audit deception, Transparentem published a report on the subject in October 2021. This report, titled *Hidden Harm: Audit Deception in Apparel Supply Chains and the Urgent Case for Reform*, documented evidence of efforts to deceive social auditors about labor abuses at numerous garment factories that we investigated in Malaysia, Myanmar, and India. The report provides recommendations for social auditors to detect and avoid deception, and to increase the role of workers in improving workplace conditions.

The report calls for enhancing transparency around audit reports, calling on buyers to publish audit reports, corrective action plans, and remediation progress reports, as these documents are not currently available to workers and worker organizations. The report also emphasizes that buyers must take steps beyond auditing—such as developing long-term

relationships with suppliers and supporting worker organizing, rights trainings, and third-party grievance mechanisms—to protect workers’ rights.

By analyzing our findings across investigations, alongside research by peer organizations, Transparentem is extending our advocacy on behalf of workers beyond individual worksites, raising awareness about systemic issues beyond a single country or region, and catalyzing worker-focused improvements across the apparel industry.

Since publishing our report, we have shared our insights with several major auditors and a social auditing industry association. We collaborated on a joint webinar about audit shortcomings and solutions with the Human Trafficking Legal Center, Business and Human Rights Resource Center, and Corporate Accountability Lab. Additionally, we recorded a podcast discussing our report for the Institute for Human Rights and Business (IHRB). Media outlets including *Bloomberg* and *Ecotextile News* also published articles about the report, bringing greater awareness to the corrosive effects of audit deception on the well-being of apparel workers. We continue to discuss ways to amplify the impact of this innovative report, and we are actively collaborating with peer organizations to make social audits more accurate and beneficial to workers.





Looking Forward

Since our formation in 2015, Transparentem has become a key player in the fight against human rights violations and environmental degradation in global supply chains. Our proven methodology for conducting in-depth investigations and engaging with companies connected to our findings has led to improved corporate policies and practices, as well as the remediation of labor abuses for thousands of workers.

Building on our initial successes, we are constantly developing new tools to scale and sustain our impact. Looking forward, we plan to increase our impact by further refining our model and expanding our efforts. This will involve:

Deepening our work with regulatory agencies: We will increase our engagement with governments and regulatory authorities to apply additional pressure on buyers and suppliers that fail to address confirmed labor rights violations and environmental abuse. We believe we can send a strong signal that protecting workers is good business, and that neglecting to do so has severe consequences.

Increasing our engagement with investors: We will expand our work with investors to push buyers to eliminate abuses within their supply chains. The dramatic growth of environmental, social, and governance (ESG) investing and greater focus on proper labor practices present an opportunity for us to leverage our expertise. We will deepen our work with institutional investors and asset managers concerned about “greenwashing” on labor issues and use our investigations to drive investment decisions that support a fair, just, and inclusive economy for vulnerable workers and their communities.

Expanding our environmental scope: We will conduct more environmentally focused investigations. In 2017, we documented severe environmental abuses at tanneries



in Hazaribagh, Bangladesh, one of the most polluted places on Earth. Two weeks after we disclosed our comprehensive investigative report to influential regulators, investors, peer organizations, and relevant officials, the government of Bangladesh enforced a Supreme Court order to close down Hazaribagh's wet tanning operations. Additionally, increased international awareness of environmental abuses at Bangladeshi tanneries has continued to drive pressure for reform. Our goal is to replicate our early success in this area and drive systematic change in environmental practices in global supply chains.

Moving beyond apparel: While we will continue to focus on apparel, we will also expand our focus to investigate environmental and human rights abuses in a new consumer goods industry.

We have learned a lot in our first six years, and we are committed to applying these lessons to our model as we continue to drive forward our mission to advance the well-being of workers and communities—particularly those subjected to forced labor, child labor, and environmental degradation—by exposing hard truths to those with the power to transform industries. In the coming years, by expanding our scope and building our operational and technical capability, we will continue to make real, systemic change in global supply chains.





Board Members

Board members:

Dan Viederman *Co-Chair*

Dan Viederman is a managing director at the Working Capital Fund, focused on efforts to engage and invest in entrepreneurs and tech innovators in pursuit of new tools to scale improvements for vulnerable workers in global supply chains. Previously, Dan was CEO of Verité, a leading nonprofit organization working against global forced and child labor through in-depth research and corporate engagement. In recognition of Verité's impact, Dan was winner of a 2007 Skoll Foundation Award for Social Entrepreneurship and was named Schwab Foundation Social Entrepreneur of the Year in 2011. He has also managed China offices for World Wildlife Fund and Catholic Relief Services. Dan is a graduate of Yale University, the Columbia University School of International and Public Affairs, and the Chinese language program at Nanjing Teacher's University.

Emily Martinez *Co-Chair*

Emily Martinez is director of global initiatives at Open Society Foundations (OSF). Previously, Emily established and directed the OSF Human Rights Initiative, an OSF program that worked in partnership to support transformation within the human rights movement to meet the challenges confronting rights activists around the world. She also set up OSF efforts on disability rights, LGBTI rights, the rights of criminal defendants, and the right to information. Previously, Emily led the Open Society Human Rights and Governance Grants Program in Budapest, where she helped promote the development of human rights and accountability groups in Eastern and Central Europe and the former Soviet Union. She has developed expertise on a broad range of fundamental human rights issues across different regions, as well as the critical role civil society plays in promoting equality, accountability, and participation. Emily holds an MA in Human Rights from the University of Essex. She also graduated from Georgetown University in Washington, DC, with a BS in International Affairs and Developmental Economics.

Kyle Wright *Treasurer*

Kyle Wright is CEO of Stardust, a forward-thinking family office in Houston and New York City. For more than a decade, Kyle has supported the multidisciplinary effort at Stardust to integrate and reimagine the use of philanthropy, art, advocacy, and investment capital for a more equitable future. He has worked with dozens of partners to advance change through innovative strategies in impact investing, shareholder engagement, and impact litigation. He is currently a member of the Greater Houston Community Foundation's Philanthropic Impact Committee, the Criterion Institute's Gender Based Violence Advisory Committee, and the Houston Area Council on Human Trafficking. Kyle holds a JD, cum laude, from South Texas College of Law Houston, and a BA in Psychology from the University of Texas at Austin.

Neha Misra *Director*

Neha Misra is the Global Lead for Migration and Human Trafficking at the Solidarity Center, the largest US-based international worker rights organization. With over 20 years' experience in the labor movement, Neha has managed labor migration, anti-human trafficking, trade union strengthening, and democracy programs around the world. Before joining the Solidarity Center, she worked in Bosnia and Herzegovina on postwar elections and democracy, in the United States as a senior attorney with the US Department of Justice (DOJ), and served as president for an American Federation of Government Employees (AFGE) local union at DOJ. Originally from Pittsburgh, PA, Neha holds a JD, summa cum laude, from the Washington College of Law at American University, and a BS in Business Economics and Public Policy from Indiana University.

Aruna Kashyap *Director*

Aruna Kashyap is the Associate Director in the Business and Human Rights division of Human Rights Watch. Her work focuses on corporate accountability and human rights in global supply chains. She has conducted research in numerous countries including Afghanistan, Bangladesh, Cambodia, Myanmar, and Nepal, and spearheaded international and regional advocacy for new regulatory standards governing corporations. Her research has spanned different areas including labor rights, social protection, gender, and access to health care. As a lawyer, she has a background in criminal litigation and strategic litigation on economic, social, and cultural rights, commercial contracting, and experience with applying criminal, contractual, and tort law frameworks. Previously, she litigated in India and received her law degree at the National Law School of India University in Bangalore.

Funders and Financials

We are grateful for the support of our donors, who make it possible for us to do our work. **Major funders include:**



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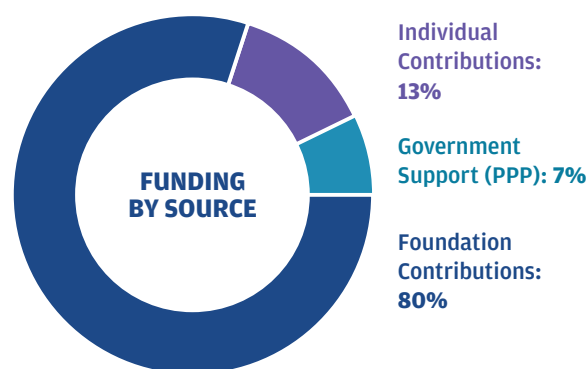
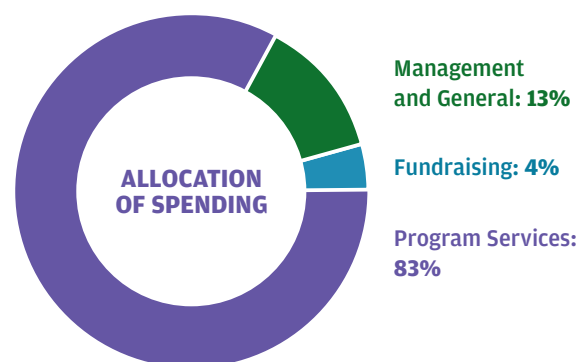
Natasha and David Dolby

Ruth and Terrence Elkes
Foundation

Statement of Financial Position

YEAR ENDED DECEMBER 31, 2020

Assets	
Cash	827,216
Grants Receivable	56,549
Prepaid Expenses	49,865
Fixed Assets	12,868
Other	11,405
Total Assets	957,903
Current Liabilities	
	166,352
Net Assets	
Restricted Funds	62,326
Unrestricted Funds	344,225
Board Designated Fund	385,000
	791,551
Total Liabilities and Net Assets	957,903



Statement of Financial Activities

YEAR ENDED DECEMBER 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Operating Revenue			
Individual Contributions	484,721	—	484,721
Government Support (PPP)	250,000	—	250,000
Other Revenue	488	—	488
Net Assets Released from Restrictions	3,050,909	(3,050,909)	—
Total Operating Revenue	3,786,118	(3,050,909)	735,209
Operating Expenses			
Program Services	3,007,452	—	3,007,452
Management and General	462,727	—	462,727
Fundraising	175,046	—	175,046
Total Operating Expenses	3,645,225	—	3,645,225



TRANSPARENTEM

Transparentem is recognized by the IRS as exempt from
income tax under Internal Revenue Code Section 501(c)(3).