



# CHECKING BOXES, CHEATING WORKERS

**HOW SOCIAL AUDIT FIRMS ARE  
COMPLICIT IN LABOR RIGHTS ABUSES**

PARTNERS FOR DIGNITY & RIGHTS | JUNE 2025

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Partners for Dignity and Rights is a U.S.-based nonprofit organization that works in partnership with communities to build power and advocate for human rights, strengthen public goods, and advance equity and justice in the U.S. and around the globe. For over a decade, Partners for Dignity and Rights has anchored coalitions and campaigns for worker organizations advocating for binding agreements and meaningful enforcement of human rights in supply chains and workplaces.

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Former Hulu Garment worker Chhorpesal Chhom protests in Los Angeles with community allies.

# INTRODUCTION

Over 1100 people crushed as a structurally unsound [factory collapsed in Bangladesh](#). [Child labor and deforestation on the rise on cocoa farms](#) in West Africa. Over 250 people killed when [a “clear death trap” of a factory went up in flames](#) in Pakistan. Fish processing plants relying on [state-sponsored forced labor](#). In all these cases, social auditing firms visited the sites in question and signed off on the conditions as safe and even “ethical.”

*Definition: Social audits are inspections by private firms to evaluate a factory, farm, or other workplace’s compliance with local law, supplier codes of conduct, or other labor and/or human rights standards.*

The failures of social auditing are widely documented. A growing body of evidence shows that they are inadequate to detect even extreme and systemic abuses of human and labor rights. Yet despite these failures, companies still universally rely on social audits to fulfill their human rights obligations.

This report examines the role of social auditing firms in supply chain regulation through three case studies. These case studies build on existing research to show how social audit firms are not just *failing* to discover abuses but *actively undermining* workers’ rights and cosigning corporations’ attempts to skirt responsibility. The case studies in this report all originate in the wage and severance theft crisis that ballooned in the global garment industry during the

early period of the COVID-19 pandemic in 2020. Each case study includes a summary of some key cases of the audit company’s track record across years and industries, revealing themes that span multiple industries and geographies.

Addressing the role of social auditing is especially urgent given current regulatory trends. In the U.S., state regulatory mechanisms, including the Occupational Health and Safety Administration (OSHA), have long been underfunded and, in 2025, are in the process of being defunded and dismantled. The privatization of many functions formerly performed by governmental agencies opens the door for more private and for-profit entities, including social auditing firms, to fulfill these functions.

In response to the clear failures of voluntary corporate regulation (for example, through corporate social responsibility programs), there has been a rise in *mandatory* human rights due diligence regulation, including the European Union’s Corporate Sustainability Due Diligence Directive (CSDDD). Despite evidence that the social auditing model is not adequate to the task, there is grave danger that it may become enshrined in emerging mandatory regulations.<sup>1</sup>

Together, these two seemingly contradictory trends create both more opportunities for private and for-profit social auditing to become even more ubiquitous than it is today. By their own estimates, the social auditing [industry is valued at over \\$300M](#) and growing rapidly. Investors are taking



note. Since the auditing firm ELEVATE was first involved in the Hong Seng Knitting case study included in this report, the firm has changed hands multiple times as private equity-backed LRQA has begun [a string of acquisitions across the industry](#). Concerns have been raised regarding the impact of these sort of private equity-backed rollup [acquisitions of auditing firms in the financial services industry](#), which is

historically better regulated than the social compliance field.

Taken together, these trends paint a concerning picture in which human rights protections in workplaces and supply chains are further weakened and enforcement further privatized. The result: more corporate impunity and less money and power for working people.



Members of the Home Based Women Workers Federation (HBWWF), Pakistan, join a global day of action calling out brands for pandemic-era wage theft. Credit: HBWWF

# EXECUTIVE SUMMARY

This report examines three wage and severance theft cases that took place in 2020, early in the COVID-19 pandemic, and the role social auditing firms played in each case. None of these cases have been satisfactorily resolved as of this writing in June 2025. Each remains unresolved at least in part due to ways that the audit firms in question intervened to undermine workers, obfuscate the facts of the case, and shield companies from liability for their human rights obligations.

The cases of the Hulu Garment Factory (Cambodia) and the Hong Seng Knitting and V.K. Garment Factory (both Thailand) all feature common risk factors for human rights abuses. Workers in these garment factories were predominantly women. In the two Thailand cases, the workers were also migrant workers, made vulnerable through their immigration status and legal barriers to unionization. For all of these low-wage workers, language and literacy, gender and pregnancy discrimination, and poverty are all factors that render them vulnerable to exploitation.

Despite these well-recognized risk factors, social audit firms ELEVATE (now LRQA), Impactt Limited, Intertek, and multi-stakeholder initiative Fair Labor Association (FLA) all performed audits or investigations of these factories using methodologies that neglected to address these risks—or in some cases exacerbated them.

Each of these firms market themselves as experts in supporting companies in identifying and addressing human

rights risks in their supply chains. Yet the case studies examined here demonstrate inadequate due diligence and poor risk assessment, at the very least. In the worst case scenario, the audit firms appear to act negligently and even to be complicit in covering up abusive practices.

In particular, the Hong Seng and V.K. Garment cases show auditors who are ill-equipped to address factory management's coercive practices and the consequences of retaliation threats and widespread intimidation. Instead, auditors or inspectors from ELEVATE, Intertek, and the FLA all propose convoluted explanations to selectively discredit worker testimony.

In both the Hong Seng and Hulu cases, ELEVATE, Impactt, and the FLA all take the position that low-wage workers living paycheck to paycheck would in fact freely renounce their pay, despite evidence—and common sense—to the contrary.

The V.K. Garment case is currently being litigated in the UK. This case includes several particularly egregious and unprecedented elements:

- Intertek writing up an audit in three different ways, essentially using the “double-booking” tactics by which a supplier might conceal fraud from auditors to shape the narrative to their client's advantage.
- Intertek violating workers' confidentiality and appearing to actively attempt to discredit a worker's testimony and undermine



a judicial process in favor of its client.

- Because this case has gone through both Thai and (currently) UK courts, there is a significant amount of audit documentation available. This unusual transparency means that there is a stark contrast between what is documented by auditors and what appears in workers' unconstrained testimony to investigative journalists.

In each of the cases examined in this report, an independent investigation had already been completed by the time that any of the audit firms in question were commissioned. This report draws heavily on publicly available investigation reports by the Worker Rights Consortium as their investigations engage local worker organizations, conduct off-site interviews with workers, publish their findings online, and, critically, are not commissioned or paid for by either suppliers or brands.

[The UN Guiding Principles on Business and Human Rights](#) establish that

***Each of the audit firms named in this report currently appears to have done more to delay workers' access to remedy than to facilitate it.***

businesses have a responsibility to respect human rights and to provide access to remedy when their business practices have caused harm, whether directly or indirectly. Yet despite explicit commitments to these principles, each of the audit firms named in this report currently appears to have done more to *delay* workers' access to remedy than to facilitate it. Each of the cases examined in this report reveals how the social auditing industry continues to use discredited methodology, ignores or fails to adequately assess risk, and undermines workers' testimony. Taken together, the profusion of audits and audit reports points to another finding: These audits assist companies in risk management not through appropriate due diligence but rather through reputation management.



Workers from Bangladesh hold up signs in solidarity with Hulu Garment workers. Credit: BGIWF



# WHAT IS SOCIAL AUDITING?

*“The majority of audits are ‘not trying to find things out, they’re trying to prove that something is not there.’”*

— [a director of a UK audit firm](#)

In the 1990s, investigative reporters broke several stories revealing sweatshop conditions in [Nike](#) and [other apparel brands](#)’ supply chains. A few years later, [a series of documentaries](#) uncovered systemic forced and child labor in West African cocoa supply chains. These exposés aroused public outrage and ultimately spurred U.S. Congressional action to address both [sweatshops](#) and [child labor](#). While Congress initially moved to take regulatory action, intense [corporate lobbying ended that](#). Instead, the Harkin-Engel protocol (chocolate industry) and various Clinton-era initiatives, including the Apparel Industry Partnership (predecessor to the Fair Labor Association featured later in this report) established mechanisms by which corporations would regulate themselves. This gave rise to the fast-growing field of Corporate Social Responsibility (CSR).

Over the past four decades, a plethora of initiatives have been founded to fulfill the terms of this compromise, namely that private regulation is the way to address a range of human rights and other issues in supply chains. Multi-stakeholder Initiatives (MSIs) setting standards for membership or for products bearing consumer-facing certification labels and companies’ own codes of conduct for suppliers have all come to rely on social audit firms to visit supplier sites (whether farms, factories, or other) to [assess compliance](#). In addition to setting standards that audit firms are assessing compliance with, many of these initiatives also prescribe key aspects of audit

methodology, including sample size of workers interviewed, whether the audit is pre-announced, whether workers are interviewed separately or in focus groups, and other key points. Many, but not all compliance standards are published. Audit methodologies are sometimes available at least in part, although it is rare for the public, or even the workers who are the subject of the audit, to have transparent access to this information.

Today, social auditing is a fast-growing multi-billion dollar industry around the globe. [The terminology of “auditing” comes from the financial industry](#), where an independent third-party to verify financial records and review practices is standard. While conflicts of interest and perverse incentives exist across both social and financial auditing, financial auditing has stricter standards concerning conflicts of interest and more clearly defined methodology. Further, financial auditors can be held both civilly or criminally liable for negligence or misconduct, [a precedent which has yet to be clearly established for social auditors](#).

Many firms offer a range of services with social auditing part of a portfolio that includes other inspections for food safety, organic food standards, food and pharmaceutical safety, building safety, environmental standards, and other quality assurance inspections. While financial auditors are required to hold a Certified Public Accountant (CPA) certification in the U.S. in order to perform external audits or audits of publicly traded companies, there is no single defined credential for social auditors. Instead, there are a range of industry credentials and certifications. Fluency in local languages, familiarity with the industry, or with performing labor

investigations are desirable best practices, but by no means mandated. The [ISO 17021 standard](#) sets guidelines for auditing bodies which focus on the competence, consistency, and impartiality of auditing firms. Yet, [as has been noted by labor advocates](#), some of this standard's evidentiary requirements are ill-suited to the subtleties of human rights abuses, where the evidence is often complex, partial, and by its very nature will include conflicting accounts from management and workers.

While brands often are the ones requiring audits, the audits are often paid for by the supplier being audited. This client relationship creates a conflict of interest which multiple academic studies have found impacts the outcomes as, all too intuitively [audits tend to find fewer violations when paid for by the supplier](#) (rather than the buyer). This sort of transparency is not readily available however. Audit reports are often considered the property of those who paid for them and a supplier has little incentive to disclose adverse findings. Instead, both the public and even workers in the facility being audited often do not have access to written reports of audit findings or the plans to address any issues revealed by the audit (often called corrective action plans), either in whole or in summary.

Cost also drives another key issue in audit quality. In-depth, multi-day audits cost more money. Yet there is little incentive for a supplier to pay more to uncover deeper problems for them to deal with. Thus, the pressure to drive down costs means that auditors are often under pressure to interview workers in the workplace, perform more cursory interviews in general, and do little to corroborate or further investigate any findings. In short, there is no incentive to uncover issues.

Suppliers, however, have plenty of incentive to get “good” audit reports. Research and case studies across industries reveal a common playbook to conceal actual working conditions from auditors, who may only be onsite for a day or two. [Coaching workers on what to say to auditors](#), [keeping double books or fake records](#), [hiding child workers](#) or [entire worksites](#) are common tactics. Indeed, the need to get a good audit report has given rise to an entire parallel industry dedicated to helping suppliers prepare for audits and implement deceptive tactics, according to [research by Human Rights Watch](#). This sort of [deception is more common when audits are pre-announced](#), however the announced or semi-announced audit is still common practice across the industry.

***Today, social auditing is a fast-growing multi-billion dollar industry around the globe.***

There is no established consensus across the social auditing industry for conditions that would render it impossible to perform an audit with integrity that would deliver credible results. [Despite caution](#) issued by both the U.S. government and other human rights organizations, [a number of audit firms](#) continue to offer their services in regions where state-sponsored forced labor is well-documented, such as Xinjiang, China.

While these are a few of the issues that are commonplace in social auditing, the biggest issue is one of money and power. The social auditing system is not structured to alter brands' purchasing practices, or change who has money and power in supply chains. Without those changes, the incentive is to obfuscate abuses and protect company reputations over the rights or workers.

## CASE SUMMARY:

# *HONG SENG KNITTING'S ILLEGAL SCHEME CHEATS WORKERS OUT OF LEGALLY-OWED WAGES*

**SUPPLIER:** HONG SENG KNITTING COMPANY, THAILAND

**BRANDS:** NIKE, NEW BALANCE, AMER SPORTS (WHICH OWNS BRANDS INCLUDING SALOMON, ARC'TERYX, AND WILSON)<sup>2</sup>

**AUDITOR:** ELEVATE (NOW LQRA), DLA PIPER THAILAND, FAIR LABOR ASSOCIATION (FLA)

The 2020 Hong Seng Knitting case would appear to be a clear-cut case of wage theft. An independent investigation report by the Worker Rights Consortium (WRC) contains corroborating accounts from workers, and a ruling from Thai labor authorities confirmed complaints raised by workers. However, Nike continues to dodge full responsibility for its human rights obligations.

Nike first enlisted the audit firm ELEVATE and then DLA Piper (a global legal firm with no apparent expertise in social auditing or human rights) to back the company's position. Neither firm released the terms of the inquiry nor the final report—a failure of transparency that compounds the ongoing violation of workers' human rights.

In the ensuing years, Nike continually denied its responsibility and refused to support workers' demands for their legally-owed pay, a position at odds with its obligations under the [UN Guiding Principles on Business and](#)

[Human Rights](#), the [OECD Guidelines](#), and binding university codes of conduct that apply to university [licensing agreements with Nike](#).

Finally, following a complaint submitted by a university member of the Fair Labor Association (FLA), the Nike-founded and funded FLA commissioned a law professor with no prior experience in labor investigation to perform yet another inquiry. The FLA's report is riddled with methodological issues and conclusions that are incongruous with the clearly coercive practices that its investigator documents. The FLA's recommendations for remedy are so preposterously low that Nike actually responded by doubling the payment that the FLA recommended in its report.

This complete reversal of Nike's position comes in the wake of years of student protest, demonstrating how coordinated action wins far greater benefits for workers than the actions of the various auditing firms and MSIs involved in the case.



Students at the University of Michigan call on university administrators to cut their contract with Nike in solidarity with Hong Seng workers.





## CASE STUDY

Hong Seng Knitting in Thailand is a long-time supplier to Nike, among other brands.<sup>3</sup> Nike data shows that the plant employed over 3000 workers at the time this case began in 2020. When the COVID-19 pandemic hit, factory management moved to suspend work, essentially furloughing workers. Factory management then used coercive and misleading tactics to deprive workers of their legally-owed wages.

Worker testimony in [an extensive investigation reported by the Worker Rights Consortium](#) (WRC) published in 2021 outlines how Hong Seng shut down the factory on a series of days and then coerced workers into signing away the wages they were legally owed for those days. Factory management then waged a campaign of intimidation against workers who refused to sign away their rights.

Under Thai law, there are a few avenues by which companies may legally reduce their payroll responsibilities:

- Permanently dismiss workers, paying them their legally mandated severance pay, proportionate to years of service; or,
- Suspend workers temporarily while paying them at least 75 percent of the wages they were receiving before the suspension.

Hong Seng management, however, took another, less costly approach. Instead of following the steps outlined by law on April 1, 2020, management announced that workers would have “[an opportunity](#)” to take unpaid leave. Just a few days later, management announced

that the factory would close for a handful of working days throughout May and June—and that workers would not be compensated for these days. Then, on April 16, 2020, Hong Seng management presented workers with a pre-filled form to sign “requesting” unpaid time off for the days that the factory was slated to be closed in May and June. The form [stated](#), “I have been informed that requesting leave without pay is voluntary on the part of the workers,” yet worker testimony consistently makes clear that workers understood that this was absolutely not voluntary and that they believed they would face retaliation for refusing to sign.

One worker refused to sign this form. Per [the WRC’s report](#), “In one meeting between workers and management, the worker Kyaw San Oo asked that the company follow the law and suspend them with 75 percent of their wages. Management refused and responded that workers’ understanding of the law was incorrect.”

Hong Seng management later filed a complaint with the police alleging that Kyaw San Oo had made social media posts describing the company’s wage schemes. This complaint is a disturbing attempt to criminalize a worker’s efforts to defend his rights and to deny his right to speech and collective action, as noted in [the WRC report](#).

Kyaw San Oo’s case does not end happily. A few days later, a line supervisor told him he was being targeted for arrest by the company, a threat that was reiterated over the course of several days. Given the history of Thai authorities mistreating Burmese

migrant workers like him, including long jail sentences, deportation, and even torture, Kyaw San Oo and his wife and infant child fled Thailand for Myanmar.<sup>4</sup>

Filing a police report against a worker for posting about his working conditions is a clear act of retaliation, as well as [a direct violation of Thai law](#), which prohibits a company from taking any action that would inhibit a worker

from continuing his work as a result of the worker submitting a complaint or making a demand. [Hong Seng posted on their Facebook page](#) warning workers against posting on social media and threatening legal action.<sup>5</sup> Taken all together, these actions sent a clear message: workers who contradict management or take public positions against the wage theft scheme will face serious consequences.



Kyaw San Oo

*“As we are human beings, we are afraid.  
We have done everything we were told, exactly  
as we were told.  
This is too much after you keep bullying us.*

*But let me tell you something:  
What we are afraid of is not your words,  
nor your authority.  
We are afraid of losing our wages.*

*Behind our wages are:  
Families who would struggle without our  
support,  
Families who depend on us,  
Bills we need to pay,  
Our livelihoods,  
And our hopes for a better future.*

*And yet, we—on our own—  
have quietly accepted day off without pay  
for 4 days every month (excluding Sundays)...*

*But now, the factory is choosing to close on its  
own.*

*They are forcing workers to sign documents  
stating that they agree not to receive wages for  
these days—  
‘of their own consent.’*

*Many cannot fight back.  
There are countless reasons why.  
This system feels like a trap,  
a cruel strategy to silence workers.”*

–Kyaw San Oo, excerpt from Facebook post

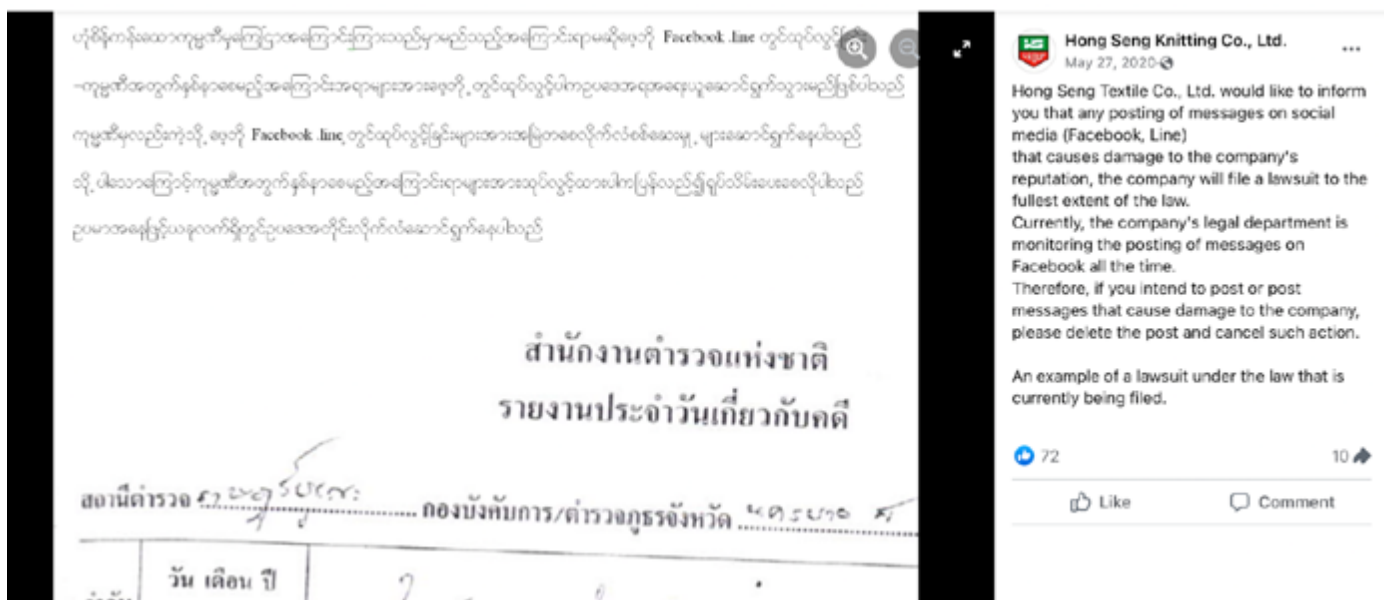


## “THIS SYSTEM FEELS LIKE A TRAP, A CRUEL STRATEGY TO SILENCE WORKERS”

The workers at Hong Seng Knitting were already quite vulnerable when the pandemic hit. Many were [migrant workers from Myanmar](#) whose presence in the country was contingent on keeping their jobs. If they lost their jobs, returning to Myanmar would also represent a grave risk given the county's [political turmoil and pandemic border restrictions](#). Further, job loss for those workers who were pregnant at the time would mean the loss of maternity benefits and difficulties finding a new job due to discrimination. Despite these vulnerabilities and the example that Hong Seng made of Kyaw San Oo, a few brave workers refused to comply with Hong Seng's pressure tactics.

Over the next few months, Hong Seng management extended and expanded their unpaid leave scheme. On May 13, 2020, they announced that they

were expanding it to two days per week from June to December 2020 and provided workers with a new form to sign “requesting” this unpaid leave. However, this time more workers resisted the initial request to sign the document. In response, Hong Seng management stepped up their pressure: first with group meetings, and later by calling workers who had not signed into the office one by one. In those individual meetings, workers who refused to sign [reported](#) being subject to threats, “You don’t want to work here anymore, do you? If you do not sign, you will be suspended for two months!” Several workers refused to sign the documents. Instead, they filed a complaint with the Thai Department of Labour Protection and Welfare (DLPW). One worker who refused to sign, Hla Thein Aung, pursued his case, claiming back wages for the days he had been



Screenshot of Hong Seng Knitting's Facebook post intimidating workers with threats of legal action for speaking out.

suspended without pay. Eventually, the DLPW ruled in favor of his claims.<sup>6</sup> The ruling found [Hong Seng's wage scheme illegal](#).

Even if the company, the employer, would refer to the worker having signed the above mentioned request form for unpaid leave on June 6,13,20,26, in the signing of this unpaid leave request form, the worker would have signed his name in the column titled 'I have been informed that requesting leave without pay is voluntary on the part of the workers,' which credibly is only an acknowledgement of having received the information in the form. *It [the unpaid leave request form] cannot be used as an agreement to take leave without pay.*" [emphasis added]

The DLPW was clear: the unpaid leave request form was not a legitimate agreement. Despite this, the company

continued to stand firm in its refusal to pay workers their legally-owed compensation.

Once again, the worker who pursued this case faced consequences. The [WRC's investigation report documents](#) the ongoing retaliation Hla Thein Aung faced on the job, including that "he overheard the human resources staff person tell the supervisors that "this is one of the f\*\*\*ing troublemakers who demands to work six days per week. Work him hard and move him around a lot. Soon he won't be able to take it, and he'll quit." Despite this treatment, Hla Thein Aung continued working at Hong Seng until he was fired in October 2020. This testimony, part of a documented pattern of transferring workers who file (or plan to file) a complaint with the DLPW, supports the claim that these transfers were retaliatory (a claim that Hong Seng has denied) and thus violate Thai law prohibiting retaliation.

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## NIKE SIDES AGAINST WORKERS, ENLISTS ELEVATE

Everything about this case would seem to be clear-cut. In the first place, it belies reason that workers who were already earning a paltry wage would willingly take unpaid leave—especially given their documented opposition to such a scheme. The DLPW's ruling substantiates this. Secondly, the consequences faced by the two workers who spoke out and pursued complaints against their employer clearly contributed to fomenting a climate of fear for workers.

Given Hong Seng's ongoing refusal to remedy the harms to workers, the WRC started engaging with brands that

***Could any compliance truly be considered voluntary while people watch their co-workers flee the country and face intimidation by supervisors for speaking up?***

purchase from Hong Seng, including Nike, in August 2020.

Nike adopted the improbable position that workers voluntarily renounced the pay to which they were legally entitled. Not only does this position counter the relevant legal ruling and reasonable assumptions, it also ignores the reality of rampant retaliation reported by

workers. Could any compliance truly be considered voluntary while people watch their co-workers flee the country and face intimidation by supervisors for speaking up?

In December 2020, Nike commissioned a report from the for-profit auditing firm ELEVATE. Based on this report, [Nike stated](#) that, “The investigation found that the furlough program was consensual and voluntary and was consistent with local law and labor guidelines.”

For years, Nike used ELEVATE’s report to assert that the vast majority of Hong Seng’s workers are not entitled to back pay for the days they were placed on unpaid leave. Nike claims that only workers who refused to sign the unpaid leave form are owed back pay—a position that contradicts the DLPW’s finding.

Even more improbably, Nike, backed by ELEVATE, has held that reporting Kyaw

San Oo to the police was not a retaliatory act. Despite the documentation of the complaint filed with the police, Nike holds that Hong Seng was merely “informing” the police, although it is not clear what a legitimate, non-retaliatory reason for doing so would be.

Further, [in a response to the WRC](#), Nike writes: “Neither Nike’s nor the independent third party [ELEVATE]’s investigation found any evidence that [Hong Seng] coerced its employees into accepting unpaid leave.” Given the worker testimonies and the company’s own Facebook [posts](#), this statement belies the available evidence. It appears Nike does not understand the nature of consent if they believe that workers could sign away their wages in a manner that was “consensual and voluntary” amidst the repressive, retaliatory atmosphere detailed in [the WRC report](#).

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## NIKE’S SECOND “INVESTIGATION” RAISES MORE QUESTIONS THAN IT ANSWERS

Workers’ rights advocates continued campaigning for workers to receive their legally-owed wages over the next several years. In October 2022, over two years after the initial wage theft occurred, Nike and Georgetown University contracted the global law firm DLA Piper to review the case. [DLA Piper’s website](#) proclaims “Tell us where you want to be tomorrow. Our people will get you there with cutting-edge legal and commercial insight.” What happened next definitely appears more aligned with meeting

Nike’s commercial interests than its human rights obligations.

***Coerced consent is hardly a rights-respecting standard.***

Nike never publicly released the findings of the DLA Piper inquiry. However, the [FLA’s report](#), published in December 2024, states that the firm solely relied on documents supplied by their clients (Nike and Georgetown) and did not



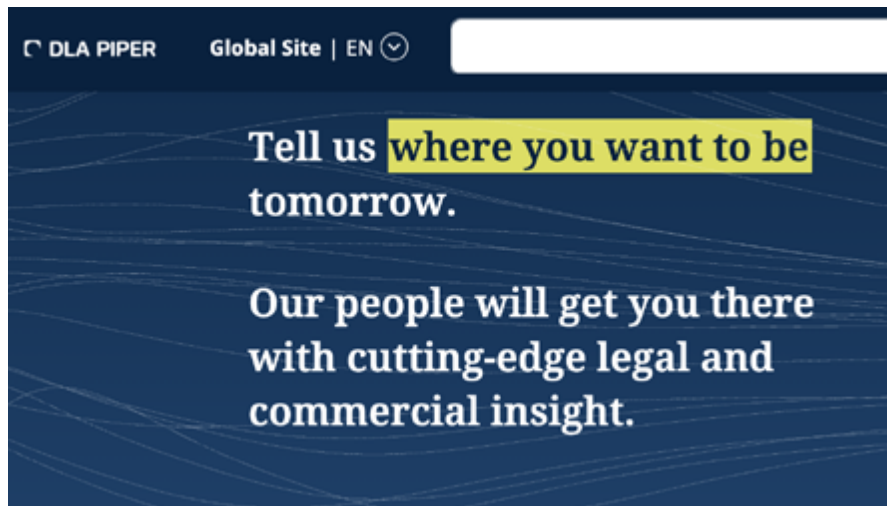


Figure 1: Screenshot from DLA Piper's website, May 2025.

contact workers. The scope of the review was very narrowly defined and, according to the FLA, it asserted that “employers in this situation had two legal options: they can either implement an unpaid leave policy with employee consent or suspend work and pay 75% of wages.” While findings have not been made public, citing attorney-client privilege, [the FLA report](#) notes that “issues related to coercion or retaliation were beyond the scope of [DLA Piper’s] review, which focused solely on the legality of the unpaid leave policy.”

Despite this, [Nike issued a statement](#) declaring, “This investigation concluded again that *all workers had been compensated in accordance with local law and Nike’s Code of Conduct*” [emphasis added]. This statement cannot be true given that the Thai DLPW ruling held that at least some workers had not been compensated in accordance with local law. Further, the question as to whether there is a possibility that Hong Seng’s actions were, in some narrow technical sense, in line with local law is hardly the point. Workers in the Hong Seng factory faced thoroughly documented intimidation and retaliation at the time they were being asked to sign away their legally entitled pay. There is no way to consider any signatures extracted at this time as being freely consented to, and coerced consent is hardly a rights-respecting standard for conduct. Given that DLA Piper’s review did not consider issues of coercion or retaliation, it barely touches the key issues of the case—although that did not stop Nike from using it to make a much more broad, sweeping claim.

## BAD METHODS, NO EXPERIENCE: THE FLA’S INVESTIGATION

Over the course of the next two years, student activists across the U.S. demanded that their universities cut contracts with Nike over its violations of university codes of conduct at Hong Seng Knitting. Under pressure from students, in March 2024 a representative of the University of Michigan submitted a formal complaint to the FLA, of which Nike is a highly influential founding member. Given the close ties between Nike and the

FLA, the brand ensured that Hong Seng participated in the investigation, assuring access to more documentation than had previously been granted.

In December of 2024, the FLA quietly released its [report](#) just as university students were dispersing for winter break. Despite this, the report was met with outrage from students and labor advocates. As opposition mounted,



Students at the University of Texas call on administrators to pressure Nike, who holds the contract to sew the university's branded "Longhorn" apparel.

the FLA quietly updated their findings online: a side-by-side comparison of text from December 2024 and February 2025 shows significant changes to several key findings. The FLA's updated position is essentially that while Hong Seng's conduct was generally considered legal under Thai law, several elements of the case represented violations of FLA standards. However, the FLA did not revise its proposal for remedy, which was so low that Nike's own compensation plan, publicly issued in February 2025, was double what the FLA proposed. Nike's sum remains significantly short of the [WRC's calculation](#), which included interest owed due to the long delay in payment; moreover, Nike's plan includes only minimal compensation for Kyaw San Oo.

One of the updates made to the FLA's online summary of their investigation was to add a defense of their "proven investigative methodology." Unlike many other groups conducting supply chain monitoring, the FLA does not publish audit guidelines for investigators and they do not have a published methodology. Their site does list "[Approved Monitoring Organizations and Assessors](#)." However, the labor professor they engaged to do their Hong Seng investigation is not on this list, nor does she have any apparent affiliation with any of these organizations, nor experience performing labor investigations in general. Startlingly, the FLA appears to consider this a strength, according to a WRC memo to WRC-affiliated universities [published on the WRC website](#):

"Despite her inexperience, the FLA declined to tell the investigator how to conduct a proper inquiry, imposing no requirement that she meet any methodological standard. (The FLA

advises us that its complaint process precludes setting such guidelines, but this underscores the need for someone with investigative experience.)"

***"Engaging more workers through flawed methodology... only generates more flawed data, not more clarity."***

Absent experience or a defined methodology, the investigator appears to have based her methods on the social auditing industry's discredited playbook. The FLA report states that she performed 102 interviews with current workers, 100 of which were performed onsite at the factory. Onsite interviews with workers have been [thoroughly discredited](#) as they open workers to the threat of retaliation. Regardless of whether they take place in a private room, as the FLA report states, the possibility or at least the perception by workers that management knows who was interviewed is very real (and the V.K. Garments case detailed in this report gives an example of the potential consequences). The FLA report goes on to quote from other parts of the [ILO's guidelines for auditing](#), without noting that the same ILO guidelines detail that workers are less likely to talk freely in a workplace setting.<sup>7</sup> Despite this, the investigator conducted 98% of her interviews with current employees onsite and then further relied on a factory-wide survey, distributed at work to 537 current employees. Additionally, the FLA attempts to discredit the WRC's initial investigation, pointing out that its own investigation engaged more workers. Yet engaging more workers through flawed methodology in a workplace where management has a track record of retaliation only generates more flawed data, not more clarity.



## THE FLA'S FLAWED INVESTIGATION DELIVERS FLAWED RESULTS

The FLA investigation repeatedly overlooks workplace power dynamics and the broader environment of coercion, threats, and retaliation from management. The FLA report

***The FLA's public commentary on the Hong Seng case appears to tread a fine line that attempts to appease both Nike and human rights advocates in a contorted series of assertions.***

states, "Additionally, prior to worker interviews, the Investigator informed Factory management about the confidential nature of the interviews and the principle of non-retaliation, ensuring that no employees were coached before their interviews." To suggest that merely informing management would "ensure" the desired conditions suggests an absolute lack of understanding of workplace power dynamics that would be laughable were the stakes not so high. The failure of announced audits to uncover meaningful information is [well-documented](#).

The FLA's flawed investigation delivered predictably flawed results. Despite the risks, multiple workers told the investigator a story that was highly consistent with what the WRC initially documented. The FLA's investigator documented these stories of confrontational, intimidating, and inappropriate behavior from management, only to then conclude there was no evidence of "a serious or systemic threat of coercion," a conclusion at odds with her own data.<sup>8</sup> The FLA report concludes that not

enough workers experienced coercive tactics for it to count, completely discounting the atmosphere of fear that such tactics create or the consequences of interviewing workers in the very same workplace where they experienced the coercion.

The FLA's characterization of its findings changed significantly concerning the issue of retaliation against Kyaw San Oo (dubbed W1 in the FLA report). The FLA's original summary took the position that "The investigator found no indication that the police report was filed against W1 for refusing to sign the consent form." But, in February 2025, the FLA's summary changed. Their revised recommendation stated, "As the factory had the right under Thai law to pursue a case against W1, the actions taken cannot be considered retaliation under Thai law. However, punishing or threatening a worker who posts information on social media is unacceptable, regardless of the legality." By choosing to narrowly focus on the question of a worker posting a complaint, instead of on the larger context that Kyaw San Oo was attempting to engage his fellow workers in discussing wages and working conditions (i.e. an organizing activity that is legally protected from retaliation), the FLA has set a chilling precedent for company conduct.

The FLA's public commentary on the Hong Seng case appears to tread a fine line that attempts to appease both Nike and human rights advocates in a contorted series of assertions. The FLA's summary of recommendations, likely the only document that most observers will ever read, has shifted in significant

ways after advocates expressed their outrage. Yet the FLA has made no public acknowledgment of its own quiet shifts.

One of the key compromises in the FLA's updated recommendations is to state that while management at Hong Seng Knitting did not violate Thai law, their conduct was inappropriate and/or in violation of the FLA standards. While the FLA revised its summary, it did not revise its report, in which the investigator posited preposterous premises that are completely at odds with common sense, most notably: The investigator's conclusions would appear to suggest that an action is only retaliatory if a manager explicitly tells a worker that it is a consequence for his organizing—a ludicrous proposition.

The investigator documents multiple instances of retaliation, threats, and intimidation, yet manages to conclude that these actions, while extreme enough to cause a worker to flee the country

with his family, are not extensive enough to count as “systemic.” This finding completely ignores workplace dynamics as most people experience them, especially low-wage migrant workers, such as those involved in this case. Yet it allows for the investigator to uphold the central lie that Nike maintained for years: that workers freely signed away their wages.

Five years after the Hong Seng Knitting workers first raised complaints over involuntary unpaid leave, these workers are still waiting to be paid. The FLA's report recommended such a lowball figure for remediation that in response [Nike doubled the sum](#), yet even that is well below full remedy and the amount for the worker leader who was forced to flee the country is grossly insufficient. Furthermore, the “payment” offered to workers is largely in the form of paid leave, not cash, and Nike's plan would have workers wait still more years to receive that compensation.



Workers come and go from Hong Seng Knitting factory, Thailand.

# CONCLUSION: ENDLESS REPORTS, NO REMEDY FOR WORKERS

The Hong Seng Knitting case exemplifies the grim state of human rights protections in global supply chains. Four different investigations and nearly half a decade of [advocacy from students, shareholders](#), and [human rights organizations](#) later, workers have yet to be made whole. Amid escalating pressure from student activism, [Nike finally reversed course](#) and agreed that workers should receive at least *modest* compensation.

In April 2021, the WRC published a comprehensive, independent investigative report, based on mutually reinforcing testimony from workers and other evidence, documenting the violations in detail. Nike could have concluded the case then and ensured that workers were fairly compensated, as is their responsibility under the UNGPs and university licensing codes of conduct.

However, instead of accepting the WRC's finding that Hong Seng workers were coerced into forgoing wages they were legally owed as fact, Nike chose to commission two other parties, ELEVATE and then DLA Piper, to provide additional opinions on the matter. Unlike the published WRC report, information on the scope or summary findings of what Nike has dubbed "two independent third-party investigations" is not publicly available. Instead, the available evidence amounts to little more than telling the public to "trust us." Advocates who would want to understand how two private companies could reinterpret what appears to be a fairly clear case have nothing to examine.

While this report focuses primarily on the role of private auditing firms in protecting

companies, the engagement of DLA Piper is part of a growing trend in which law firms are engaged to perform investigations. These investigations are then shielded by attorney-client privilege. The only thing that is transparently clear is whose interests they serve: the paying client. As the slogan on their website makes clear, DLA Piper's objective is to help their clients find legal justification that serves their commercial interests. ELEVATE, under the ownership of Goldman Sachs-backed LQRA's [purpose](#) is to help companies manage risk and meet their due diligence requirements with "a commitment to business-driven sustainability." While these firms' findings may make business sense for the companies in question, they completely fail the workers in question.

The [FLA claims that](#) they "[hold] companies accountable to their labor rights commitments by evaluating business practices against the highest international standards for global supply chains." Yet their own investigation falls short of the highest standards. Instead of the "[a]ccountability and transparency" that [their website claims](#) "are the foundations of responsible business," we see an investigation by an inexperienced law professor following an unpublished methodology that uses widely discredited private auditing industry methods. And, under pressure from advocates, instead of transparency, we see findings that changed between December and February without any notation or other acknowledgment of those modifications. Most importantly, we see a continued refusal to advocate for full remedy. There's nothing fair about that.



Students at the University of Pittsburgh call on chancellor Joan Gabel to pressure Nike to ensure Hong Seng workers are paid the severance they are owed.





## ELEVATE: BACKGROUND

At the time of their involvement with the Hong Seng Knitting case, ELEVATE was a firm that specialized in social auditing, along with some other ESG consulting services. In 2022, [private equity firm EOT sold its share](#) of the company to Goldman Sachs-backed LQRA, a larger firm providing a larger suite of business compliance services. ELEVATE is currently transitioning to using the LQRA name.

Goldman Sachs' [acquisition of LQRA](#) had previously garnered scrutiny for the involvement of the China Investment Corporation (CIC), representing direct foreign investment by the government of China. "China represents 40 percent of the global certification market and we are currently under-represented there, which is something we are seeking to address in part with assistance from the [Goldman-CIC] fund," an LRQA spokesperson told [the Financial Times](#) at the time of the deal. [As of at least April 2024](#), ELEVATE remained one of the social auditing firms that continued to operate in China's Uyghur Region, despite documented state-sponsored forced labor and the impossibility of conducting credible audits in the region. Social auditing firms have generally attempted to maintain a veneer of independence and neutrality, yet these statements and investments suggest that they are indeed businesses just like any other, making strategic choices to advance their business goals—in this case, expansion.

### *Elevate's Track Record*

- **Esquel, Xinjiang, China**

Hong Kong-based Esquel had U.S. imports suspended over ties to state-sponsored forced labor in China's Uyghur Region. As defense against these findings, Esquel CEO John Cheh [wrote](#), "An independent audit of Esquel's 3 spinning mills in Xinjiang, including Changji, by a leading global audit firm, ELEVATE, commissioned by one of our U.S. customers, was carried out in May 2019. ELEVATE rated all three spinning mills with scores of 85 or above and confirmed that there was no forced labor of any kind." [Audits have been widely discredited](#) as a means to uncover state-sponsored forced labor, yet ELEVATE remains one of the firms who, at least as of April 2024, [continued to perform audits in the region](#) when many prominent audit firms have pulled out of the region.

*Fish processing workers. Credit: ILO, Fauzan Azhima*



- **Garment Industry, Bangladesh**

[ELEVATE itself revealed](#) that just 0.18 percent of ELEVATE's audits in the Bangladeshi garment industry detected abuses including sexual harassment, verbal abuse, and/or physical abuse. Meanwhile, surveys of workers in the same time period found that 30 percent of workers reported witnessing or experiencing sexual harassment. The results were similar in India, where just 0.8 percent of ELEVATE audits detected inhumane treatment while 28 percent of workers surveyed reported witnessing or experiencing sexual harassment. These "Worker Sentiment Surveys," were conducted by ELEVATE's own cell-phone-based app. This disparity is concerning. What is worse, ELEVATE continues to sell their auditing services as effective at uncovering such human rights abuses. When sharing this data in response to the Clean Clothes Campaign report [Fingleaf for Fashion](#), ELEVATE summarized their findings saying, "ELEVATE acknowledges that social audits are not designed to capture sensitive labor and human rights violations such as forced labor and harassment." Yet ELEVATE continues to provide audits that its clients use to substantiate just such claims, underscoring concerns raised by the Hong Seng case that ELEVATE puts commercial interests ahead of human rights responsibilities.

- **Uyghur Forced Labor, Fishing Industry, China**

[ELEVATE is named as one of the auditors](#) who performed audits to the Marine Stewardship Council (MSC) standard on seafood processing plants with links to Uyghur forced labor, according to [investigations by the Outlaw Ocean Project](#) published in [The New Yorker](#). Neither ELEVATE nor MSC have disclosed their audit scope or findings, raising concerns about transparency, as well as reiterating concerns about ELEVATE's willingness to audit in conditions where state-sponsored forced labor is known to be prevalent.

- **Hansae Factory, Vietnam**

Workers at the Hansae factory in Vietnam, which produced for a number of brands, including Nike, went on strike in 2015 in response to poor working conditions. A subsequent [investigation by the WRC](#) found widespread labor rights violations, including extensive wage theft, forced and excessive overtime, violations of freedom of association, abuse of workers, discriminatory terminations, and dangerous conditions including exposure to toxic chemicals and extreme heat—in short, numerous violations of both Vietnamese law and the codes of conduct of the brands who sourced from the factory. Nike compelled the factory to give access to FLA investigators, whose findings confirmed WRC's investigation. In the year prior to this finding, the Hansae factory had undergone [a total of 26 audits, 3 of them performed by ELEVATE](#). As [one researcher wrote of the case](#), "The OHS hazards and violations of labor law documented in the 2016 WRC and FLA reports are of a nature that most, if not all, would have existed in 2015, during the time period when the 26 CSR audits were conducted."



## FAIR LABOR ASSOCIATION: BACKGROUND

The Fair Labor Association, originally called the “Apparel Industry Partnership,” was founded as a Multi-Stakeholder Initiative (MSI) after the Clinton Administration formed a taskforce of corporations, unions, and NGOs to address abuses in the garment industry. Tellingly, [the unions quit when the FLA was formed](#), declining to participate because of the weak Code of Conduct and lack of meaningful enforcement that came out of the multi-stakeholder process. Over time, most worker-aligned organizations have similarly left or refused to join the FLA, describing it as “[more of an industry association](#)” than a place where the voices of all stakeholders, and especially workers—critical rights-holders—would be heard. Instead, those calling for stronger standards and remediation were “[like a voice crying in the wilderness](#).”

Today, the Fair Labor Association has expanded beyond the apparel industry to include agriculture and other industries, although apparel makes up about 75% of their work. The FLA has a Workplace Code of Conduct focused primarily on labor and human rights issues. [Fair Labor Accredited](#) brands commit to ensuring that their internal codes of conduct align with this Code of Conduct, to doing internal monitoring of their supplier facilities, and to reporting back on results and remediation plans as needed. The failures of the Hong Seng case are not isolated. Instead, [research by Mark Anner shows](#) that investigations by the Worker Rights Consortium (WRC) were six times more likely to find violations of critical labor rights than FLA audits. [The conclusion](#): “While corporate influence in the FLA results in prioritizing issue areas that give corporations greater legitimacy, labor and activist influence in the WRC results in prioritizing empowering rights.”

### ***Fair Labor Association’s Track Record***

- **Russell Athletic, Honduras**

In 2008, Russell Athletic, a subsidiary of Fruit of the Loom, attracted international attention for closing multiple factories in Honduras where garment workers were organizing. The FLA was engaged to investigate Russell’s claims that these closures were due to economic factors, not as a response to the workers’ unionization efforts. The FLA’s investigation by private auditing firm ALGI (which was at the time one of their approved monitoring organizations) concluded that their “monitors did not detect or gather any tangible evidence to show beyond a shadow of doubt that [factory management] has performed or encouraged actions that can be regarded as discriminatory or hostile against [union members].” [This investigation was criticized by advocates and academics](#) alike for a methodology that was at odds with ILO standards and put the onus of proof on workers and the union rather than the company. Under intense pressure, the FLA commissioned a second investigation by an experienced labor investigator and ILO consultant, Adrian Goldin. The Goldin report verified that freedom of association violations had taken place and strongly criticized the ALGI report’s methodology for many of the same issues later raised with the FLA’s investigation of the Hong Seng case. Shockingly, the FLA initially chose to endorse the private auditing firm’s report over that of

Goldin, a top authority on freedom of association, although after [global pressure](#) from student activists and other advocates led to [over 100 universities](#) cutting contracts with Russell, the FLA eventually changed its recommendation. However, the FLA continued to support the companies involved over their workers, putting forward what can only be described as a weak plan for remediation and then supporting claims that the company had made greater strides toward remediation than facts on the ground supported. Once again, public campaigning eventually brought the FLA and company management around. Finally, in 2009, Russell and Fruit of the Loom signed the groundbreaking Washington Agreement with the Honduran workers' union, an agreement that has been [lauded for the historic progress](#) it brought for decent work in Honduras. As of this writing, that progress is under threat as Fruit of the Loom has closed their last unionized garment factories in Honduras in a pattern that yet again is bringing allegations of union busting. Edit to read: As of this writing, that progress is under threat as Fruit of the Loom has closed their [last unionized garment factories](#) in Honduras in a pattern that yet again is bringing allegations of union busting.

- **Apple's Foxconn Factories, China**

In 2010, [news reports](#) documented horrendous working conditions in Foxconn factories in China that were driving multiple workers to kill themselves. These workers were manufacturing electronics components for Apple among other brands. Shortly thereafter, [Apple joined the FLA](#), as its first electronics member. Mere weeks after Apple joined the FLA, the [then-president of the FLA went on record with Reuters](#) downplaying the role that factory conditions played in worker suicides and declaring that "The facilities are first-class; the physical conditions are way, way above average of the norm." The FLA's subsequent report contradicted their leader's initial statements, noting "serious and pressing noncompliances." While the FLA promised a robust remediation program, multiple independent [investigations](#) found even worse abuses than the FLA's investigations had found. Further, [electronics industry watchdogs noted](#) that the progress committed to and made in the remediation plan was merely symbolic "word games" and that serious issues remained unresolved. The [FLA was criticized](#) for having entered into monitoring the electronics industry with no knowledge of the field and without consulting their own board or organizations that did have experience in the field.

- **Pou Chen Group, Vietnam and Myanmar**

The Pou Chen Group is listed on the FLA's website as a "participating company" since 2011 and as "Fair Labor Accredited." The FLA notes that participating companies "agree to strict labor standards and work to improve working conditions through sustainable solutions," yet in the time that the Pou Chen Group has been affiliated, their operations have been the subject of multiple exposés revealing abuses. In 2016, [an investigative journalist](#) uncovered multiple violations of Vietnamese law, international standards, and the FLA Code of Conduct at a Pou Chen factory in Vietnam. More recently, [workers at a Pou Chen facility in Myanmar](#) were fired after striking for decent pay and working conditions.

## CASE SUMMARY:

# *HULU GARMENT COMPANY'S TRICKERY OBSCURED BY IMPACTT'S INVESTIGATION*

**SUPPLIER:** HULU GARMENT COMPANY, LTD., CAMBODIA

**BRANDS:** ADIDAS, AMAZON, LT APPAREL GROUP, MACY'S, WALMART

**AUDITOR:** IMPACTT LIMITED

**T**he Hulu Garment case is another instance of factory owners misleading workers and attempting to short them severance pay in the early months of the Covid-19 pandemic. In this case, management tricked workers by having them affix their thumbprints to a document that workers were led to believe was just a routine acknowledgment of pay.

***It is still possible for this company to pay workers the severance they are owed.***

Instead, underneath the payslips was text stating that the workers were resigning. When workers figured out that they had been deceived in an effort to prevent them from collecting severance pay, they were outraged and organized protests.

The case eventually escalated and international advocates contacted Hulu's buyers to enlist them in supporting workers. One buyer, Amazon, engaged audit firm and human rights consultancy Impactt to assess the situation.

Impactt's engagement in the case served to confuse matters further. In a presentation to Amazon and NGO advocates, Impactt mischaracterized the "choice" that workers were given and misinterpreted Cambodian law. Further, even as they acknowledged that the violations of workers' rights were present and fundamental, their recommendations failed to articulate brand responsibility. Instead, Impactt's analysis supported paying workers *less* severance than legally owed. And, over five years since the terminations, the workers still have not received the pay and access to remedy they are owed.



# KHMER TIMES

Your Opinion Matters

National April 23, 2020

## Over 300 workers protest to demand reinstatement

Sen David / Khmer Times



Workers at Hulu Garment factory protest after they accused the company of firing them. KT/ Chor Sokunthea

## CASE STUDY

Hulu Garment Company in Cambodia, owned by Taipei-based Win Garments, was a supplier to an assortment of brands including Adidas and Amazon in 2020. Pre-pandemic, Hulu's Phnom Penh factory employed approximately 1000 workers. As orders dwindled in the early days of the pandemic, Hulu suspended workers for two months, paying them 40% of their regular earnings, the minimum requirement dictated by local law. As the end of the suspension period approached, factory management summoned workers to the factory on April 22, 2020. Each worker was presented with a sheet of paper with a payslip attached to the front of it, detailing workers' suspension pay. Management told workers that they had to sign the paper to be paid, which they did with a thumbprint. Workers were also made to understand from management they were signing to confirm that they had received their wages and no more. They left, expecting to return to work in nine days when the suspension period ended.

In the course of the afternoon, the truth rippled out among workers: the piece of paper that they had signed was actually a resignation slip. By signing, workers had been tricked into quitting their jobs and thereby waiving away the severance pay that they would be legally entitled to if they had been fired. Workers were outraged and the following day, more than [300 Hulu garment workers gathered outside the factory in protest](#).

When their protests did not move the company, workers brought their complaint to the Arbitration Council, the Cambodian legal body tasked with adjudicating labor disputes. In June 2020, the Arbitration Council ruled against workers, giving their stamp of approval to the Hulu factory management's deception (workers promptly appealed but the Arbitration Council did not act on their appeal). This ruling fits within a larger pattern; instead of issuing rights-respecting rulings, [Human Rights Watch concludes](#), the Council is "politically compromised" and rubberstamping labor rights abuses. As [an investigation from the WRC](#) notes,

The corruption of the Arbitration Council, which was evident before the pandemic, resulted during the pandemic in a series of rulings that ignored both the law and the relevant facts in order to justify patently illegal actions by employers—including, and especially, the refusal to pay legally mandated benefits to terminated workers.

Even prior to the pandemic, [brands, including Hulu customer adidas, expressed concern](#) about the growing corruption of the Arbitration Council and the human rights situation in Cambodia. Yet this awareness has not stopped brands from pointing to the Arbitration Council's ruling when it better serves their interests.



## TRICKED AND CHEATED WITH A THUMB PRINT

A few months later, Hulu Garment factory reopened with approximately 400 workers, less than half the original workforce. Some of the terminated workers were rehired, however, they were classified as new hires with no seniority, a decision that would again shortchange their severance pay and other entitlements in the future. None of the workers who organized against their wrongful terminations were rehired. Under pressure from global campaigners to address the severance theft, Hulu Garment factory changed its name to NeiHu in October 2023. The factory continues to supply the international market via subcontracting to another Win Garment-owned subsidiary, Prestige. It is still possible for this company to pay workers the severance they are owed.

When workers had exhausted their options under the corrupt Cambodian labor regime, they reached out to international partners. The Hulu case became one of the many cases of severance theft in garment supply chains during the COVID-19 pandemic. As part of their efforts to address this massive crisis driven by brand

purchasing practices, the WRC engaged Hulu Garment customers, including adidas and Amazon, in early 2021. [WRC's independent investigation](#) detailed the illegal dismissal of workers and the failure to pay three categories of legally-mandated severance pay.<sup>9</sup> Instead of accepting the WRC's findings, Amazon went on to engage human rights consultancy and auditing firm Impactt for a second opinion.

Impactt presented their findings in a call with Amazon and worker advocacy groups, findings which underscore the seriousness of the violations yet simultaneously reduce the case for remedy owed. Further, their presentation confuses key issues in the case and the alleged “choice” presented to workers. Nowhere does Impactt's analysis explain why hundreds of low-wage workers who were living paycheck to paycheck would voluntarily quit their jobs, as management claimed, and then organize a massive protest the following day.

The following section will examine Impactt's presentation.



Union leaders in Cambodia demonstrate in support of Hulu Garment workers.





Demonstration in Los Angeles in support of Hulu Garment workers in 2023.

## IMPACTT'S INVESTIGATION MISINTERPRETS LAW, MUDDIES THE CASE

Impactt conducted what they refer to as a “deep dive investigation” between May 26–28, 2021, just over a year after the workers’ original termination. A report from this investigation has not been made public, but the authors of this report have reviewed a PowerPoint presentation on the key findings as shared in a call with Amazon and labor advocates.

Impactt mischaracterized the “choice” that workers were offered in two critical ways. In their presentation, they include a table of numbers presenting a hypothetical choice that workers had between continuing the suspension on reduced pay (as they had been for the prior month) or resigning. This table is a far cry from the reality that workers had before them. Workers did not experience being offered a “choice,” nor was continuing on their partially-paid furlough offered as an option. Instead, the question in the case is whether workers willingly resigned or were terminated. Further, even if an option had been presented in the fine print below the papers that workers put their thumbs to, characterizing it as a choice

is a stretch. Nearly [half of Cambodia’s garment workers are described as either illiterate](#) or demonstrating low literacy levels; it is unlikely that many would understand a complex calculation if one had been presented on the paper under their payslips.

Impactt’s presentation does note that “the process was mishandled with workers unable to give free, prior and informed consent.” Yet, despite this finding of serious rights violations, Impactt did not evaluate this as a case of wrongful termination—a finding which would mean that workers could have a claim to back wages from the date of termination, a sum which would far exceed the current severance that they are demanding. Instead, Impactt’s calculations muddy this question of the “choice” that workers had, and then proceeds to make the case that workers are entitled to less severance than has been calculated by the WRC.

Impactt’s calculation of the lower severance amount touches on a key issue in Cambodia’s garment industry: the distinction between Undetermined

Duration Contracts (UDC) and Fixed Duration Contracts (FDC). In short, FDCs are short-term contracts that cover a few months and can be renewed up to two years. Employers can refuse to renew these contracts without cause – and often do in retaliation against workers engaged in union activity. Workers on UDCs generally have longer notice periods and greater remedy for termination. Impactt’s presentation makes the case that workers had been moved to UDCs in the previous

year, resetting the date from which any severance payments would be calculated.<sup>10</sup> This interpretation by Impactt appears to be based solely on an administrative notice from the Ministry of Labor, which according to legal experts, has no legal weight, while ignoring the Cambodian labor code, which clearly states that, when a UDC is replacing an FDC, the workers’ employment seniority includes the period under FDCs.<sup>11</sup>

## IMPACTT’S CONCLUSIONS CONTRADICT COMMON SENSE

As with ELEVATE’s engagement in the Hong Seng case, Impactt’s presentation is based on a fundamentally improbable premise that denies the realities of low-wage garment workers. Even as they admit that workers were “unable to give free, prior and informed consent,” Impactt makes the case that workers were in fact making a series of logical decisions—decisions which nonetheless belie any form of logic.

### ***Impactt’s presentation is based on a fundamentally improbable premise that denies the realities of low-wage garment workers***

In the first place, it is highly unlikely that garment workers who are already making less than a living wage (and had for a month been making do on just 40% of their regular wage) would willingly give up their jobs and waive their rights to a substantial amount of severance pay at the height of a pandemic when new jobs would be hard to come by. Furthermore, the fact that these workers immediately organized a protest *claiming*

*to have been deceived* offers extremely strong evidence that they had in fact been deceived. Nowhere in its assessment does Impactt offer an alternate explanation for workers’ actions.

While Impactt positions itself as a worker-centered human rights consultancy, its actions in this case contradict that claim. Nowhere in their presentation do they make the fundamentals clear: under the UNGPs and the EU’s Corporate Sustainability Due Diligence Directive (CSDDD), businesses have the responsibility to address the consequences of their purchasing practices.<sup>12</sup> Under its own [supply chain standards](#), Amazon requires suppliers to comply with all applicable laws and it is clear that Hulu failed in that regard. Amazon’s responsibility does not conclude with paying for their orders. Instead, especially given the disruption was caused by its initial order stoppage, Amazon has the responsibility to ensure that any terminated workers are dismissed legally in accordance with the law and are promptly paid the full amounts owed in severance.

# CONCLUSION: CONSULTANTS PROFIT WHILE WORKERS GO HUNGRY

Five years after Hulu management's deception, Hulu garment workers are still waiting to be paid. According to [the WRC's calculations](#), 456 workers are owed an estimated total of \$1.1 million. In the intervening years, workers have gone into [debt to feed their families](#). Under the UNGPs, Amazon has an obligation to cooperate in the remediation of adverse impacts that they may have contributed to.

Impactt's engagement in this case highlights another way that the social auditing industry contributes to brands dodging human rights responsibilities in their supply chains. The WRC had already conducted an independent investigation, including consulting with relevant worker organizations, when

Amazon commissioned Impactt. In providing a calculation of two scenarios, one of which was never actually offered to workers, Impactt's presentation obscures the fundamentals of the case to Amazon's benefit. Instead of a clear path to remedy for Hulu Garment workers, their presentation opens the door for brands such as Amazon to avoid taking action, hiding behind the premise that the case is complicated and/or that conflicting opinions exist. Thus they serve to reinforce the status quo in which garment workers must rely on global pressure campaigns to secure their legally-owed wages, while the business of non-binding, corporate advice continues to deliver profits for consulting firms and brands.

***Thus Impactt serves to reinforce the status quo in which garment workers must rely on global pressure campaigns to secure their legally-owed wages, while the business of non-binding, corporate advice continues to deliver profits for consulting firms and brands.***





*Former Hulu Garment worker Chhorpesal Chhom brings her demands to Amazon's Seattle, Washington headquarters.*

# IMPACTT: BACKGROUND

Impactt is a human rights consultancy based in the United Kingdom. The firm is privately held and transitioned to being majority-owned by an employee ownership trust in 2021. Impactt is one of a growing number of firms that claims they are responding to the increasing body of evidence that traditional audits fail to protect workers and are pivoting to pitching their services on a range of human rights compliance and risk management solutions.

Impactt describes their process on a webpage titled “[Beyond Audits](#),” which begins with an assessment, co-creates an action plan, and proceeds to the implementation of remedy. Their claim: “We focus on systemic issues by identifying root causes.” The end result, per their website, is that they “Drive sustainable change through a worker-centric model of engagement and continuous improvement.” The case studies which follow cast doubt on the extent to which they are achieving that objective. The page “[Beyond Audits](#)” was last accessed on Impactt Limited’s website in September 2024. As of May 2025, “Beyond Audits” has been replaced by “[Supplier Improvement](#)” and “[Human Rights Due Diligence \(HRDD\) Consulting](#),” a hint of the continued evolution of the auditing industry. The framing also underscores how the auditing industry continues to cast human rights abuses as an issue for suppliers to improve on, a bug in the system rather than a feature built into corporate purchasing practices.

## *Impactt: Track Record*

- **Top Glove, Malaysia**

Malaysia-based Top Glove had a [long-running history of forced labor](#). In July 2020, U.S. imports were suspended after [Customs and Border Protection \(CBP\) found credible evidence Top Glove products](#) were made with forced labor. In the aftermath of the 2020 finding, Top Glove commissioned Impactt to do an investigation. In January 2021, Impactt issued [an opinion](#) that the conditions “do not amount to systemic forced labor” two months before [CBP issued their own findings confirming the presence of forced labor](#). The timing was such that [Top Glove management referred to Impactt’s initial report](#) in response to the final CBP determination of forced labor, dismissing the findings. Impactt’s subsequent reports chronicle progress in [April 2021](#) and [October 2021](#), including the payment of back wages to workers. [CBP lifted the import ban in September 2021](#), citing Impactt’s role as a positive one in developing and implementing a remediation program to address forced labor. However, worker advocates have been skeptical. “It was clear Top Glove didn’t want to go any further than the minimum [needed to get off the US sanctions list],” [said one labor rights advocate](#) who had served as an advisor to the process. A former UN official confirmed this assessment, pointing to Top Glove management’s refusal to conduct a human rights due diligence assessment or a comprehensive worker survey, [telling the Financial Times](#), “Unless you have learnt how to make your management system more robust to recognise these symptoms in the future, [problems could happen again].” Thus it appears that while Impactt’s engagement was ultimately sufficient to secure



payment to workers, its inability to detect forced labor initially served as cover for management, likely contributing to a delay in remediation, and the statements of worker advocates raise questions about the extent to which Impactt's programs can deliver on their commitment to address root causes.

- **Sime Darby/SD Guthrie, Malaysia**

Sime Darby is a large, vertically integrated Malaysian palm oil company. In 2020, [U.S. CBP issued an import ban](#) on their Roundtable for Sustainable Palm Oil (RSPO) palm oil based on “information that reasonably indicates the presence of all 11 of the International Labour Organization’s [forced labor indicators](#) in Sime Darby Plantation’s production process.” Sime Darby responded by both suing [Liberty Shared, the anti-trafficking organization that supplied the information](#) to CBP and engaging Impactt, along with several other consultants,<sup>13</sup> to help develop a plan to end the import ban (Sime Darby later [dropped the lawsuit](#)). As part of the plan developed by Impactt, Sime Darby formed a human rights commission to advise them; two of the labor and human rights experts quit the panel after just six weeks, [citing a lack of transparency](#). After delays attributed to the pandemic, Impactt finally completed their assessment. Impactt’s reports on their findings were not made publicly available, with Impactt [telling press that their work with Sime Darby was “subject to confidentiality.”](#) The indicators of forced labor were eventually resolved to the satisfaction of CBP, which lifted the import ban in 2023. Just over a year later, Sime Darby [rebranded as SD Guthrie](#) in 2024. While Impactt’s engagement with the case helped develop a number of processes to better protect migrant workers’ rights, the process appears to have been short on transparency. Further, this case shows how an individual company’s preference dictates the public’s access to information – instead of Impactt, the human rights experts in this case, prioritizing this fundamental element of human rights compliance.

- **Utthan Framework, India**

The Utthan Framework is a voluntary pact developed by Impactt to address conditions for Indian workers engaged in embroidery work for high-end fashion brands. Launched in 2016, the [Utthan Framework](#) laid out goals to address wages, key health and safety issues, as well as building and fire safety within three years. [An investigation by The New York Times](#) in 2020 found workers were getting paid below the minimum required wages. They also found systemic evidence of audit coaching and threats of retaliation by exporters against workers who attempted to organize as well as against managers of subcontracting factories who raised concerns. Indeed, [reporting](#) notes that factories producing under the Utthan Framework have struggled as they have a higher cost of compliance but lack financial support or purchase guarantees. *The Times* investigation also noted the secrecy that surrounds the Framework: “at least two of the signatories said they were asked to sign non-disclosure agreements.” Further, while the Framework lays out time-bound milestones for meeting the guidelines, there is no public reporting requirement. Indeed, the Framework is not available on Impactt’s website nor is it mentioned in most participating brands’ sustainability reporting ([LVMH](#) is the only brand listed in *The Times* article that mentions the Framework).



## CASE SUMMARY:

### *V.K.GARMENT CO. & INTERTEK DOCUMENT DIFFERENT ACCOUNTS TO CONCEAL ABUSES*

**SUPPLIER:** V. K. GARMENT CO. LTD., MAE SOT, THAILAND

**BRANDS:** TESCO (AT THE TIME OF THIS CASE)

**AUDITOR:** INTERTEK

The V.K. Garment case is a particularly egregious case where workers reported conditions of forced labor, debt bondage, wage theft, and retaliation for organizing activities. Court cases in both Thailand and the U.K. have alleged evidence of systemic and long-standing abuses at the factory. Yet even as these abuses were occurring, the audit firm Intertek performed three years of audits without documenting any substantial violations, confirming in multiple published reports that the factory met the Ethical Trading Initiative (ETI)'s base code of conduct. In July 2020, some workers overcame management coaching and intimidation and told Intertek's auditors the truth about their conditions and, less than a month later, V.K. Garment retaliated with mass terminations.

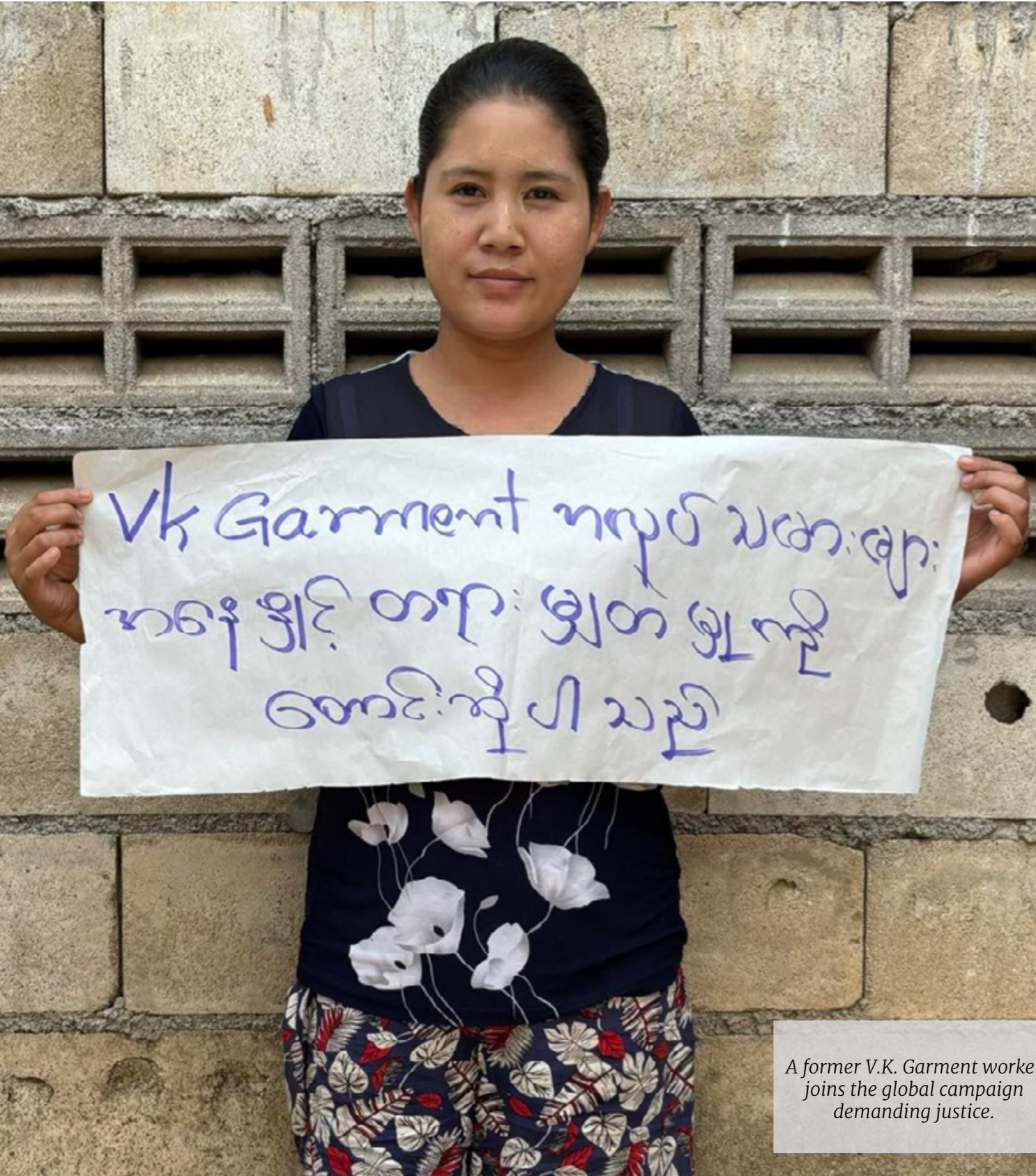
This case shows how semi-announced audits facilitate audit deception and documents the role that auditing firms can play as active participants in employers' efforts to repress their workforce. Through the review of audit reports and court documents, this case

demonstrates how Intertek helped protect their client, even going so far as to write up different versions of the same July 2020 audit, sweeping the abuses under the rug.

Not only did Intertek appear to conceal the truth to protect their client (V.K. Garment), they went further, supplying new (and in some regards conflicting) audit summaries to the Thai Labour Court when workers brought their complaints to the legal system. In their summaries of the 2019 and 2020 audit, Intertek appears to actively sabotage workers' efforts to obtain justice. In the summary supplied to Thai labor officials, Intertek includes confidential information from its audit, including outing one of the workers who was one of the complainants in the case in a way that both endangered him and undermined his credibility. This is the first case that the authors are aware of in which an auditing firm appears to have attempted to undermine a democratic judicial process in order to protect their client.

However, this is not the first case in which Intertek has been found to have committed both serious legal and ethical violations. Their track record includes doctoring science, betraying the confidentiality of a whistleblower

in apparent retaliation, a similar case of writing up audit findings in multiple ways to conceal forced labor, and multiple convictions for fraud, as well as the more commonplace audit failings (as detailed in the section “Intertek’s Track Record.”)



A former V.K. Garment worker joins the global campaign demanding justice.



## CASE STUDY

V.K. Garment Co. in Thailand was a long-time supplier to British supermarket chain Tesco via its Thai subsidiary Tesco Lotus under the F&F brand.<sup>15</sup> Tesco's initial supplier audit of the factory identified red flags for human rights abuses as far back as 2017, [according to The Guardian](#). The Mae Sot region where the factory is located has been described as "[the Wild West of the global supply chain](#)" for its weak rule of law, low wages, poor working conditions, and migrant workforce with no union and few legal protections. In short, V.K. Garment would be considered a high-risk environment by any reasonable due diligence assessment.

In 2022, Burmese migrant workers who had formerly worked at the V.K. Garment factory brought a landmark case in U.K. courts, charging both Tesco and social audit firm Intertek (as well as their Thai subsidiaries) with negligence.

In court documents and in the press, workers chronicle years of abuse and conditions that are described in [The Guardian](#) as "[effective forced labor](#)." The conditions detailed in the case brought by 130 former V.K. Garment workers are horrendous and violate international norms as well as Thai labor law in addition to multiple relevant buyer codes of conduct.

In 2023, Thai authorities revisited the case. While an initial rushed police investigation found no wrongdoing, [Thai police eventually filed criminal charges](#) against V.K. Garment management after reporting by *The Guardian* dubbed earlier investigations a "[sham](#)."

In the next section, we will look at how Tesco's reliance on audits failed to detect the long-term abuses at V.K. Garment and how Intertek's conduct goes beyond negligence to actively undermine workers' quest for justice.

## INTERTEK FAILS TO DETECT ABUSES, DECEPTION AT V.K. GARMENT

Intertek seems to have been ill-prepared for the deceptive tactics that V.K. Garment used to conceal their abuses. Instead, despite the high-risk environment, Intertek relied on auditing practices that are known to enable audit coaching and other deception, and when discrepancies arose, seemed ready to give it a positive spin in audit reports.

Intertek audited V.K. Garment factory starting in 2017 when Tesco began

buying from V.K. Garment factory. Intertek is accredited to perform social audits using the SMETA methodology (see box on page 41 for more on SMETA). These audits were semi-announced, a practice [noted by Human Rights Watch to increase the risk of audit falsification and coaching](#).

Intertek's audits in 2017, 2018, and 2019 failed to detect significant non-compliances at the V.K. Garment



## MULTI-STAKEHOLDER INITIATIVES FAIL TO PROTECT WORKERS

The V.K. Garment Factory is a case study in how multiple overlapping corporate social responsibility programs intersect and completely fail to protect workers. Starting in 2017, V.K. Garment underwent an annual Sedex Members Ethical Trade Audit (SMETA). Sedex is itself an initialism for Supplier Ethical Data Exchange. Sedex maintains a database of supplier information, including audit reports, to allow businesses to track and assess the risk of human rights abuses in their supply chains. [The pitch to business is that this streamlines the process](#), reducing suppliers' burden of getting multiple audits for multiple buyers and, on the buyer side, provides greater visibility and transparency in a common format. The reality is less transparent. The SMETA audit reports in the Sedex database are shown entirely at a supplier/factory's discretion and the factory can revoke that access at any time. Even brands who purchase from the supplier may be blocked from accessing the information.

The proliferation of multi-stakeholder initiatives (MSIs) with codes of conduct and individual corporations with separate supplier codes of conduct means that the burden of multiple audits to multiple standards is indeed a real issue. Yet, as this case shows, greater access to bad data does not further reliable risk assessment—or accountability.

SMETA was founded by Sedex members with the goal of tracking supplier compliance with the Ethical Trading Initiative (ETI) base code of labor practices, which is in itself based on ILO Conventions.<sup>16</sup> While SMETA audits may result in corrective action plans, Sedex is very clear that the goal is continuous improvement and [they do not enforce compliance or remediation of issues](#).<sup>17</sup> Thus, while a business may mention Sedex membership or having completed a SMETA audit, the only assurance this offers is that the supplier has paid the money and completed the tickbox exercise. While SMETA guidance documents are quite clear that it does not certify any *outcomes*, plenty of businesses use the terms “SMETA certified” or “Sedex certification” to describe their business operations.

factory.<sup>14</sup> The 2019 audit report, for example, checks boxes stating that workers were paid at or above the minimum wage and all overtime was voluntary and paid at the correct premium rate. Indeed, the annual SMETA audits paint a picture of a workplace that bears no resemblance to the one detailed in court documents

and investigative reporting. The SMETA reports describes the workplace as “relaxing” in both the 2019 and 2020 audits—a far cry from [the 99-hour work weeks that workers interviewed outside the workplace described to the press](#). Indeed, some of the language of the two reports is consistent enough to raise questions as to whether some of the

***The SMETA reports describes the workplace as “relaxing”...a far cry from the 99-hour work weeks that workers interviewed outside the workplace described to the press.***

2019 results were simply copied to the following year.

Fear of retaliation and audit coaching were key reasons that the 2017 to 2019 audits did not capture any of the abuses taking place at V.K. Garment according to workers. Workers described how supervisors would coach them to respond to questions from auditors, specifically, they were instructed to say that V.K. Garment paid minimum

wage and overtime at the legal rates, that the factory honored their weekly rest day and public holidays, and that it deducted no fees from their wages other than legally required social security payments contributions. The company also produced fake payroll records and forced workers to sign them. Managers threatened workers that the factory would shut down if they revealed the actual violations taking place, since a poor audit would result in brands discontinuing their orders. Workers' identity documents were held by the factory, making it near impossible for them to leave or find new work. In addition, many workers had high-interest loans, including loans from factory management, that had to be repaid. These conditions, which tick off many of the [ILO indicators of forced](#)



Activists in the UK demonstrate outside Intertek's annual meeting with cardboard cutouts of former V.K. Garment workers. Credit: Labour Behind the Label.



[labor](#), kept workers tethered to their jobs at V.K. Garment, and ensured that management's threats were effective at silencing workers for years.

Such coaching by factory management is not uncommon; [audit coaching and fear of retaliation](#) are themes that recur across research into the failures of social

auditing. Part of the problem is that social audits are almost always conducted at the factory, often in situations where employers can observe which workers are interviewed, or even observe the interviews themselves. Similarly, "double bookkeeping," keeping a second set of books to show auditors is a [well-known audit deception tactic](#).

SMETA  
Sedex Audit Reference: 2019THZAA407665708 Sedex Members Ethical Trade Audit Report Version 5.1

L: Is overtime voluntary?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Conflicting Information	L1: Please detail evidence e.g. Wording of contract / employment agreement / handbook / worker interviews / refusal arrangements: Based on employees' interview, if any overtime working is requested, they can refuse to work overtime time. Overtime working is based on voluntary.
<b>Overtime Premiums</b>		
M: Are the correct legal overtime premiums paid?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A - there is no legal requirement to OT premium	M1: Please give details of normal day overtime premium as a % of <u>standard</u> wages: 150% of normal wage rate for weekday overtime and 300% of normal wage rate for statutory holiday overtime
N: Is overtime paid at a premium?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	N1: If yes, please describe % of workers & frequency: All employees are paid for overtime hours at premium rate from 150 - 300% as required by law.

The Guardian has investigated the allegations made by the former factory workers and interviewed 21 of them in Mae Sot. They described:

- Being paid as little as £3 a day to work from 8am to 11pm with just one day off a month.
- Detailed records kept by supervisors seen by the Guardian show the majority of workers on their lines were paid less than £4 a day and only according to how much they could make. The Thai minimum wage then was £7 for an 8-hour day.
- Having to work through the night for 24 hours at least once a month to fulfil large F&F orders, and becoming so exhausted they fell asleep at their sewing tables.

Figure 2: Sample of Intertek SMETA report findings from 2019 juxtaposed with [reporting from The Guardian](#).



Two former V.K. Garment workers hold signs calling on Tesco to take accountability for their supplier's actions.



## ONE AUDIT, TWO STORIES: DID INTERTEK COOK THE BOOKS FOR THEIR CLIENT?

When Intertek auditors returned for their semi-announced annual audit in July 2020, workers were ready to reveal their employer's labor rights violations. A growing group of workers had been attending trainings on labor rights from a local NGO (the Human Rights and Development Foundation) and were preparing to file for collective bargaining status. One woman, a quality control supervisor later told [The Guardian](#) why she organized with her fellow workers to speak up: "I felt really angry and could not tolerate it any more." This group of workers showed Intertek auditors the fraudulent paystubs provided by V.K. Garments and told of the elaborate schemes that deprived them of legally-owed rest days and wages.

Yet while workers bravely spoke about the widespread abuses at V.K. Garment,

***While Intertek auditors did not uncover all the abuses that were later revealed...the information they did uncover should have raised red flags.***

it appears that Intertek auditors worked to obscure that truth. The auditors wrote two separate reports from the same audit on July 30, 2020: the SMETA report and a Tesco Audit Supplementary Report.<sup>18</sup>

The Tesco report goes into greater detail than the SMETA report on the alleged violations. The Tesco report compares worker records to those held by the facility, noting where and how they conflict. In contrast, the SMETA report never explicitly mentions any conflicts between workers' accounts and that of their employer. Instead, it appears to rely wholly on the employer records to construct a narrative of conditions and pay at the facility. If one reads between the lines of the SMETA report, there are clues that something is amiss, however the auditor's conclusions point to poor recordkeeping instead of any attempts to mislead.

The chart on the facing page details the discrepancies between the summaries of the two reports written based on the July 30, 2020 audit.

	SMETA report	Tesco Report
Notes differing account of workers, management	No	Yes
Piece rate	Notes 0% of workers are paid piece rate “according to management information.”	9 out of 25 workers interviewed claimed that they are paid by piece rate.
Minimum wage	Says all workers are paid at least minimum wage. “0% of workers are paid below minimum wage.”	Notes that piece rate workers are not guaranteed minimum wage, per worker interviews.
Holiday pay	Not noted, although the report notes what the legal standard is.	Piece rate workers do not get paid public or annual holidays.
Pay records	Cites “inconsistency” between payroll records and “other evidence.” Does not mention payslips shared by workers. Notes missing time records from sampling.	Reports workers stating they are not required to track hours, and timecards were never used. Provides a detailed comparison of discrepancies between payslips provided by workers and signed payroll.
Overtime	Cites records provided by facility, claims overtime hours were worked 12 hours per week in January and no overtime was worked from May to July 2020.	Reports worker statement that they worked more than two hours of overtime per day, contrary to factory records from January 2020. They also worked overtime in July, contrary to factory records.
Pay deductions	Cites no evidence of retention of wages, no deduction of wages except social security as provided by law. Notes that the facility does not absorb work permit, border costs, etc., a violation of ETI code.	Reports worker statement that the factory deducts 3% from piece rate workers pay for border pass. One worker states that 500 THB were deducted from his wages but he didn’t know why.
Sunday work	States that workers get 1 day in 7 off, noting that compliance cannot be confirmed because of missing records.	States that 50% of the interviewed workers report working on Sundays. Management states that Sunday is a weekly day off to all employees.
Record keeping	Notes that payroll records are missing for specific dates in 2020.	States that workers report discrepancy between payslips and the payment cards workers are supposed to sign. Shows three examples in which workers’ payslips do not match company records.
Retention of bank accounts and ATM Card	Not noted	One worker reported that their ATM card was kept by the employer. <sup>19</sup>
Management engagement	Under “Attitude of Managers” notes “The management team are well cooperating during the whole audit process. All requested documentations are provided timely. All areas are accessed without hesitation.”	Under “Transparency” uses ranking 2, denoting “Little co-operation with audit process. Time wasting/delaying tactics. Suspected coaching of workers for interviews. Records inconsistent possibly falsified/too prepared.” Further, the report notes, “Employees are afraid that if they tell the truth, they will be got impact/punishment from the facility.”

The SMETA report obfuscates wage violations that are clearly stated in the Tesco report. In its section on “Living Wage,” the SMETA report notes the absence of records for two of the 24 workers sampled and an “inconsistency” between “provided payroll records and other evidence.” There is a checkbox where the auditor attributes this discrepancy to “poor record-keeping.” There is no explicit mention of payslips shown by workers to the auditors or that some workers reported being paid by piece rate rather than hourly wage.

In contrast, the Tesco report notes that some workers are paid by piece rate, and that “piece rated employees are not guaranteed the minimum wage.” It also reports that the factory required workers to sign payment cards with amounts that did not match their actual payslips. The report provides a detailed comparison showing discrepancies between three

workers’ payslips and the company’s records, with photocopied documents as evidence. In two cases, the payslips show payments which are substantially lower (by 54% and 45% respectively) than the company-provided records.

The Tesco report describes that when the auditors approached factory management to inquire about the pay slips, showing them an anonymized sample, the managers denied having even seen such a pay slip. The Intertek auditors eventually contacted V.K. Garment’s “top management” in Bangkok by phone, who “acknowledge the issue and ask factory management to check this matter.” These interactions illustrate the factory managers’ attempt to deceive auditors by providing fraudulent payroll records and their subsequent denial that such fraud has been committed.

There is evidence of both male and female in management and among supervisor. The distribution is male 55% and female 45%.

Peak season could not be specified.

Twenty-six employees are selected for interview including 16 males and 10 female employees, they are interviewed as 4 groups of 5 mixed groups and single gender and the balance of six (6) employees are interviewed individually.

Working hours and payroll wage records are taken from January 2020, May 2020, and June 2020. Time record in current month on 1-29 July 2020 is reviewed.

Standard hour in the facility is 48 hours/week with Sunday is assigned as rest day.

The compliance status of working hours and wages and benefits could not be fully verified because: (1) there is inconsistency record found between the provided payroll records and other evidence, (2) time in and time out during 1-15 January 2020, 1-31 May 2020 and 1-10 June 2020 was not recorded by employees but recorded by Admin staff with patterned time in and time out such as 08:00 am - 12:00 pm, 01:00 pm - 05:00 pm and 06:00 pm - 08:00 pm, (3) there is no attendance record of two monthly rated employees from security guard and store available to review in the selected month of January 2020, May 2020, June 2020 and July 2020.

Time records provided by the facility of 24 employees are reviewed and showed that the range of overtime working is twelve (12) hours per week in January 2020, and there is no overtime hours observed in May 2020-July 2020.

Audit company: Intertek Report reference: THA-4360-J4 Date: 30/07/2020 Sedexglobal.com

นางสาวรัชกร พรมวัน

D: Worker remuneration (management information)	<p>D: 0% workers on piece rate</p> <p>D1: 95% hourly paid workers</p> <p>D2: 5% salaried workers</p> <p>Payment cycle:</p> <p>D3: 0% daily paid</p> <p>D4: 0% weekly paid</p> <p>D5: 100% monthly paid</p> <p>D6: 0% other</p> <p>D7: If other, please give details</p> <p>Not applicable</p>
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Figure 3 (above): SMETA report states that compliance for working hours and wages and benefits “could not be fully verified.” Figure 3 (below): SMETA report finds that “0%” of workers receive piece rate wages.



None of these interactions are mentioned in the SMETA report. Instead, when documenting this same audit for the SMETA report, Intertek's narrative is inconclusive, repeating the issue of missing records but not mentioning their confrontation with the management or implying any suspicion of deception.

As captured in Table 1, the two reports diverge on a range of other issues. The SMETA report fails to capture worker statements regarding the failure to pay piece rate workers for public or annual holidays, unreported overtime above the legal limit, illegal deductions from wages, an illegal Sunday work requirement, and retention of bank ATM cards by employers. In contrast, workers' statements concerning each of these violations are recorded in the Tesco report.

Importantly, the audit summary report for Tesco scores V.K. Garment a two out of six possible points for transparency (one of the three high-level topics of evaluation), which comes with the note that there is "Little co-operation with audit process" and "Time-wasting/delaying tactics. Suspected coaching of workers for interviews. Records inconsistent possibly falsified/too

prepared [sic]." No such indications are provided in the SMETA report.

In the section on "Employee Interviews," the Tesco report states that, "Employees are afraid that if they tell the truth, they will be got [sic] impact/punishment from the facility. But they would just like the facility to provide them with the minimum wage, legally [sic] overtime payment and mandated benefits same as monthly rated and daily rated employees." No such statement by workers is captured in the SMETA report.

While Intertek auditors did not uncover all the abuses that were later revealed in press coverage and court documents, the information they *did* uncover should have raised red flags. The payroll discrepancies, apparent deception, excessive overtime and withholding of wages, intimidation, and threats documented all tick off [ILO indicators of forced labor](#). Finding these indicators in a population of vulnerable migrant workers should have been further cause for alarm. But instead of further follow-up, Intertek obscured these concerning findings—and then proceeded to take actions that supported V.K. Garment dodging accountability for their abuses.

\*Transparency:    1    2    3    4    5    6

1	Deliberate obstruction. No co-operation with audit process. Purposefully not making records available. No workers allowed for interview. False records created or records suspected to not be true.
2	Little co-operation with audit process. Time wasting / delaying tactics. Suspected coaching of workers for interviews. Records inconsistent possibly falsified / too prepared.
3	Resistance from some management with audit process. Restricted access to auditor's choice of interviewees. Records inconsistent (poor administration).
4	Management generally co-operative with audit process but isolated resistance. Records available on request. Auditor's choice of interviewees available. Workers aware of audit but not coached.
5	Management co-operative with audit process. Records available on request. Auditor's choice of interviewees available. Workers comfortable and open when interviewed.
6	Full co-operation from all personnel. Full open access to documentation and people as required by auditors. Workers comfortable and open when interviewed. Interviews with staff openly encouraged.

Figure 4: Screenshot from Tesco report scoring V.K. Garment low on transparency.

## INTERTEK'S AUDITOR ASSURANCES BETRAY WORKERS' CONFIDENTIALITY

*We had the expectation that telling the truth to the auditors would have some things to be changed [sic]: better working conditions, minimum wages and legal benefits would be paid, but it did opposite: we were fired*  
— V.K. Garment Worker

The workers' fears that there would be consequences for speaking the truth turned out to be well-founded. Factory management first summoned supervisors and [then the workers](#) who had been interviewed by the auditors into a series of meetings, threatening them and demanding to know which workers had talked to the auditor about their grievances concerning wages. Then on August 19–20, V.K. Garment management asked workers to sign first a blank sheet of paper, then the

back of their own photographs without specifying why. On August 21, factory managers asked workers to complete new applications for their jobs, telling them to leave by 4pm if they did not wish to sign these papers. 134 workers, the majority of the workforce, refused to sign as it was not clear whether they would retain their seniority.<sup>20</sup> The next day, all these workers were locked out of the factory, effectively terminating them. No legally-required severance was paid.

While workers had hoped that telling Intertek auditors the truth would improve their conditions, the lack of adequate safeguards in the auditing process instead led to these vulnerable workers losing their jobs.


F: Interviews were done in private and the confidentiality of the interview process was communicated to the workers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	สำเนาถูกต้อง 
G: In general, what was the attitude of the workers towards their workplace?	<input type="checkbox"/> Favourable <input type="checkbox"/> Non-favourable <input checked="" type="checkbox"/> Indifferent	(นางสาวรัชกร พงษ์วิทย์) นิติกรชำนาญการ
H: What was the most common worker complaint?	No common complaint reported during interview.	
I: What did the workers like the most about working at this site?	The work environment is relaxing.	
J: Any additional comment(s) regarding interviews:	Employees need more work and overtime hours to earn more income.	
K: Attitude of workers to hours worked:	They want more overtime work.	

Figure 5: Screenshot of the SMETA report showing workers were promised confidentiality as part of the audit process (Question F), a standard commitment which Intertek violated.

## INTERTEK'S DOCUMENTS DEFEND CLIENT V.K. GARMENT, SHAPE LABOR DEPT. RULING

Intertek's apparent protection of its client V.K. Garment did not stop with writing the two audit reports (the SMETA and Tesco reports) which obscured their abuses. Instead, as workers pursued legal action against their employer, Intertek provided a summary of its audits, which told yet another account of factory conditions and served to undermine the credibility of workers' testimony while violating their confidentiality.

After their dismissal, workers filed complaints against V.K. Garment with the police and the Thai Department of Labor Protection and Welfare (DLPW). There were some initial negotiations between the company, DLPW, and the workers about whether workers would return to their jobs. V.K. Garment took the position that workers had failed to show up for work since August 22 and could not return to their jobs. The company did however concede that it would compensate workers for some of the illegal deductions and return the workers' bank books and ATM cards—concessions that would seem to confirm V.K. Garment's alleged crimes.

In October 2020, 136 former V.K. Garment workers filed a complaint to the Thai DLPW alleging wage theft and abuses.<sup>21</sup> When the DLPW investigated V.K. Garment, management cited the fact that they underwent annual social audits as evidence that they could not have committed the infractions included in the workers' complaint. In response to the DLPW's investigation, Intertek directly supplied the DLPW with the

full SMETA audit reports for 2017 to 2020 and the 2020 Tesco Supplementary report, all in English. They also provided one-page summaries in Thai of each year's audit between 2017–2020, which appear to have been written specifically for DLPW. These new summaries include several troubling elements that

***“Intertek’s effort strongly suggests a deliberate attempt to undermine [Kyi’s] credibility as a plaintiff and thus the workers’ case in its entirety.”***

make it appear that Intertek essentially intervened in this case with a bias towards their client.

The summaries of the 2017, 2018, and 2019 audits all state that, “There were no issues with wages payment from document assessment and employee interviews.” The 2020 audit summary created for the DLPW goes further than the SMETA report in providing workers' accounts of at least some of the violations that were taking place at V.K. Garments, but the overarching narrative suggests that the evidence is contradictory and open to interpretation – with the suggested interpretation favoring the company and not the workers.

The summaries for the 2019 and 2020 audits both include a line stating that, “An employee named Kyi [the pseudonym Kyi is used throughout to protect the worker's identity] was



also interviewed without addressing concerns about unpaid wages and benefits.” This line stands out for several reasons. Firstly, social audit firms routinely claim that they respect workers’ confidentiality to protect them against retaliation. Naming this worker is a violation of the SMETA methodology and the commitment given to workers as part of the audit process (see Figure 4).

Secondly, none of the Intertek audit reports name any workers, meaning that Intertek took the trouble to go back and review primary records from the audit in order to produce its new summary for the DPLW. Why would Intertek go to such an effort and violate their professional norms and methodology? The worker referred to here as Kyi was one of the lead complainants in the case for back wages. This effort strongly suggests a deliberate attempt to undermine his credibility as a plaintiff and thus the workers’ case in its entirety.<sup>22</sup>

***Intertek used that veneer of credibility to cherry-pick from their findings in a way that undermined workers and flouted the confidentiality standards of their profession.***

The 2020 summary generally characterizes the workers as unreliable, noting that, “Each group of employees provided different information. Some employees said that the wages are correct as required by law but no overtime pay.” The summary describes two sets of payslips, one provided by workers and the other by management. Management’s paperwork is a green card, the size of half an A4 sheet of

paper and signed by the employer. Meanwhile, the slips provided by workers to the auditors are described as less official, noting that “The slip looks like a small piece of paper. It does not specify the name of the establishment,” undermining the credibility of the workers’ evidence. Intertek’s summary even includes the note that “Employees are afraid that if they show the slip given by the factory for each installment to the auditor during the interview, they will be in trouble and do not want the auditor to tell the factory that the employee has brought evidence for the auditor inspection.” Despite the fact that the summary includes clear testimony of management intimidation, the summary concludes only that “there is inconsistency record [sic] found between the provided payroll records and payslips provided by the employees.” Intertek’s audit summary as written for Tesco notes evidence of audit coaching as well as V.K. Garment management’s time-wasting and likely deception. Yet none of these concerns are included in the summaries supplied to the DLPW.

Intertek had presented its findings in multiple ways, leaving the DPLW with conflicting accounts:

- For the SMETA report, V.K. Garment’s non-compliances are defined as poor record keeping.
- For Tesco, there is evidence of deception and concerns raised that suggest multiple sets of records.
- For the DLPW, the summary prepared as a witness for their client V.K. Garment paints worker complainants as the ones who are deceptive, or at best unreliable, failing to include any hint of their own findings of audit interference

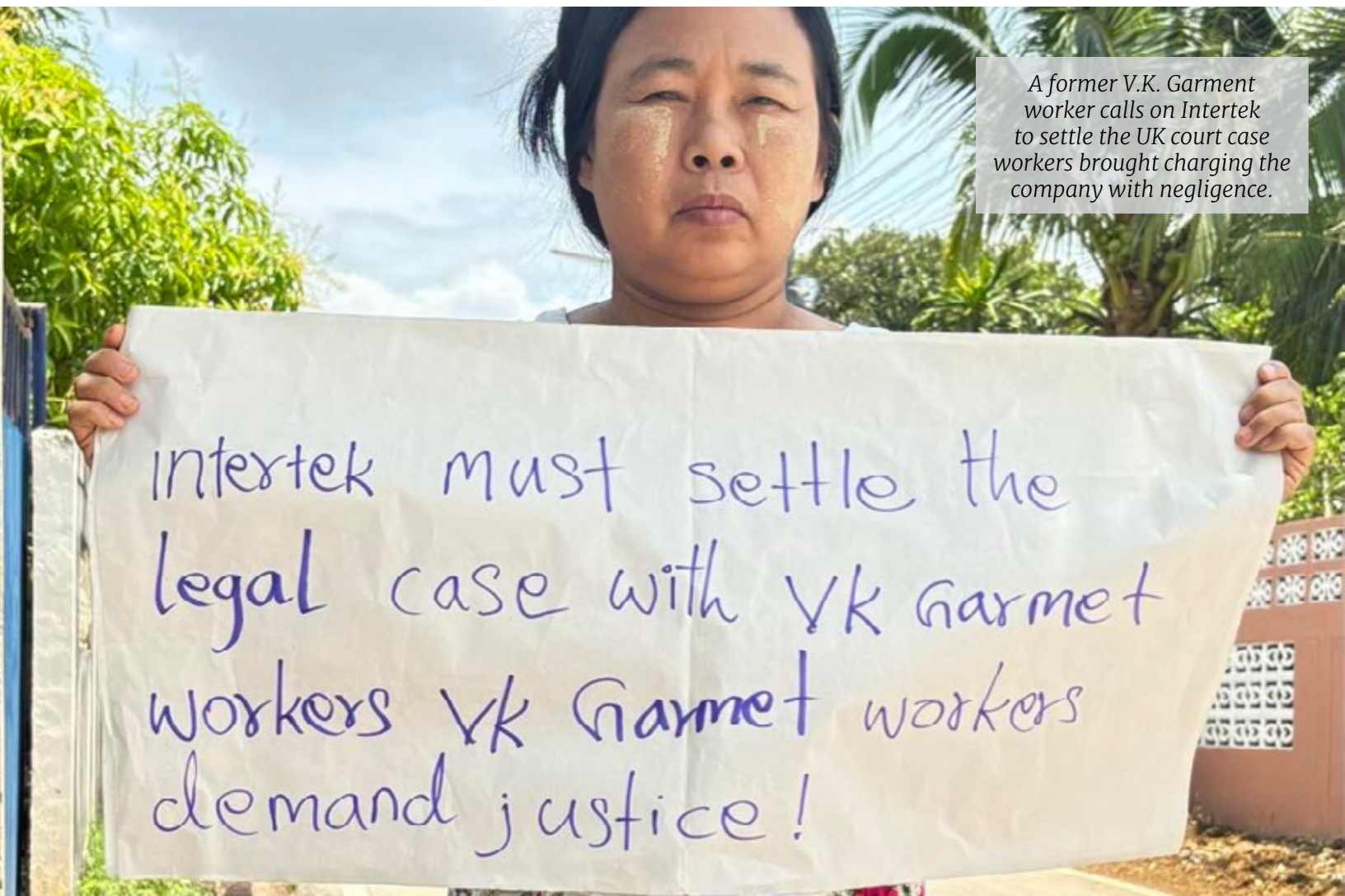
which might explain such discrepancies. This document is the only one of these reports supplied to Thai labor authorities in Thai, the native language of the DLPW investigators.

Intertek's apparent effort to shape the narrative in favor of their client paid off. The DLPW's December 2020 findings that workers were not owed for past wage theft rely heavily on the summaries provided by Intertek, pointing particularly to the points related to Kyi and the pay slips:

In the audit interview in 2019 and 2020, *the complainant Kyi stated that he was satisfied [sic] with the wages without talking about overdue wages and benefits.* Interviews in 2019 audit indicated that the employer had a salary

slip in Burmese, with the only social security deduction for the remittance to the Social Security Fund. Salary slip some employees showed to the auditors in 2020 were cut into thin strips and anonymous. They did not indicate the company's name. The salary strips indicated worker's name, wage, and social security deduction without any information available in Burmese language, corresponding to the employees' testimony. *herefore, employee's statement was unreliable. [emphasis added].*

The DLPW's findings regarding the other charges<sup>23</sup> against V.K. Garment echo the language above, naming Intertek's reporting as "credible." However, the DLPW did rule that workers were owed some severance pay due to the hasty termination of their employment.



A former V.K. Garment worker calls on Intertek to settle the UK court case workers brought charging the company with negligence.

## INTERTEK SWAYS THAI LABOR COURT TO RULE AGAINST WORKERS

V.K. Garment failed to abide by even the limited findings of the DLPW. Instead, it appealed the DLPW's ruling in Thai Labor court. While the Court ruled that workers were owed some additional severance pay, overall, the authority of Intertek's pronouncement that workers are "unreliable" continued to prevail.<sup>24</sup>

***Despite this clear evidence of audit coaching and threats of retaliation, the court's ruling continues to point to Intertek's telling of these clearly coerced statements as "reliable" and workers' evidence as "unreliable."***

The court ruling includes testimony describing the threats made by V.K. Garment's management:

The employees would have to sign documents for receiving wages before the audit company came for inspection only. All interpleaders [workers] had to testify to the audit company that they were paid at the minimum wage rate and were paid for overtime pay, working on statutory holidays and they had to sign the documents for receiving wages according to the amount equal to the minimum wage rate and the law because the [company's] staff said that if they did not answer the auditor that way, everyone would not have a job. The customer would not place any orders. All interpleaders [workers] were afraid of having no work and therefore had to comply.

Despite this clear evidence of audit coaching and threats of retaliation, the court's ruling continues to point to Intertek's telling of these clearly coerced statements as "reliable" and workers' evidence as "unreliable."

"Even though one hundred thirty-six interpleaders attested that they were paid lower than the minimum wage rate and signed the payment document for the audit company because they believed the [company's] staff, who stated that if they did not sign, they would not have any work to do, *but such evidence was not reliable*. If all interpleaders were not paid in full, they were likely to argue or refuse to sign the wage payment documents. Therefore, it could be said, according to the wage payment document, that the interpleaders had been paid not less than the minimum wage rate." [emphasis added]

Like the DPLW decision, the court ruling explicitly calls out the worker Kyi, who is named in the Intertek summary written for DPLW, as evidence that workers' claims are unreliable: "There was an interview with the 10th interpleader who gave the facts to the audit company that he was satisfied with the wages he received and did not report any unpaid wages or benefits problems."<sup>25</sup>

Once again, Intertek's characterization of Kyi and the other workers as "unreliable" continued to shape the court's ruling, which clearly borrows language from Intertek's report summaries. Intertek's framing continued to follow workers through



subsequent appeals, with the court using the same language again in September 2022 to deny workers' claims for justice. This evidence shows the power of the audit firm's report as a neutral, credible source, ignoring the reality that V.K.

Garment was Intertek's client. Intertek used that veneer of credibility to cherry-pick from their findings in a way that undermined workers and flouted the confidentiality standards of their profession.<sup>26</sup>

## WORKERS CHARGE INTERTEK, TESCO WITH NEGLIGENCE IN UK COURTS

V.K. Garment has failed to make any payments to the plaintiffs, in spite of the DPLW and Labor Court order to pay a total of 6,820,380 THB for 134 workers, with 15% interest for each year since August 2020.<sup>27</sup> With the Thai court cases dragging on and failing to bring relief, workers eventually pursued their case with those at the top of the supply chain. In December 2022, 130 former workers plus a young girl who had been raped in the worker housing at V.K. Garment brought an historic and unprecedented lawsuit in English courts.<sup>28</sup> The workers' case charges both Tesco and Intertek, as well as their Thai subsidiaries, with [negligence](#) "for failing to identify and/or report the unlawful working and housing conditions, causing injury to the workers."

Through the press, [Tesco has commented](#) on the ongoing legal action by pointing to the "robust auditing process in place across our supply chain and the communities where we

operate" as the means to "uphold our stringent human rights standards." There is a [strong consensus across the business and human rights community](#) that auditing is inadequate to fulfill a company's human rights obligations. Yet despite that growing consensus, brands continue to point to audit results as proof that they are taking action.

***There is no evidence that Intertek made any effort to further investigate the non-compliances found by their auditors.***

There is no evidence that Intertek made any effort to further investigate the non-compliances found by their auditors. And, nearly five years and counting after their termination, the workers of V.K. Garment have yet to receive any actual remedy for their stolen wages or the conditions of "apparent forced labor."

# CONCLUSION: INTERTEK ACTIVELY UNDERMINED WORKERS' CASE FOR COMPENSATION TO PROTECT CLIENT V.K.GARMENT

The case of V.K. Garment shows three distinct ways in which an audit firm harmed workers. First, Intertek's apparent negligence and failure to address the factory's risk factors helped V.K. Garment conceal egregious labor rights violations from auditors for three years. When the abuses were finally documented, it was because workers made a deliberate decision to risk speaking out, not because Intertek had improved its methodology or practices.

Secondly, when workers *did* tell auditors about systemic and widespread violations of their rights, Intertek buried those findings in a report for its client, while writing a SMETA report for their client V.K. Garment which omitted or obfuscated the key violations.

Finally, when workers first took their case to the Thai labor authorities, Intertek's interventions appear to be tailored to undermine the workers' case by selectively providing data and violating confidentiality to make a worker complainant appear unreliable. The DLPW appears to have taken the audit firm's characterization as definitive and workers were granted only a fraction of their claims. Subsequent court rulings continued to follow the initial DLPW ruling and the language and narrative initially shaped by Intertek.

Despite the ongoing legal challenges, Tesco remains a member of both [ETI](#) and [Sedex](#). Indeed, ETI recently hired as their executive director [the man who was responsible for Tesco's sustainability and human rights commitments during the period in which Tesco sourced from VK Garments](#).

As noted earlier, neither ETI nor Sedex requires compliance or remediation of violations by members. [ETI's base code specifically limits who can bring complaints against ETI members](#) such as Tesco, requiring that complaints must go through an ETI member organization. In short, while brands point to their membership in these multi-stakeholder initiatives as evidence of their ethical commitments, in practice, they do not provide meaningful access to remedy for workers. If the premise is that social auditing is supposed to provide information that enables companies to do better and to allow multi-stakeholder initiatives (MSIs) to provide some form of framework for action or accountability, then the case of V.K.Garment shows just how thoroughly this model of corporate self-regulation has failed.

Social auditing and MSIs have built a parallel system of corporate-friendly soft law to regulate supply chains. This case demonstrates that not only is this system failing to protect workers, the evidence documented here shows

*If the premise is that social auditing is supposed to provide information that enables companies to do better and to allow multi-stakeholder initiatives to provide some form of framework for action or accountability, then the case of V.K. Garment shows just how thoroughly this model of corporate self-regulation has failed.*



Former V.K. Garment workers call on Tesco and Intertek to settle the UK court case brought by workers.

Intertek's actions have an effect that goes beyond negligence. Instead, their audit reports serve to uphold the company's case by discrediting the workers as "unreliable."

A disclaimer on the SMETA report states, "The ownership of this report remains with the party who has paid for the audit. Release permission must be provided by the owner prior

to release to any third parties." That party is V.K. Garment – and this case underscores the primacy of the client-contractor relationship, one that would seem to trump both accuracy and either companies' human rights obligations. It remains to be seen how the U.K. courts will rule in this case; it has the potential to set an historic precedent for corporate accountability by finding audit firms liable for their findings.



## INTERTEK: BACKGROUND

Intertek Group is a publicly traded company based in London. They are one of the [largest product testing firms in the world](#), doing lab testing, safety testing, and quality assurance, in addition to social auditing. Intertek expanded their social auditing capacity in 2022 with the acquisition of [troubled audit firm SAI Global Assurance](#). Intertek's 2024 financial reporting for the first half of the year lays out the company's priorities: grow through mergers and acquisitions and become more profitable, aiming for a 17.5% margin. For 2025, [Intertek increased that goal to 18.5%](#), citing in part growth potential for their "Corporate Assurance" products, the sort of risk management services examined in this report.

Intertek aims to pay out 65% of earnings to shareholders, "[in recognition of our highly cash generative earnings model](#)." In short, the emphasis on cost reductions, operational streamlining and growth sound quite similar to most business' priorities where the emphasis is on running a "customer-centric" profitable business that rewards shareholders. There is no mention of rightsholders or workers, nor on their actual track record of managing risk for customers. Intertek's past track record reveals a history that includes multiple fraud convictions for falsifying test results for their clients, underscoring whose interests that "customer-centric" commitment serves.

### *Intertek's Track Record*

- **Shein, China**

Ultra-fast-fashion giant Shein came under fire for [dangerous working conditions](#) in supplier factories, including [18-hour shifts, low piece rate pay, and multiple violations of Chinese labor law](#). As part of their [multi-million dollar response, which was largely focused on PR](#), Shein commissioned Intertek, along with SGS and TÜV Rheinland to audit 150 suppliers. The published results, as the [NGO Public Eye points out](#), fail to offer the context needed to be meaningful, posting *average* wage information without any nod to hours worked or any notation of what the lowest-paid workers took home. A [follow-up investigation](#) found that working conditions had not changed.

- **Brightway Holdings, Malaysia**

Intertek audited Malaysian latex glove manufacturer Brightway Holdings just 19 months before labor inspectors found migrant workers trapped in squalid conditions that the country's human resources minister dubbed "modern slavery." [Intertek's audit reports](#) detailed "61 violations of global ethical standards and checked boxes for 50 violations of Malaysian labour laws" [according to Reuters](#). Subsequent investigations by U.S. Customs and Border Protection (CBP) found conditions that checked off multiple ILO indicators of forced labor. Nonetheless, the executive summaries of the three audit reports that Intertek prepared stated authoritatively that "There is no forced, bonded or

involuntary prison labour hired in this facility.” It was this executive summary that Brightway officials pointed to as defense against the CBP investigations.

- **State-sponsored Forced Labor, Fishing Industry, China**

Investigations into the Chinese fishing industry by [the Outlaw Ocean Project](#) have uncovered evidence of state-sponsored forced labor at at least [13 facilities audited by Intertek](#). Intertek audited these facilities for compliance with the Marine Stewardship Council (MSC) standard, a standard which is widely used by U.S. retailers to attest to the ethics of their seafood. Intertek’s response to the reporting relies on semantic distinctions between a chain of custody audit and a social audit—a distinction without a difference to buyers. Indeed, when confronted with the reporting, one buyer defended themselves against the Outlaw Ocean Project’s findings saying, “This [MSC] [standard guarantees compliance with social standards](#), including the absence of forced labor.” In addition to the great potential for greenwashing, this case underscores the lack of due diligence taken by the audit firm. [MSC’s standards point to conviction on a forced labor charge](#) as the definitive bar for exclusion—a standard which would exclude most instances of this hard-to-prosecute human rights violation. Further, this standard is meaningless when applied to the context of state-sponsored forced labor, [which is well-documented in China](#). By choosing to perform audits in this environment, Intertek again appears to prioritize commercial interests over human rights obligations.


- **Monsanto/Bayer, United States**

Intertek was a key player in “[The Monsanto Papers](#),” the name given to the pharmaceutical giant now owned by Bayer’s efforts to combat the [World Health Organization’s ruling that the pesticide glyphosate is a likely carcinogen](#). Monsanto hired Intertek to convene four “[independent panels of experts](#)” to write and submit articles to peer-reviewed scientific journals claiming that glyphosate is not carcinogenic. [Emails obtained through subsequent lawsuits show Intertek working closely with Monsanto officials](#), allowing them to edit the supposedly independently-authored papers and even [ghostwrite the material](#). These [documents have been cited in U.S. and Canadian regulators’ decisions to approve glyphosate](#) as “safe” against the findings of independent scientific research.

- **Samsung Suppliers, China**

Watchdog China Labor Watch exposed that [Intertek auditors were alleged to have taken bribes to overlook widespread child labor and worker rights abuses](#) in Samsung supplier factories. A confidential informant had supplied information on the bribery to the watchdog, and, on the condition of anonymity, to Intertek, with the presumption that it would help them address their internal issues. Instead, [as a subsequent lawsuit reveals](#), Intertek revealed the name of the confidential informant, putting him in danger of retaliation from bosses as well as organized crime for speaking out.



A woman with dark hair tied in a bun stands outdoors, holding a large white sign. She is wearing a blue and white checkered shirt over a black top with circular patterns, and a black and white plaid skirt. The background shows a dirt path, a concrete wall, and trees.

VK Garment workers  
demand justice!

*A former V.K. Garment  
worker calls for justice.*



- **Chiquita, Colombia**

Intertek is one of the auditors who verified [Chiquita's Colombian banana operations as compliant with both SA8000](#) standards in 2003, standards which include freedom of association and other basic human rights standards. As later [court records and investigations reveal](#), Chiquita was simultaneously paying the violent paramilitary group Autodefensas Unidas de Colombia (AUC) to violently crush union organizers. Per court documents, "Chiquita also used the AUC to resolve complaints and problems with banana workers and labor unions. Among other things, when individual banana workers became 'security problems,' Chiquita notified the AUC, which responded to the company's instructions by executing the individual. According to AUC leaders, a large number of people were executed on Chiquita's instructions in the Santa Marta region."

- **Federal Superfund Sites, United States**

Intertek's Texas branch was fined \$9 million over fraudulent environmental testing by the United States Environmental Protection Agency (EPA). [Intertek tested over 100,000 air, soil, and water samples on approximately 59,000 sites](#), including Superfund locations, landfills, and other hazardous waste sites. The indictment accused the company of putting the public at risk by falsifying the test results which government regulators relied on to assess the progress of cleanup and concealing the possible presence of harmful chemicals, carcinogens, etc. Thirteen workers, managers, and executives were initially charged, with five found guilty in what government officials called it "[the largest case of fraud in environmental testing in U.S. history](#)." An EPA official is quoted as saying, "[any company relying solely on environmental tests performed by Intertek is leaning on a broken reed](#)."

- **Environmental Protection Agency, United States**

A [New Jersey-based subsidiary of Intertek was fined \\$1,000,000 dollars](#) for falsifying test results on gasoline. These falsified tests allowed Intertek's clients to make it look like the gasoline they were selling met EPA standards for cleaner-burning fuel when it did not. The president of the subsidiary pleaded guilty to conspiring to mislead investigators and encouraging employees to alter test results over the course of nine years.

# CONCLUSION & RECOMMENDATIONS

**S**ocial auditing is a central pillar of the system of corporate self-regulation, often called Corporate Social Responsibility (CSR), that has been developed and refined in supply chains over the past four decades. In that time, investigative journalists, academic researchers, and civil society groups have published exposé after exposé revealing gross violations of human and labor rights in farms, fields, and factories that have been “certified” to meet various ethical standards. The certifiers and brands, often the recognizable names and labels that go on products in the store, have taken much of the heat for the ensuing scandals—and deservedly so. However, the audit firms who have overlooked or ignored those abuses are now getting more attention for their role.

The current CSR regime was developed in large part by corporations as an alternative to government regulation. The vast web of Multi-Stakeholder Initiatives (MSIs) that currently exist were developed as part of this and also to address what has been dubbed the “global governance gap or, “the lack of

consistent rules and lack of enforcement as multinational corporations supply chains span the globe.”<sup>29</sup> While the problem is real, it is increasingly clear that corporate social responsibility and social auditing are false solutions.

The three case studies in this report highlight the fundamental flaws in the social auditing model that allow human rights abuses to prevail unremediated and further corporate impunity for those abuses. In each case, an independent, worker-focused investigation had already established facts in the case; the participation of social audit firms served to confuse or obfuscate the facts of the case and allow companies to delay or deny workers access to remedy—hardly a rights-respecting outcome.

Taken together, these trends paint a concerning picture in which human rights protections in workplaces and supply chains are further weakened and enforcement further privatized. The result: more corporate impunity and less money and power for working people.



*Indonesian garment workers join a global day of action in solidarity with Hulu Garment workers.*

## KEY THEMES AND FINDINGS:

- **Conflicts of interest are built into the social auditing model, especially when suppliers pay for the audits.**
  - While audit reports are treated as impartial and even definitive findings, case studies demonstrate how the client relationship helps shape findings.
  - Intertek's creation of special summaries of audit findings to discredit worker testimony in a court of law is an extreme example of this structure.
  - Audit reports are the property of the client, with availability of the information depending on what that client chooses to release. This structure privileges the client relationship over transparency.
- **Transparency is a key building block of corporate accountability and access to remedy (as articulated in the UNGPs). Yet the social audit industry by and large lacks transparency.**
  - The scope, terms of inquiry, and methodology of a social audit are often not disclosed, making it difficult for workers, advocates, investors, or the general public to understand the context of any findings.
  - As noted above, audit reports are considered the property of the client who paid for them. This means that workers and civil society organizations are routinely denied access to vital information, even when it concerns a worker's own workplace. While audit reports are often withheld in the alleged interest of confidentiality, there are examples of investigative bodies who publish audit report summaries which contain the salient facts of a case and protect workers' identities. In this report, we see the worst examples of both ends of this spectrum, with firms keeping the terms and findings of an investigation confidential (ELEVATE) and violating confidentiality and opening workers up to harm (Intertek).
- **The methodology of audit firms appears better suited to rubber stamping the status quo instead of uncovering new information or deciphering workplace power dynamics.**
  - In each of the cases in this report, the audit firms consistently advance convoluted explanations to justify management/their client's actions, proposing preposterous explanations for why low-wage workers would opt to forgo pay, for example.
  - In two of the cases in this report (Hong Seng Knitting and V.K.Garment), audit firms and the FLA investigator all note evidence of management coercion or threats of retaliation yet ultimately conclude that workers were able to freely consent and that their testimony was not impacted.
  - Despite positioning themselves as advisors to businesses on human rights issues, audit firms routinely fail to identify or address the salient human rights risks in a specific case. The coercion of low-wage migrant



workers, for example, is a recurring theme in these case studies. Auditors' methodology and analysis routinely underestimates the power of management in these cases.

- **Auditors continue to use methodology which has been discredited by research or is at high risk of failing to detect abuses or cause harm to workers. Examples include:**
  - Overreliance on announced or semi-announced audits.
  - Interviewing workers onsite and in situations where their confidentiality is at risk.
  - Suppliers paying for their own audits, incentivizing a client relationship vs. independent fact-finding.
- **Audit firms are also businesses—and are failing to fulfill their obligations to adequately assess and address the consequences of their business practices or to ensure access to remedy.**
  - Despite, or even owing in part to the sums of money spent on the social auditing industry, low-wage workers in global supply chains continue to rely on pressure campaigns and the support of civil society organizations around the globe to receive remedy, including payment of wages and terminal benefits owed.
  - In each of the cases in this report, audit firms have enabled companies to delay addressing wage theft and other abuses. While workers clearly have an interest in resolving cases swiftly, companies and audit firms do not.
- **While industry practices are evolving to use the language of “beyond audits,” so far these pivots are not changing the status quo in which international pressure campaigns are required to get brands to fulfill human rights obligations.**
- **Without binding agreements, all social audit recommendations are merely recommendations. There are no requirements for remediation.**

The case studies in this report, and the building consensus across research in the field of business and human rights points to the conclusion that the social auditing industry is fundamentally and structurally flawed. The recommendations below are suggestions for a social auditing industry that is more rights-respecting, but they do not supplant the need for comprehensive worker-driven, legally-binding and enforceable protections as the gold standard for ensuring human rights protections in supply chains.

## RECOMMENDATIONS:

- Superficial audits must be replaced by independent and rigorous inspection and verification. Inspectors should operate independently of financial control and influence by buyers or workplaces. Social audit firms should not be for-profit entities, and should not have a client relationship with the companies they audit, reducing the financial incentives for cost-cutting and superficial audit findings to please clients.
- Audits are not adequate for compliance with company obligations under the CSDDD.
- Social audit firms should have clear red lines in which they will not engage in audits, for example, in situations where there is a high likelihood of state-sponsored forced labor.
- More attention should be paid to the role of private equity in the auditing industry – including conflicts of interest and cost-cutting pressures.
- Workers and their legitimate representative organizations should have a decisive say in any programs intended to benefit them. This should include priorities, design, monitoring and enforcement of any initiative aiming to protect workers' rights, and any accompanying inspection program. Such a program should include measurable outcomes and time-bound remedies and be backed by legally-binding enforceable agreements to ensure compliance.
- Workers and their legitimate representatives should be allowed to attend inspections.
- Inspections should be carried out in a manner that protects workers and their representatives from retaliation or influence of management. All inspectors should have both local language and cultural competency relative to the context of the local labor force.
- Inspection reports and any corrective action plans/remediation progress reporting should be transparent and publicly available, with an especial focus on access for rightsholders and their organizations. The current system in which reports are considered the property of the entity who paid for the audit (generally the supplier) disincentivizes accountability and perpetuates “audit fatigue” when each entity commissions its own audit or report.
- Develop and implement mechanisms to sanction auditing firms whose auditing practices are not in-line with the social compliance initiatives' own guidelines or who repeatedly oversee or under-report violations.

# ENDNOTES

- 1 See for example SOMO's briefing paper "[A Piece, Not a Proxy](#)."
- 2 This report also names New Balance and Amer Sports in addition to Nike as they were also named as buyers from Hong Seng in the [WRC's investigation published in April 2021](#). This investigation, and subsequent student campaigning, has focused on Nike as the factory produced collegiate apparel for Nike, but not for the other named brands. The WRC is an independent investigative organization that includes [more than 150 affiliated colleges and universities](#).
- 3 As of 2025, Nike no longer sources from Hong Seng Knitting but it does source from Cassia Garments, a joint venture with Singaporean firm Ramatex (one of Nike's top suppliers) which is located on the same property as Hong Seng Knitting and employs many former Hong Seng employees, although the combined workforce is approximately half of what it was at the time of the case chronicled here. See footnote 2 above regarding other brands who manufactured at Hong Seng Knitting.
- 4 These trends have been documented by the [U.S. State Department](#) as well as [Human Rights Watch](#).
- 5 Nike did grant that [Hong Seng's Facebook post](#) from May 27, 2020 could be viewed as a threat of retaliation and they claimed to have addressed it with the company. As of this writing in May 2025, the post remains on Facebook.
- 6 During this period, a group of workers submitted a complaint to the DLPW. Due to fear and intimidation, several workers withdrew their complaints, with just one worker pursuing his complaint until the final ruling cited here. Some investigations into this case have argued that this finding is to be very narrowly interpreted as only applying to the one worker who persevered, a position which would appear to endorse coercion and intimidation as acceptable means of reducing an employer's responsibilities.
- 7 The [ILO guidance](#) states in part, "As they take place in living quarters, the respondents are likely to feel freer to talk about their work experience than they would at their workplace in the presence of their employer or work colleagues." (42). Further, "The fact that the employer knows that a survey is taking place may create a climate of fear and suspicion, and workers may be threatened or face possible retaliation for participating in it." (45).
- 8 See for example: "However, after the manager called all the workers who refused to sign into the office several times in a single day to convince them, some eventually agreed to sign. Among the nine workers interviewed, only one described the manager's manner during these meetings as highly confrontational and intimidating. In addition to threats of termination, the manager displayed anger, shouted loudly, and even banged on the table to instill fear. Despite these coercive behaviors, this worker remained steadfast in refusing to sign. Apart from this one worker, the remaining eight workers described the situation differently. They confirmed that the atmosphere was not confrontational or intimidating. The managers simply tried to convince them by saying that others had already signed and repeatedly asked them to do the same. The manager used some techniques which separate workers into groups and with a smaller group they can convince some to sign. However, all of the interviewed workers said they were not convinced and remained steadfast in their refusal to sign. None of them expressed fear of punishment or termination, as they believed it was their right to refuse." (30-31)
- 9 The three categories of terminal compensation (severance pay) mandated under Cambodian law in this case are notice pay, seniority indemnity, and economic damages, [as detailed by the WRC](#).
- 10 Human Rights Watch includes a detailed comparison of FDC vs UDCs in their report, "[Only Instant Noodle Unions Survive: Union Busting in Cambodia's Garment and Tourism Sectors](#)."
- 11 If a contract of unspecified duration replaces a contract of specified duration upon the latter's expiration, the employment seniority of the worker is calculated by including periods of the both contracts", in Labor Law of Cambodia, Article 73, <https://www.khmeronlinejobs.com/labor-law-cambodia-chapter-IV>
- 12 As discussed in greater detail in the Hong Seng case study, several of the UNGPs enunciate a brand's responsibilities, including [Guiding Principle 22](#) that states "Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes." Amazon's own "[Global Human Rights Principles](#)" explicitly mention the UNGPs, as well as ILO Conventions and the UN Universal Declaration of Human Rights.
- 13 Per Sime Darby's 2021 sustainability report, Nixon Peabody, Impactt Limited, PricewaterhouseCoopers, Ernst and Young, and other individuals. In [an op-ed, Liberty Shared raised concerns](#) about conflicts of interest between several of these consultants and Sime Darby's operations.
- 14 Copies of Intertek's SMETA audits and the Tesco Summary report are on file at Partners for Dignity and Rights.



15 Ek-Chai Distribution System Co. Ltd, operated under the name Tesco Lotus. Ek-Chai was owned by Tesco Plc's subsidiary Tesco Stores Limited (Thailand - "Tesco Thailand"), until [Tesco sold Tesco Thailand in December 2020](#). This sale was initiated shortly after V.K. Garment workers brought their case to Thai labor authorities. The timing of the sale, and Tesco's subsequent conduct, gives the appearance of trying to distance itself from the issues instead of ensuring that workers received adequate remedy. F&F brand remains under Tesco plc.

16 While a full comparison between the ETI base code and ILO Conventions is beyond the scope of this report it is worth noting that in critical instances, the ETI base code falls short of ILO Conventions. As an example, while many ethical standards note child labor as a zero tolerance issue, the ETI base code does not, emphasizing instead "no new recruitment" and support for programs that would move youth into school. See <https://www.ethicaltrade.org/eti-base-code/4-child-labour-shall-not-be-used>

17 The text of the guidance from SMETA reads, "[SMETA] does not mandate any level of conformance for business relationships to continue, neither does Sedex require suppliers to fully conform with the standards as a condition of membership."

18 The authors have reviewed documentation provided to the Thai Labour Court and the DLPW, which includes multiple summaries of the July 2020 audit and documentation apparently prepared specifically for the Thai labor authorities. This documentation is on file at Partners for Dignity and Rights.

19 An investigation by the the Department of Labor Protection and Welfare (DLPW) later confirmed that workers' bank accounts and ATM cards were kept by V.K. Garment. Minutes from a meeting between workers and V.K. Garment management at the DLPW from October 1, 2020 show that V.K. Garment agreed to return the bank accounts and ATM card to 84 workers.

20 Under Thai law, workers are entitled to severance pay, which is calculated based on the duration of employment. If these new contracts restarted workers' terms of employment, they would lose out on potentially significant amounts of money.

21 The group included all 134 who were terminated in August 2020 and an additional two workers who had left the factory in early 2020. Per the WRC's review of court documents, the terminated workers' complaint "claim[ed] compensation for two years' underpaid wages, wage on traditional holidays, overtime pay, traditional holiday pay, weekly rest day pay, severance pay and pay in lieu of advance notice, amounting to THB 34,395,803.13 (USD 996,662)."

22 The worker in question was interviewed by Intertek in 2019 and 2020, and was not among the group of workers who had decided to provide truthful testimony to Intertek in 2020. In confidential conversation, he later shared that, like most workers in previous years, he had previously been intimidated into telling auditors that he received the minimum wage because of the fear that a bad audit could lead to the factory's closure. This latter threat was made regularly by the factory's managers to workers.

23 The workers' full complaint submitted to the DLPW charged V.K. Garments with the following: "...your company has dismissed workers and did not pay the wages, off-day pays, holidays pays, traditional holiday pays, overtime pays, compensations, and a compensation in lieu of giving an advance notice, with fifteen percent interest per annum after the default of payment." The DLPW ruled that V.K. Garment owed the 134 workers a total of THB 5,204,430 (\$150,805) for severance in lieu of notice but denied the other claims.

24 The court ruled that workers were owed an additional THB 6,820,380 (\$197,629)(plus interest) in severance, still well short of the workers' initial claims. Both the DLPW and the labor court rejected workers' claims for unpaid wages, holiday pay, or overtime pay.

25 Kyi is the 10th plaintiff in the case.

26 The SMETA reports include a box that was checked noting that all information from interviews would be kept confidential, a safeguard that is common practice to ensure that workers will speak freely to auditors. ISO 17021, the standard regarding "[Conformity assessment — Requirements for bodies providing audit and certification of management systems](#)" includes requirements for confidentiality (section 8.4).

27 6,820,380 THB for 134 workers, with 15% interest for each year since August 2020.

28 While the housing was not owned by V.K. Garment, management strongly recommended that workers stay in the inadequate onsite housing. The young girl was raped while her mother was working unpaid overtime until late in the night, as documented by [The Guardian](#).

29 For an in-depth examination of the role of standards-setting MSIs in global governance, see the results of MSI Integrity's report, [Not Fit for Purpose](#).



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