



Sysco CEO Kevin Hourican said his company is stepping up its probe of the use of forced labor in its seafood supply chain. Photo: Sysco

Sysco expanding probe of Chinese processors linked to forced-labor scandal

"Our agreement with our auditing partner is that critical findings, such as child or forced labor, will be escalated to Sysco personnel directly," the company's CEO said in a letter.

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By [Rachel Sapin](#) 

US broadline distribution giant Sysco, which has terminated its contract and relationship with China-based processing plant Shandong Haidu following an investigation that linked the processor to forced labor, said it is now looking to cut ties with other seafood suppliers implicated in the scandal.

Sysco CEO Kevin Hourican said in a letter to California Democratic lawmaker Jared Huffman's office on Jan. 5 that the company is now "surveying its non-Sysco brand seafood suppliers to identify whether they have relationships with the Chishan Group or other processors named in the Ocean Outlaw report."

THE POWER OF SYSCO

Sysco, the largest broadline distributor in the United States, posted revenue for the 12 months ending September 30, 2023 of \$76.8 billion. Seafood accounted for 4 percent, or \$3 billion, of its sales in 2023, the company said in its annual report.

It supplies a majority of restaurants throughout the United States with a broad array of food and other items.

"Sysco will cease purchasing any items traced back to the Chishan Group," the company said of its current investigation.

Sysco's actions follow a sweeping investigation from the nonprofit Outlaw Ocean Project that implicated the Chishan Group, its fishing fleet and associated processing plants, including Rongcheng Haibo and Shandong Haidu, in the use of forced labor of Uyghurs and other ethnic minorities from Xinjiang, China.

The Outlaw Ocean Project connected Sysco to at least 20 vessels and six processors and at least three buyers

connected to the alleged forced labor in China. It remains unclear whether Sysco will cut ties with Ruggiero Seafood, which Outlaw Ocean linked as a supplier to Sysco that allegedly uses Rongcheng Haibo.

"As indicated in previous discussions, Sysco terminated its business relationship with Shandong Haidu on December 14, 2023," the CEO said in his reply to the lawmaker in January. "Sysco does not have a direct relationship to produce Sysco brand products with Rongcheng Haibo or the other processors mentioned in Outlaw Ocean's reporting."

On Tuesday Huffman's office sent a letter to US President Joe Biden stating concern over the company still being "connected to the Chishan Group and one of their seafood processors Rongcheng Haibo."

Huffman's office said Shandong Haidu and Rongcheng Haibo collectively handle 30 percent of China's squid production and contribute to 17 percent of squid exported to the United States.

"Sysco Corporation must be held accountable for severing all ties with the Chishan Group and many other players in their supply chain tied to illegal, unreported, and unregulated (IUU) fishing and forced labor, to ensure their entire seafood supply chain is untainted," Huffman said. "While Sysco Corporation is not the only company implicated, its ties are of particular concern to us, as the United States government holds substantial contracts with Sysco Corporation. "

"We urge the Biden administration to demand that Sysco Corporation immediately sever all ties with the Chishan group and commit to improved practices," Huffman said. He said the government should otherwise terminate its relationship with Sysco.

The letter was signed by several lawmakers, including Alaska Democratic Representative Mary Peltola.

Audits under scrutiny

Sysco emphasized in its January that its third-party auditor "conducts annual audits that include reviewing documentation, holding private interviews with employees away from their managers and completing other facility inspections."

"Our agreement with our auditing partner is that critical findings such as child or forced labor will be escalated to Sysco personnel directly," the company's CEO said in the letter.

He added there would be "serious consequences to suppliers if an audit finds critical issues, including suspending or cancelling an agreement to pack Sysco-branded products."

In fiscal year 2023, the company said its third-party audit provider conducted 184 audits in 21 countries, including 32 initial audits of new and approved supplier facilities. Sysco's third-party audit firm conducted three audits at the Shandong Haidu facility between 2021 and 2023, it said.

How well third-party audits work when it comes to identifying forced labor in the seafood supply chain has come under intense scrutiny in recent months.

Huffman in his December letter pointed to issues with Sysco's auditing process of its plants through the third-party independent auditor Underwriter Laboratories (UL).

"It is concerning to us that following this request, UL engaged in multiple delay tactics, and as Sysco said during the meeting, UL ultimately said they were unwilling to audit because of what they are seeing with their 'auditors getting intense scrutiny,' implying that it was the Chinese government that had been applying the pressure," Huffman said.

"Based on this, it appears to us that UL and other auditors are likely not checking for the presence of forced labor from regions like Xinjiang or North Korea."

Sustainable seafood certification program the Marine Stewardship Council (MSC), which introduced its first labor standard in 2014, itself acknowledged its social audits that show certified companies do not use forced or child labor have "significant limitations," when confronted by Outlaw Oceans on the findings at MSC-certified processors in China.

Huffman is one of several US lawmakers who are looking closely at seafood imports from China, pointing to what they say is a growing problem with forced labor as well as illegal fishing connected to products that are being sold in the the United States. (Copyright)

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