OVERVIEW: RUSSIA’S INVASION OF UKRAINE FEBRUARY 2022

STOP THE TRAFFIK & Traffik Analysis Hub regularly monitor events that will likely impact operational, human rights, and supply chain risk and provide briefing notes. With the recent invasion of Ukraine leading to severe disruption of supply chains and causing a refugee crisis in Europe, STOP THE TRAFFIK & Traffik Analysis Hub has provided a summary of our investigation below. Please note that these are preliminary findings and are subject to change due to the current situation.

Russia invaded Ukraine on Thursday 24th February on multiple fronts, causing serious casualties and up to 3.5 million to flee to countries such as Poland, Hungary, Moldova, and Romania. In addition to a refugee crisis, the invasion has led to the closure of Ukrainian production facilities and ports in the Black Sea region, potentially hampering up to 30% of global wheat supply. This will also have knock-on effects on fertiliser, consumer goods and gas supply, which will lead to higher prices and a supply disruption for consumer goods in general. While companies will be looking to source key products and labour from elsewhere, due diligence efforts considering modern slavery and geopolitical risks should not be compromised given the increased challenges of ensuring business continuity and that Ukrainians are now a population vulnerable to exploitation.

WHAT DOES THIS MEAN IN TERMS OF REFUGEES?

More than 3 million people have already fled Ukraine since Russia invaded and the EU estimates that there may be up to 4 million people who try to leave the country. People fleeing are currently heading to countries to the west of Ukraine with over 1.9 million escaping to Poland, 283,000 travelling to Hungary and over 1 million migrating to Slovakia, Romania and Moldova combined.

This will create a far more mobile and vulnerable population in these Eastern European countries than normal. STOP THE TRAFFIK’s recent experience working with similar communities on the move from the Middle East and Afghanistan would indicate that criminal networks typically take 2-3 months to establish the infrastructure required to exploit such situations. As refugee communities become increasingly desperate to seek work and look after their families they will likely be vulnerable to labour exploitation, sex trafficking and even organ trafficking.

WHAT DOES THIS MEAN IN TERMS OF SUPPLY CHAINS?

The invasion of Ukraine affects not just Ukrainian suppliers, but also has knock-on effects for agriculture and energy supply internationally. The war will severely disrupt the supply of key commodities such as seed oil, cereals, and wheat; roughly 12% of global wheat exports and 33% of global sunflower oil exports come out of Ukraine. Indeed, combined Russia and Ukraine make up roughly 25% of global wheat supply with 80% of global sunflower oil exports traveling through the Black Sea. Sanctions from the West place this supply in an insecure position with the Black Sea and the Sea of Azov closed by Ukraine and Russia until further notice. As a result, wheat (including alternative grains) and vegetable oil prices have surged, increasing by approximately 50% and 30% respectively since the invasion. Heavy disruptions to supply of these commodities are already being seen with many privately-owned grain production and consumer goods facilities closed for worker safety.

While some suggest other grain-producing countries simply plant more to offset the shortage, the conflict’s impact on natural gas supply from Russia will likely also affect energy-intensive fertiliser production. This will lead to further potential price increases compounding the recent fertiliser shortages that have already been caused by higher gas prices.

Furthermore, natural gas supply disruption may also lead to rising energy prices for manufacturing facilities, as roughly 10% of total natural gas flows through Ukraine to the EU which may be damaged during the conflict or disrupted by sanctions. Sectors such as carbonated drinks and packaged food production are also likely be affected; as crucial carbon dioxide is a bi-product of fertiliser production.
Refugees are particularly vulnerable to exploitation in the countries they flee to, hence we have highlighted below the highest risk sectors in neighbouring countries, anticipating potential exploitation hotspots in supply chains.

<table>
<thead>
<tr>
<th>SECTORS AT RISK</th>
<th>SECTORS: Agriculture, hospitality, construction, textiles, fish processing</th>
<th>NOTES: Historically, Poland has been identified as having an increased risk of labour trafficking among Ukrainians</th>
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<tbody>
<tr>
<td>POLAND</td>
<td></td>
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<tr>
<td>HUNGARY</td>
<td>SECTORS: Agriculture, construction, hospitality, manufacturing</td>
<td></td>
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<tr>
<td>ROMANIA</td>
<td>SECTORS: Agriculture, construction, manufacturing, hospitality, food processing</td>
<td>NOTES: There is considered to be a high risk of child labour since, historically, nearly 50% of trafficking victims are children.</td>
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<tr>
<td>MOLDOVA</td>
<td>SECTORS: Agriculture, construction, manufacturing</td>
<td></td>
</tr>
<tr>
<td>RUSSIA</td>
<td>SECTORS: Agriculture, construction, manufacturing, hospitality, food processing, logging, transport, retail stores, waste sorting, cleaning, fishing</td>
<td>NOTES: 2.3 million Ukrainians reside in Russia, including more than 1 million who have escaped Russian aggression (prior to the onset of the invasion). This is a vulnerable population with up to 40% of them working unofficially. Additionally, in Russia, compulsory labour is a possible punishment written into the criminal code, something which is open to exploitation.</td>
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The countries that Ukrainians have fled to all share similar exploitation risk profiles, hence it is crucial that attention is given to the sectors highlighted above and that enhanced due diligence is undertaken. It should also be noted that a number of these industries namely; manufacturing, construction and textiles may use subcontracting - this means there may be cases of non-payment or slow payment of wages increasing the risk of labour exploitation.

COUNTRY REFUGEE RECORDS

The refugee records of the above destination countries also requires consideration. This can have an impact on how refugees may experience discrimination and how they are treated by the local population, government policy, and by businesses in the country. The countries bordering Ukraine traditionally have strict policies on migrants and refugees and have resisted calls to take in asylum seekers and migrants. This occurred in 2015, when there was a large influx of migrants to Europe, Hungary, Poland, and the Czech Republic refused to take in asylum seekers during that summer. The attitude has changed somewhat since the start of Russia’s invasion and countries such as Poland are now offering a warm welcome to Ukrainian refugees – including offers of transport and accommodation. This positive note is tempered however by the news that citizens of other countries trying to flee Ukraine have not been welcomed in the same way when crossing the border into Poland.

In addition previous page, Ukraine is a key supplier of temporary and seasonal labour to the UK and EU. Large scale recruitment of seasonal labor typically commences in March and this has therefore been severely disrupted with recruiters forced to look for alternative labour pools to ensure business continuity. There is thus a heightened risk of labour exploitation of displaced Ukrainians or other communities (Eastern European or South Asian) that are ‘fast tracked’ to fulfil the contractual commitments of established labour providers or suppliers.
### POLAND
- Domestic and foreign victims (i.e. Ukrainian) are exploited in Poland with Polish victims also exploited abroad in sex trafficking, notably in Germany and France.
- Eastern European women and children (particularly those from Romania, Bulgaria and Ukraine), as well as those from South America, are exploited in sex trafficking in Poland.

### HUNGARY
- Hungarian women, boys and girls are exploited in sex trafficking in Hungary and abroad, mainly in Europe and especially in Switzerland, Austria, Germany and the UK.
- Children living in state-run childcare institutions are very vulnerable to being trafficked for sex.

### ROMANIA
- Romania is a primary source country for sex trafficking in Europe, both in Romania and elsewhere, including in Finland, Italy, France, Spain and the UK.
- Romanian women are recruited into Western European sham marriages which are then used to push them into commercial sex.
- Children make up nearly half of all identified trafficking victims in Romania; those in institutions – particularly girls and the disabled are very vulnerable, as are Romani children.
- There are reports of Romanian and Moldovan traffickers exploiting women from both countries around Europe.

### MOLDOVA
- Most victims typically have not had access to education and are from rural areas.
- Moldovan victims of sex trafficking are exploited in Moldova and elsewhere in Europe, particularly Russia.
- Sex trafficking victims are predominantly women and girls. Traffickers in Moldova and Romania exploit Moldovan women and girls through Romania via fraudulent passports in trafficking operations across Europe.
- Children are exploited in online pornography – used to groom for sex trafficking. Most child trafficking cases were in Chisinau and were sex trafficking cases. Some children are exploited in commercial sex. Those children on the streets, in orphanages or abandoned are vulnerable to exploitation.
- Transnistria and the Gagauzia Autonomous Territory are very vulnerable to sex trafficking.

### RUSSIA
- Many Ukrainians living in Russia are at risk of sex trafficking. Minors in state orphanages are vulnerable to sex trafficking. Women and children from Europe (esp. Moldova and Ukraine), Southeast Asia, Africa and Central Asia are victims of sex trafficking in Russia. Sex trafficking occurs in brothels, saunas and hotels, amongst other places.
- Migrant workers and homeless children are vulnerable. Hungarian women, boys and girls are exploited in sex trafficking in Hungary and abroad, mainly in Europe and especially in Switzerland, Austria, Germany and the UK.
- Children living in state-run childcare institutions are very vulnerable to being trafficked for sex.
- Russian women and children can sometimes be victims of sex trafficking in Russia and abroad. Family members can be used to coerce women into commercial sex in Russia and abroad.

(N.B in light of the current conflict, it is worth being aware that Ukrainian women and children are leaving the country alone, as men between 18-60 are banned from leaving. This makes them even more vulnerable to sex trafficking on country borders. In addition, it is known that migration for seasonal work is seen by women as risky in terms of sex trafficking.)
RECOMMENDATIONS

As supply chains change and gaps emerge that need filling due to the conflict, it is important for companies to be mindful of the changing risk profiles of each critical supply chain and each of the countries they may turn to for their business needs. It is also important to be aware of potential governmental complicity in trafficking and the risks that this entails, as governmental involvement in trafficking appears to be prevalent in Eastern Europe.

As a result of the increase in the refugee and displaced population from Ukraine, companies would do well to be aware of the fact that recruitment in supply chains in countries neighbouring Ukraine will be particularly vulnerable to exploitation, as people desperately search for a way to make ends meet, regardless of legality. The knock-on shortages in the supply of temporary and seasonal labour is also expected to cause significant challenges across the EU and UK agricultural, food, beverage and meat sectors.

In terms of alternative sources for commodities, the US (wheat), Canada (wheat), France (for both wheat and seed oil), and Australia (wheat) are options. Australia is particularly notable as it recently signed a free trade agreement with the UK, eliminating tariffs from 99% of Australian imports. Regardless of the alternative source chosen, due diligence efforts cannot be compromised in order to quickly secure alternative supplies.

In terms of an immediate response to the Ukraine conflict, it is suggested that:

Supply chain and procurement leaders should map their dependence on suppliers in Ukraine, Russia, and adjacent geographies across all tiers from the perspective of:

1. Commodities, raw materials and ingredients (direct and indirect with high risk of global disruption)
2. Labour (direct and indirect for high risk suppliers)
3. Products and goods (direct and indirect with high risk of impact from (1 & 2)

Undertake enhanced due diligence on high risk suppliers
- Confirm how high risk suppliers aim to ensure business continuity (volume, price and time)
- Ensure modern slavery and human rights policies are being adhered to by suppliers and across their (new) supply chains

Longer term, as best practice, a more resilient business model can be built through considering the following recommendations:

Governance structures in businesses should be reassessed to include conflict due diligence, so that in the event of geopolitical conflict, companies can manage their ESG policies to maintain social responsibility when dealing with investments in non-compliant states. The most recent examples of this are British Petroleum's withdrawal of investment from Rosneft, UK county councils terminating procurement contracts with Russian energy companies, and Burger King withdrawing corporate support from Russian franchises.

Develop Risk profiles considering modern slavery and geopolitical risk for the supplier base across various tiers. These should serve in creating risk responses and contingency plans in the event of supply chain disruptions. The risk profiles should consider modern slavery and human rights beyond tier 1 of the supply chain in terms of labour inputs to commodities, raw materials, products and goods.

Risk profiles can be enhanced and updated using up-to-date intelligence systems that reveal upcoming risks, such as TRAFFIK ANALYSIS HUB. Good intelligence is important to adjust plans for ever-changing circumstances. This will be relevant for modern slavery risk not only in countries neighbouring Ukraine but also in countries that a required to rapidly respond as alternative suppliers of substitute commodities, ingredients, goods and labour. The risk profile of suppliers reliant on temporary and seasonal labour will also be impacted by the Ukraine conflict and should therefore be monitored.

Based on risk profiles and supply chain risk mapping, inventory build-up can be made based on short- to medium-term plans. This also enables planning for sourcing from alternative suppliers in the event of disruptions, taking into consideration all due diligences for geopolitical and modern slavery risk.