

Kanematsu Group

Sustainable Supply Chain Handbook

Appendix (General Case Studies)



Forced Labor

Case Details	<ul style="list-style-type: none">- Company A, a major food company in Thailand, was accused of sourcing fishmeal used as feed for farmed shrimp from fishing vessels engaged in forced labor.- An external investigation revealed that workers on these vessels had been held for years through human trafficking and subjected to severe human rights abuses, including assault, torture, and even murder by employers.- Company A's farmed shrimp was supplied to supermarkets in multiple countries, including Company B, a major U.S. supermarket.
Impact on the Supplier	<ul style="list-style-type: none">- Once major media outlets reported the details of the case, consumers in the U.S. who had purchased Company A's shrimp filed a class action lawsuit. Company A was required to devote significant resources to addressing the litigation.- Following the incident, Company A recognized the importance of verifying respect for human rights all the way back to the fishing vessels in its supply chain. It substantially reduced the number of its suppliers to improve traceability.
Impact on the Buyer	<ul style="list-style-type: none">- Company B, the major U.S. supermarket procuring farmed shrimp from Company A, also faced a class action lawsuit from consumers, including demands for injunctive relief.- In addition, multiple media outlets reported that Company B had sourced and sold products originating from supply chains involving forced labor, despite its public commitments to ethical procurement. As a result, the company suffered severe reputational damage.



Forced Labor on Vessels Involved in Shrimp Farming



Child Labor

Case Details	<ul style="list-style-type: none">- A Guatemalan coffee farm supplying beans to Company C, a major U.S. coffee chain, was suspected of employing children under the age of 13 to harvest coffee beans under harsh conditions—eight hours a day, six days a week.- An investigation later confirmed that child labor had indeed taken place at several of the farms.- The children were not only deprived of access to education due to working more than 40 hours per week, but also subjected to severe physical strain, including being required to carry up to 40 kilograms of coffee beans.
Impact on the Supplier	<ul style="list-style-type: none">- Coffee farms in the affected region had their transactions temporarily suspended by buyers until the investigation was completed.- Farms where child labor was confirmed were removed from buyers' supplier lists.
Impact on the Buyer	<ul style="list-style-type: none">- Although Company C, the major U.S. coffee chain sourcing from the farms, immediately suspended purchases from the region and launched an investigation, it was still criticized for violating ILO labor standards and received extensive media coverage.- Several years later, Company C was sued by a U.S. consumer group for false advertising on the grounds that, despite promoting “ethical sourcing,” it had been purchasing from farms where child labor was taking place.



Child Labor on Coffee Plantations in Guatemala



• Occupational Health and Safety

Case Details	<ul style="list-style-type: none">- In Bangladesh, a commercial building housing multiple garment factories collapsed, resulting in more than 1,000 worker deaths and over 2,000 injuries.- Although workers pointed out cracks in the walls and evacuation warnings had been issued, factory owners ignored the warnings and instructed operations to continue.- It has been suggested that pressure from Western global buyers to meet strict delivery deadlines may have influenced the decision to continue operations despite clear safety risks.
Impact on the Supplier	<ul style="list-style-type: none">- Numerous workers were killed or injured, and operations in the collapsed building were halted.- The building owner and several factory managers were arrested and indicted on charges including murder.
Impact on the Buyer	<ul style="list-style-type: none">- Western global companies sourcing from the factories were heavily criticized for procuring from suppliers that failed to ensure worker safety, and for contributing to human rights violations against the suppliers' workers by imposing strict delivery deadlines.- Several companies acknowledged responsibility for the incident and agreed to contribute tens of millions of U.S. dollars to compensation funds for injured workers and families of the deceased.



Garment Factory Building Collapse in Bangladesh



Pollution Prevention

Case Details	<ul style="list-style-type: none">- At the factory of Company E, a U.S.-based automotive parts plating company supplying components to major automaker Company D, an incident occurred in which an employee discharged wastewater containing hazardous substances into the sewage system without following the prescribed treatment standards.- The investigation revealed that the employee had intentionally deactivated the wastewater alarm system and discharged the contaminated water. It was also found that Company E failed to fulfill its legally mandated duty of immediate notification and neglected to report the discharge to the authorities.- As a result of the incident, government authorities issued an emergency advisory, and public notices were disseminated instructing nearby residents to avoid contact with river water.
Impact on the Supplier	<ul style="list-style-type: none">- Company E was ordered to pay several hundred thousand dollars in fines and compensation and was placed on five years of probation.- Following the incident, Company E was unable to continue its operations, resulting in business failure and eventual acquisition.- As part of the acquisition process, Company E closed its factory and laid off more than 100 employees.
Impact on the Buyer	<ul style="list-style-type: none">- Major U.S. automaker Company D, which had been sourcing components from Company E, faced criticism from environmental organizations and lawmakers for insufficient monitoring of its suppliers.- In response, Company D was prompted to strengthen its environmental compliance measures and secure alternative sourcing arrangements.

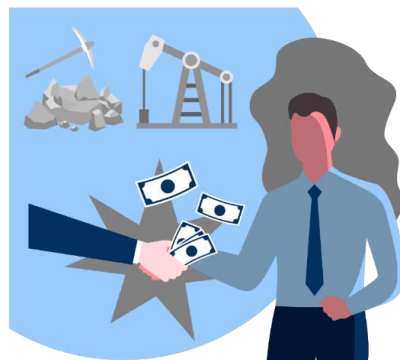


Illegal Wastewater Discharge by an Automotive Parts Manufacturer



Ethical Business Practices

Case Details	<ul style="list-style-type: none">- Company G, a major Swiss resource company and a supplier to leading electric vehicle manufacturer Company F, was found to have paid bribes for many years to public officials and government representatives in several countries, including the Democratic Republic of the Congo (DRC), other African nations, Brazil, and Venezuela, to unlawfully secure oil trading and mining rights.- These corrupt practices violated international anti-bribery laws and were investigated by authorities in the United States, the United Kingdom, and other jurisdictions.
Impact on the Supplier	<ul style="list-style-type: none">- Following enforcement actions by authorities, Company G entered into a plea agreement admitting wrongdoing and was ordered to pay penalties totaling approximately one billion dollars.- The company was also placed under a three-year independent compliance monitoring requirement, resulting in severe reputational damage.
Impact on the Buyer	<ul style="list-style-type: none">- Company F, a major U.S. electric vehicle manufacturer that sourced DRC-origin cobalt through Company G, publicly promoted itself as a leader in corporate social responsibility while relying on cobalt supplied through Company G. It was criticized by media outlets and NGOs for the inconsistency between its public messaging and its actual sourcing practices.- Additionally, Company F faced lawsuits from certain groups alleging misleading advertising and consumer deception.



Bribery and Corruption at a Natural Resource Company



Quality Control / Health and Safety of Users

Case Details	<ul style="list-style-type: none">- A safety component manufactured by Company I, a Japanese automotive components supplier to Company H, a global automaker, was found to contain a design defect. This defect caused critical malfunctions, resulting in multiple fatal accidents among users of vehicles equipped with the component across several countries.- Investigations revealed that the root cause was tampering of quality-control data, and it was subsequently revealed that durability testing and evaluations had not been properly conducted over an extended period.
Impact on the Supplier	<ul style="list-style-type: none">- Company I faced criminal prosecution by government authorities and was ordered to pay damages amounting to several billion dollars.- In addition, the combination of suspended transactions with major automakers, substantial litigation costs, and the loss of customer trust resulted in significant financial losses. Company I was ultimately unable to continue business operations and eventually went bankrupt.
Impact on the Buyer	<ul style="list-style-type: none">- Company H, the Japanese global automaker, was required to implement recalls due to the defective components supplied by Company I and faced criticism of its quality-control systems, leading to reputational damage.- In certain lawsuits, Company H was named as a co-defendant alongside Company I.



Safety Component Defects and Quality Misconduct at an Automotive Parts Manufacturer