



BEYOND COMPLIANCE: EFFECTIVE REPORTING UNDER THE MODERN SLAVERY ACT

A civil society guide for commercial organisations on the transparency in supply chains clause



CONTENTS

About this guidance	3
Introduction	4
1. Why should businesses be concerned with modern slavery?	5
2. Summary of recommended priority actions	7
3. Understanding the risks	9
4. Addressing the risks	12
a. Policy development	
b. Human rights due diligence	
c. External and internal consultation	
d. Procedures for reporting suspected and identified slavery and forced labour	
5. The Slavery and Human Trafficking Statement	20
a. Structure of the statement	
b. Sign-off and publication	
c. Update and review	
6. Further information	26

ABOUT THIS GUIDE

This document has been prepared by CORE, with contributions from Amnesty International UK, Anti-Slavery International, CAFOD, Focus on Labour Exploitation (FLEX), Know the Chain, Quakers in Britain, ShareAction, Traidcraft and Unicef UK, and is supported by Dalit Freedom Network UK, ECPAT UK, Walk Free and Unseen. The guidance is intended to share initial thinking around how the provisions on transparency in supply chains in the Modern Slavery Act 2015 can be used to drive positive change and help prevent slavery and forced labour from occurring. It aims to complement the statutory Home Office guidance.¹

This guidance will evolve over time and as companies report under the Act, it will be updated to reflect leading practice. We welcome feedback and responses from businesses and others on this guidance; please contact us using the form at <http://corporate-responsibility.org/contact/>

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INTRODUCTION

The presence of slavery and forced labour in the operations and supply chains of many businesses internationally and in the UK is a grave problem. As NGOs, we campaigned for the Modern Slavery Act 2015 to require businesses to report on what they are doing to address slavery because we believe that a minimum standard established in law provides clarity to business and prevents good practice from being undermined by less responsible companies. Section 54 of the Act, 'Transparency in Supply Chains' (TISC) requires every organisation carrying on a business in the UK with a total annual turnover of £36m or more to produce a slavery and human trafficking statement for each financial year of the organisation. Organisations are required to publish this statement on their website and must include a link to the statement in a prominent place on the website's homepage.

In her Foreword to the Home Office's practical guide on the supply chain reporting requirement, the Home Secretary Theresa May leaves no room for doubt about the obligation on commercial organisations to address the issue:

"It is not acceptable for any organisation to say, in the twenty-first century, that they did not know. It is not acceptable for organisations to ignore the issue because it is difficult or complex. And, it is certainly not acceptable for an organisation to put profit above the welfare and well-being of its employees and those working on its behalf."²

To meet this responsibility, companies must have an honest and transparent view of their supply chains and recognise that commitment, relationships, and open communication with all actors are essential. All companies should aim to work jointly with civil society and other stakeholders, including employees, suppliers and investors, to address risks. Businesses can come together with a positive agenda to develop and establish shared expectations, standards and practices.

A number of businesswomen and men have asked us what civil society recommends in relation to the TISC clause. This guidance provides ideas for how companies can respond effectively and link actions to address slavery to broader thinking about human rights due diligence. We see the new requirement as an opportunity for immediate action by individual companies, as well as for the development of collective approaches within sectors to prevent slavery occurring in supply chains. It is important that all businesses consider whether they may be contributing to such abuses and take appropriate action.

For some organisations the reporting requirement will be a challenge, but hiding the problem of slavery will do nothing to change the status quo. We believe that where risks do exist, consumers would prefer companies to be open about what they have found and set out what they are doing to end slavery.

While the legislative requirement is to report - and the law allows considerable freedom regarding the contents of the statement - we would like to see companies seize the opportunity to show leadership by assessing the impacts and risks of their business model and taking appropriate action, rather than following a compliance only approach. Listed companies that are already required to report on human rights issues under the Companies Act should seek to develop their response to TISC in the context of their human rights due diligence as a whole. We would also encourage companies to work within sectors to identify best practice and ways to tackle the problem.

The TISC clause has been described as a potential 'game changer' on supply chains. Effective action now can begin to make this a reality.



1. WHY SHOULD BUSINESSES BE CONCERNED WITH MODERN SLAVERY?

Modern slavery should be understood as an overarching term encompassing all forms of contemporary slavery: human trafficking, slavery, servitude, forced and bonded labour and the worst forms of child labour. It is a grave violation of human rights that affects people almost everywhere, including in the UK. While there is no exact data on the prevalence of forced labour and trafficking, the International Labour Organisation (ILO) estimates that there are 21 million people in forced labour across the world.³

A company with strong policies that can show it is taking effective action to combat slavery will be more attractive to new clients, investors, and business partners.

We would be shocked that our decisions could in any way be contributing to slavery, yet the nature of business today can create conditions where slavery and forced labour flourish. Organisations can be implicated in modern slavery both directly and indirectly in a variety of ways: in their own operations, through their global supply chains and through their involvement with business partners. Companies also risk employing exploited workers in the construction, maintenance and servicing of their facilities, particularly in cases where those functions are outsourced to third-party suppliers. Companies can be implicated less directly if their products or services are used by traffickers. This may occur, for example, in the tourism, transport and hospitality sectors.

Modern slavery is a truly global problem, and while some countries and industries face particular challenges, all are affected. Assuming that one country or industry is better than another hinders an effective response in company supply chains and operations.

As employers and providers of goods and services, businesses have a pivotal role to play in the fight against human trafficking, forced labour and slavery. Companies and employers are particularly well placed to prevent and detect exploitation in their own operations and in the communities where they operate, to influence and work together with suppliers and business partners, and to raise labour standards within their industries. Some companies, in some sectors, are also in a position to spot and report an issue which by its nature tends to remain hidden. The moral case is compelling and is driving businesswomen and men to take action.

Human trafficking, slavery and forced labour are punishable as criminal offences in most countries in the world, and companies found to be involved in these offences could face prosecution, administrative actions and civil claims.⁴ Allegations of modern slavery could also constitute a serious risk to a business's brand value and reputation. Effective actions can enhance corporate reputation and image, and taking an active role now will bring benefits to companies, including:

- **Improved risk assessment and management:** mapping and managing supply chains will enhance overall risk management. For instance, in the food production and processing industry, improved supply chain control will contribute to minimising risks associated with food safety.
- **Investor relations:** both because of the risk to a company's reputation and to its bottom line through consumer, operational and litigation risks, public companies will be under pressure from investors to show that this is an issue they are taking seriously, working to address and reporting on accurately. A company with strong policies that can show it is taking effective action to combat slavery will be more attractive to new clients, investors, and business partners.
- **Consumer relations:** increased awareness of the reality of modern slavery has led to goods and services linked to labour abuses being rejected by consumers, procurement professionals and industry buyers. Consumers are becoming increasingly engaged in activism on this issue and, as a result, companies are facing mounting pressure from governments and consumers to ensure their supply chains are free from exploitation. Companies that take a proactive approach to enhancing the positive impacts of their supply chains can see a consumer dividend from an increasingly ethically conscious market.
- **Improved employee engagement, recruitment, retention and motivation:** establishing constructive engagement processes with workers and with the communities in which businesses operate contributes to trust and relationship building. A strong reputation as an employer of choice will reduce recruitment costs, attract new talent, and ensure workforce stability and a low employee turnover.
- **More sustainable business relationships:** concerted action together with suppliers, business partners, sub-contractors, trade unions and governments can lead to stronger and more sustainable relationships.



2. SUMMARY OF RECOMMENDED PRIORITY ACTIONS

- Take action to **understand the risks** of modern slavery occurring in business operations, paying particular attention to business models, operating context and the nature and location of work. See **Section 3 for more information**.
- **Develop comprehensive policies** which will influence decision-making within the business on a day to day basis in relation to slavery and human trafficking.
 - Map existing policies. Make sure that policies on modern slavery **reflect the greatest areas of risk to impacted individuals and communities**, and **specify expectations** for personnel, suppliers, customers, business partners and others who are directly linked to business operations, products and services.
 - When developing new policies, **consult with internal and external stakeholders**, **ensure policies are signed-off at the highest level of the business**, and are **available to all workers, business partners and other parties**. See **Section 4a for more information**.
 - Treat this as a quality control issue with regard to holding suppliers and sub-contractors accountable; products should be considered defective if slavery or human trafficking is identified in the production process.
- **Carry out human rights due diligence and take action to address risks**. See **Section 4 (b) for more information**.
 - **Conduct a human rights impact assessment** – with a specific focus on labour rights, women’s rights and children’s rights – examining the company’s direct operations, supply chain and other business relationships in high risk environments, to identify risk factors in operations and supply chains.
 - **Examine internal business procedures** to avoid making demands of suppliers or subcontractors that might lead them to abuse human rights.

- **Consult internally and externally with key stakeholders, including people who are, or could be affected by modern slavery, and those organisations representing them.**
- **Develop clear action plans** to prevent and mitigate modern slavery.
- **Develop a process for informing business decisions** - including the selection of suppliers, subcontractors, or third-party recruitment agencies - based on performance on policies and practices regarding labour rights issues.
- **Include clauses on modern slavery and risk factors in contracts with suppliers, and closely monitor suppliers.**
- **Put in place procedures for reporting concerns over modern slavery within the company's operations, and communicate these effectively. Grievance mechanisms and remedy processes should be clear, transparent and accessible, and incidents should be reported and monitored.**
- **Include information in the Slavery & Human Trafficking Statement on all of the points listed in Section 54(5) of the Act. Publish the statements as soon as reasonably practicable after the end of the financial year, make it easy to find online and undertake promotional activity.**



3. UNDERSTANDING THE RISKS

The presence of forced labour or slavery in a company's operations may indicate deeply rooted human rights abuse. Slavery, forced labour and trafficking may affect virtually any industry and economic sector, informal and formal, in different contexts and situations. Businesses and employers should be aware of the risk factors that contribute to these serious violations of workers' human rights. The presence of slavery in a number of sectors has been documented in relation to the core features, described below.

Business models

- **Sub-contracting and complex supply chains:** the risk of involvement in modern slavery through the supply chain increases as supplier and / or contracting and sub-contracting chains grow. Increased risks associated with difficulties in supply chain monitoring and management arise in complex global supply chains. Actions by suppliers, sub-contractors and business partners can place the entire supply chain at risk.
- **Extended or complex employment relationships** as a feature of certain sectors: sectors employing high numbers of agency workers or outsourced or subcontracted workers (such as cleaning, catering, or care services) present heightened risks. The triangular relationship between employer, labour supplier/agency, and worker makes it easier for exploitative practices to occur. With downward pressures on costs from the part of employers, unscrupulous labour suppliers seek to maximise their profit margins by exploiting their labour force. Often, the employer may not be aware of the conditions to which workers are being subjected, and might be implicated in severe violations of workers' rights that may amount to forced labour, human trafficking, or slavery.
- **Presence of labour recruiters in supply chains:** risks of trafficking and forced labour for companies may arise through the actions of labour brokers involved in the recruitment and hiring process. Recruiter-induced vulnerability is characterised by deception and may be the result of complex pressures and vulnerability factors. Unscrupulous recruitment practices such as contract substitution or the imposition of debt or recruitment fees considerably heightens the vulnerability of workers.

- **High flexibility and low profit margins:** rapid turnaround times for production and high flexibility to produce large quantities of goods depending upon unreliable trends and quickly-shifting demand (as seen for example in the fast fashion industry) leave workers vulnerable to exploitative practices, including long working hours and forced overtime during periods of high consumer demand. Other consumer-driven industries such as electronics manufacturing or industries with strict production timeframes, such as construction face similar challenges. A 2014 Verité study of the Malaysian electronics industry found that over one quarter of the workers interviewed were in situations of forced labour.⁵

Operating context

- **Lack of government regulation and/or poor enforcement of labour standards:** This includes contexts where labour inspectorates and statutory agencies have inadequate powers and resources.
- **Presence of cheap labour and high numbers of vulnerable workers:** the category of ‘vulnerable worker’ may include groups such as women, children and young workers, migrants, minorities, communities with a history of discrimination or exclusion, or workers with disabilities, depending on the industry, profession, country, or even region. Businesses and suppliers should be aware of the day-to-day realities for these people in the contexts where they operate, when considering the risk of exploitation. Workers might be coerced, deceived, and abused in different ways. Migrant workers, for example, will be particularly vulnerable to coercion through the confiscation of their ID documents. Migrants may also suffer through abuse of the legal process or threats of deportation.
- **Absence of effective and representative workers’ organisations / collective agreements:** in some contexts workers are discouraged or prevented from joining an independent trade union. In other situations, collective agreements are reached between a ‘ghost’ union and an employer with no consultation with the workers they cover. These agreements are known as protection contracts.

Nature and location of work

- **Reliance upon low-skilled or unskilled labour:** unskilled work is typically low-paying and undervalued. These jobs often employ particularly vulnerable workers and marginalised individuals such as migrants, people with disabilities, and minorities. Unskilled or illiterate workers may also be less aware of their rights than more skilled and better educated workers.
- **Workforces with high numbers of temporary, seasonal, or agency workers:** employment uncertainty contributes to heightened worker vulnerability. These sectors also tend to depend on labour recruiters for their recruitment activities, which create an additional layer of separation between employers and workers, leaving workers exposed to deceptive or coercive recruitment practices.
- **Work of a dangerous or physically demanding nature:** exposure to health and safety risks through hazardous work or living conditions, particularly where there are limited protections for such workers. For example, serious abuses have been identified in relation to the stone industry in India.⁶

- **Worker isolation and lack of access to information:** work in remote locations such as farms, mining or construction sites presents dangers associated with the isolation of workers, and the prevalence of perverse and outdated labour arrangements such as the ‘truck system’, in which employees are wholly or partially remunerated in commodities, food and accommodation. Such locations also represent challenges for access to assistance in case of abuses, and for monitoring and inspection efforts on the parts of businesses and governments.
- **Home-based workers and workers employed in informal enterprises:** these workers often operate at the margins of the formal economy, in largely unmonitored and unregulated environments, which are particularly prone to abuse.⁷

Consideration of these factors clearly shows that decisions within the company about using employment agencies, identifying suppliers, purchasing goods and services, and setting prices cannot be separated from its approach to addressing slavery.

Global supply chains and women’s right to decent work

Women’s under-representation in decision-making in government, business and society, and laws which restrict economic equality for women (out of 143 economies, 90% have at least one such law) shape the operating context for business.

While the globalisation of supply chains has created opportunities for some women in developing countries, these women remain at particular risk of human rights abuses, including forced labour and trafficking.

According to the ILO, more than half of the people in forced labour are women and girls, predominantly in commercial sexual exploitation and domestic work, but also in garment and textile supply chains. Women make up approximately 80% of the world’s garment workers.

Women are exposed to high levels of violence, including sexual harassment and abuse. According to the ITUC, up to half of women experience unwanted sexual advances or harassment at work, while a study in Mexico found that 46% of women in the formal economy suffer sexual harassment. Around a quarter of these women were dismissed and 40% were forced to leave their jobs.

Women are paid 10-30% less than men for work of equal value; the global gender gap in wages and work are worth an estimated \$17 trillion annually.

Working conditions – including long hours, enclosed spaces, exposure to chemicals, poor building safety, and low wages that prevent women paying for medical care – can all impact on women’s health, including their sexual and reproductive health.



4. ADDRESSING THE RISKS

As the section on understanding the risks of modern slavery highlights, identifying effective actions requires careful thought about how the business model of the company impacts on a range of human rights. By taking the issue seriously and addressing modern slavery as one part of the organisation's overall approach to human rights due diligence, senior managers have the chance to strengthen and improve their quality control procedures and at the same time, to fulfill their responsibilities under the UN Guiding Principles on Business and Human Rights. This is the authoritative global standard on corporate responsibility that the UK government has committed to implementing in its National Action Plan on Business and Human Rights.⁸

The UN Guiding Principles clearly state:

'In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- (a) A policy commitment to meet their responsibility to respect human rights;*
- (b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;*
- (c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.'*

a. Developing policies in relation to slavery and human trafficking

For any organisation, developing appropriate policies is an essential first step to tackling modern slavery and wider human rights impacts in their operations and supply chains. Paragraph 5 of Section 54 of the Modern Slavery Act 2015 sets out that a company's slavery and human trafficking statement may include information about 'its policies in relation to slavery and human trafficking'. The section below aims to give guidance to companies which are at different stages of the policy development process and are preparing to report under the TISC clause.

For organisations that are developing their own approach to supply chain management from scratch and are looking for a basic introduction, the Ethical Trading Initiative Principles of Implementation

and the ETI Base Code represent a useful starting point.⁹ However, the experience of ETI companies to date shows that an approach based solely on codes and audits will not be effective enough in delivering improvements and eradicating slavery and forced labour.

We believe that it is essential for companies to go further and develop a comprehensive approach, which will influence decision-making within the business on a day to day basis. Good practice in this regard would include:

- Mapping existing policies and codes of conduct to identify coverage of risks related to modern slavery. While a company may not have a specific policy on human rights or modern slavery, it is likely to have at least some policies in place which relate to these issues. Specific measures to prevent or address modern slavery should be included in all relevant policies as follows:
 - Procurement policy
 - Whistle-blowing procedures
 - Migrant labour policies
 - Child labour policy
 - Child protection policy
 - Supplier code of conduct
 - Recruitment policy
 - Employee code of conduct
 - Policies concerning access to remedy, compensation and justice for victims of modern slavery
 - Staff training/awareness-raising policies
- Policies on modern slavery should specify expectations for personnel, suppliers, customers, business partners and others who are directly linked to business operations, products and services.
- Internal and external stakeholders should be involved in the process of developing policies.
- Policies on modern slavery should reflect the greatest areas of risk to impacted individuals and communities (i.e. child labour, trafficking etc.) as well as those areas that present an opportunity for positive impact.

As a minimum, companies should adopt procedures and policies that:

- cover the four Fundamental ILO Principles and Rights at Work;¹⁰
- respect the rights to freedom of association and collective bargaining for all workers, including migrant workers who may be unaware of their right to join trade unions;
- respect workers' ability to enter into employment voluntarily and freely, without the threat of a penalty, and have the freedom to terminate employment without penalty, given reasonable notice or as per any relevant collective agreements;
- include an ethical recruitment policy and in particular, a no-fee policy to address indebtedness caused by abusive recruitment practices. These increase worker vulnerability and have been found to lead to debt bondage and forced labour. Businesses should ensure that these policies are effectively implemented and that the company is responsible for reimbursing recruitment fees if charged to workers;

- require workers to have access to information and be made aware of their rights and obligations during all stages of employment, including recruitment;
- prohibit using any misleading or fraudulent practices during the recruitment of employees or when offering employment.

Effective policies should also include:

- Mechanisms for influencing decisions within the company regarding purchasing, for example choice of suppliers and negotiating prices and contracts, suppliers to pay a living wage in a way which enables a consistent approach to the company's own operations and employees and as well as conditions in its supply chains. For example, a business that says it requires its suppliers to meet core ILO labour standards should not prevent UK-based workers from joining a union.
- Whistleblowing / complaints procedures.
- A demonstrable focus on those child rights that are at risk of the most severe negative impact through the company's activities or business relationships (salient children's rights issues) regardless of whether they also represent a the risk to the business (materiality).

Policies should be made publicly available and disseminated to all stakeholders; be communicated internally and externally; be made available in multiple languages if necessary, and understandable for low-skilled and illiterate workers; receive signoff from the highest level in the company; stipulate the expectations of personnel, business partners and other parties directly linked to the business's operations, products or services and be informed by relevant internal and external expertise. Failure to follow policies should carry consequences.

Developing policies while preparing to report

It is much better for companies to devote adequate time and resources to developing comprehensive policies that will be effective, rather than rushing to issue an ill thought-out policy solely so it can be referenced in the slavery and human trafficking statement. In a very large company, policy development can be a resource intensive process requiring consultation with staff, suppliers, investors and other groups directly affected by the operations of the business. Companies with a relevant policy in development should use the statement to describe the process they have undertaken to date, including stakeholder consultations, and give a timeframe for the completion of the policy. In the absence of a completed policy, an interim high-level statement setting out the commitment of the Board and senior management to addressing the issue to which the policy pertains would send a powerful signal.

b. Human Rights Due Diligence

Due diligence is a common risk-management procedure familiar to many companies. The UN Guiding Principles introduced the concept of 'human rights due diligence' (HRDD), describing it as:

'an ongoing risk management process... to identify, prevent, mitigate and account for how [a company] addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.'¹¹

The sections below address different elements of human rights due diligence involved in tackling modern slavery.

Assessing actual and potential human rights impacts: mapping the supply chain

After developing an understanding of modern slavery, the risks that it represents, and the main risk factors, the next step is to conduct a human rights impact assessment that incorporates a specific focus on labour rights, women's rights and children's rights. This should examine the company's direct operations, supply chain, and other business relationships in high-risk environments to identify the factors that may create risks to people. A risk assessment or mapping exercise will help determine the level of exposure to the risk of being involved in modern slavery and where that exposure is greatest. Knowing the vulnerabilities in a business to modern slavery will help identify strategic priorities, focus attention and efforts on issues of particular relevance to that business, and develop informed prevention strategies.

Mapping supply chains is essential to understanding and managing a business's exposure to risk. In many cases, companies are aware of the first-tier factories and production facilities in their supply chains, but know little about the practices of the businesses supplying these vendors or producers. Companies should know as much as possible about their supply chains, about who is involved in the provision of their goods and services, and about the working conditions at all levels of the supply chain.

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Company sourcing or supply chain management teams should be central to efforts to address modern slavery, through the collection of data about the supply chain. Businesses should map their operations, functions and supply chains and cross reference the parts of the business against the risk factors highlighted earlier in this paper. The assessment should then introduce country-specific data on the risk factors from those geographies where the business's supply chain is based, including the relevant national laws and practices relating to these issues. In the countries of highest risk, the business should conduct stakeholder consultation with potentially affected groups.

The extent of economic globalisation, with increasingly lengthy and intricate supply chains, presents particular monitoring and management challenges. In practice some companies may struggle to fully map or control their supply chains, due to the high number of intervening suppliers and labour providers and the complex relationships between them. A good way to obtain information about suppliers beyond the first-tier of suppliers is to include contractual requirements to disclose comprehensive information about suppliers in all business dealings. The increased transparency promoted through the Modern Slavery Act 2015, and the requirement to report examined in this guidance, also offers the chance to improve the flow of information and to help identify potential avenues for intra-industry and cross-sectoral collaboration. Models of good practice include the Fair Food Program in the United States and the National Pact to Eradicate Slave Labour in Brazil.

Coalition of Immokalee Workers: the Fair Food Program

The Coalition of Immokalee Workers first began to organise workers picking tomatoes in Florida in 1993. In 2001 it launched the Fair Food Program, a partnership of farmers, workers, and retail food companies that ensures decent conditions for workers on participating farms. Participating buyers are required to suspend purchases from growers who have failed to comply with the Fair Food Code of Conduct, which provides a real market incentive for participating growers to abide by fair labour practices. The Fair Food Standards Council is a third-party monitoring organisation developed in the framework of this programme. The Council staffs a 24-hour worker complaint hotline, investigates and resolves complaints, and carries out audits on participating farms designed to monitor compliance with the Code of Conduct.

The National Pact to Eradicate Slave Labour is a good example of a collaborative effort between the private sector, government, and civil society. Major companies commit not to collaborate or purchase from businesses or individuals found to have used slave labour in their supply chains. By early 2014, over 400 corporations, accounting for over 35% of Brazil's GDP had signed onto this pact. In order to map the supply chains in different sectors, a set of sectoral research projects is carried out by the NGO Reporter Brazil. The government has also put in place labour inspection and transparency mechanisms designed to identify and inform businesses, as well as the general public, of instances of slave labour found in the supply chains of companies operating in Brazil.

Acting to minimise the risk of involvement in modern slavery

Based on impact assessments, businesses can guard against the risk of involvement in modern slavery through their supply chains by taking the following steps.

Working with suppliers and other business partners: good practice examples

- Examine internal business procedures to avoid making demands of suppliers or subcontractors that might lead them to violate human rights, including children's rights. These types of demands include insufficient or late payments, and late orders or high-pressure deadlines resulting from poor demand forecasting. Low profit margins and high flexibility and speed requirements may push suppliers to subcontract part of the production to smaller, less trustworthy manufacturers who have not been previously vetted or screened. Analysing production and buying cycles, working with suppliers to reduce detrimental buying practices to the minimum, and establishing mechanisms to mitigate the risk of irregular subcontracting will help companies to stay in control of their supply chains.
- Develop a process for informing business decisions - including the selection of suppliers, subcontractors, or third-party recruitment agencies - based on performance on policies and practices regarding human trafficking and other labour rights issues. For instance, as well as identifying 'high risk' suppliers, it is important to ask whether suppliers who offer their workers decent conditions or a living wage are being recognised in the procurement process and

given repeat orders. Where possible, long-term relationships with suppliers, contractors and subcontractors should be fostered.

- Contracts with suppliers should include clauses on modern slavery and risk factors. Zero tolerance for modern slavery and respect for human rights, including children's rights, should be built into contract modalities and conditions, and represented in dialogue, self-assessment, audits, training and capacity-building opportunities for suppliers, subcontractors, customers, and other business partners.
- Partners and suppliers should be provided with information about the requirements of conducting business, which are clear and easy to understand. Businesses should work with suppliers, customers and business partners to identify their potential risks related to modern slavery that might differ from the company's direct operations, and seek to mitigate risks, improve working conditions, and develop programmes to ensure supplier compliance with company policies and codes of conduct.
- Closely monitoring suppliers: in supplier audits, many of the risk factors or even labour abuses may be difficult to identify. This can be addressed by engaging workers at supplier companies through confidential interviews or anonymous reporting and complaint mechanisms.

External and internal consultation

Undertaking external and internal consultation is a central element of developing effective modern slavery and human rights policies, and due diligence processes. Addressing modern slavery in supply chains is not achievable for any company alone; collaboration is a key element of good human rights due diligence.

Frank and open dialogue with different organizations and affected groups about progress, challenges and solutions helps in delivering on human rights commitments. External consultation ought to involve relevant government officials, investors, experts from NGOs (those with expertise on modern slavery and human rights), international organisations (e.g. ILO), trade unions and most crucially rights-holders themselves – the people who are, or could be affected by modern slavery. The UN Guiding Principles on Business and Human Rights call on companies to “involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.”¹²

The Guiding Principles also emphasise the importance of considering individuals, groups and communities that may be at heightened risk of vulnerability or marginalisation, which can include children, women, indigenous groups, people with disabilities and migrant workers. In order to properly assess human rights risks and opportunities, businesses should engage not only with stakeholders who can influence the business, but also those who may be affected by its activities – moving from a focus on ‘risk to business’ to ‘risk to people’.

Consultations can take a number of formats (a dedicated roundtable and seminars, interviews and focus groups have been used by some companies in the past) and will help companies to:

- understand modern slavery and how to recognise it in companies supply and value chains, and
- understand what human rights reporting means in practice.

Rainforest Action Network - 'Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance'

Rainforest Action Network spent two years working closely with a forum of experts and key stakeholders hosted by Humanity United and comprising representatives of unions, workers organisations, NGOs, investors and philanthropic organisations from the U.S, Europe, Malaysia, and Indonesia, to develop a set of fair labour standards for palm oil production.

The guide, 'Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance' is the first statement of principles produced by a diverse civil society network that specifically focuses on labour conditions in the palm oil sector. This detailed set of standards is intended as a set of recommendations to help guide companies, plantation certification bodies and government regulators towards eliminating systemic abuses currently common throughout the palm oil industry. The principles and guidelines are based on the International Labor Organisation's core conventions and the UN Guiding Principles on Business and Human Rights. See http://www.ran.org/coalition_issues_fair_labor_standards_for_palm_oil for more information.

- Counter a compliance-type approach to reporting.
- Embed a human rights approach throughout business.
- Identify sources of information and reliable means of verification.

Effective and appropriate consultation: good practice examples

- Consultation with affected individuals and communities, including groups that are particularly vulnerable such as children, that focuses on participation and inclusion.
- Engaging with workers' organisations: unions and worker representatives are allies in addressing modern slavery. Building a relationship with workers' organisations present at supplying companies or industries is an effective way of staying informed about workers' issues and concerns.
- Engage with internal stakeholders and external experts to gain a better understanding of the specific country context and/or site situation where the business is operating, including issues, risks and opportunities pertaining to children. Risks could include weak governance, high levels of poverty, low wages, low availability and quality of schooling, widespread discrimination, widespread use of migrant/ casual workers, conflict, specific high risk industries such as those involving raw materials, prevalence of informal economy etc.
- Where appropriate and possible, engage in industry associations or multi-stakeholder initiatives that can help address shared challenges within an individual industry. To be credible, this collaboration will focus on taking effective actions and delivering results, instead of a lowest common denominator approach.

- Based on findings from risk and impact assessments, develop clear action plans that set out prevention and mitigation measures for modern slavery as well as root causes that need to be addressed collaboratively. This could include working with governments, other companies, unions, suppliers, industry associations and employers' organisations to help develop an industry-wide approach to address modern slavery and create a common culture for positive change. Partnership objectives and activities should have a close link with core business activities and address challenges related to business operations.

c. Procedures within the company for reporting suspected and identified slavery and forced labour

There should be clear and widely communicated procedures in place for reporting concerns over modern slavery within the company's operations. Those affected as well as those witnessing violations in any part of the supply chain should be able to report incidents. Workers and other rights-holders need to be able raise complaints freely and obtain effective and transparent resolutions at all stages, including the recruitment process. Trade unions should be partners in any grievance mechanism on the ground.

As far as possible, workers within the supply chain should be given information about their rights and how to report any concern, in a language and form they can understand. Grievance mechanisms and remedy processes should be clear and transparent and incidents should be reported and monitored.

Grievance mechanisms should be accessible to workers and their families. A company should identify focal points for the implementation of grievance mechanisms within the company and put in place measures to test the effectiveness and accessibility of the mechanisms, including as relevant for children and other vulnerable groups, such as anonymous information lines and whistleblower protections for employees. Community members, procurement staff who visit suppliers in the field, auditors, trade unions, local NGOs and government officials should be informed about the company's grievance procedures.

Resolution of incidents and monitoring should be clearly stated and embedded within KPIs. Specific processes should be put in place for monitoring, reporting and managing cases where both child and adult victims of modern slavery are identified.

It is important to note that while they have a role, company grievance mechanisms also have clear limitations. Many workers or community members will not have confidence in them and they do not replace the need for effective legal routes.



5. THE SLAVERY AND HUMAN TRAFFICKING STATEMENT

A company's first statement should highlight the process used to undertake anti-slavery measures throughout its operations. It should highlight the steps the company has taken so far, such as developing a relevant policy, carrying out genuine consultation with potentially affected groups, mapping issues, and identifying priorities and steps for the future.

The law allows companies considerable freedom regarding the contents of the statement, however, given the time and resources that will be required to report, and the likely interest from a range of audiences (investors, consumers, customers and potential customers, suppliers, civil society actors such as NGOs or trade unions, government and the media), it makes sense to ensure that the final public document is fit for purpose. Information contained in such a report should be accurate, comprehensive and relevant.

“...this is an opportunity for the company to demonstrate that it takes the issue of slavery and forced labour seriously and has developed a well-thought through response which covers the whole of its business.”

The aim should be to enable the reader to understand the nature of the business as a whole. For example, when it comes to identifying risks or instances where problems have occurred, all of the company's subsidiaries should be covered by the statement. Omitting relevant information about a particular subsidiary just because it does not provide products or services for the UK will not be considered a credible response by consumers and investors, and is likely to backfire if abuses are later discovered. Best practice does not require every detail to be included in the statement. Rather, this

is an opportunity for the company to demonstrate that it takes the issue of slavery and forced labour seriously and has developed a well-thought through response which covers the whole of its business.

One of the biggest questions for those considering their reporting under the Modern Slavery Act is how to report any serious risks that have been identified or actual instances of forced labour that have come to light as a result of the business taking the steps set out above. Recent research by the Ethical Trading Initiative and the Ashridge Centre for Business and Sustainability found that of a group of companies already looking at conditions in their supply chains, 71% believe there is a likelihood of modern slavery

occurring at some stage.¹³ Civil society groups working on issues of slavery and trafficking understand that this is a complex issue. While we do not necessarily expect companies to guarantee that all supply chains are 100% free of slavery, we do expect companies to provide evidence that they are investigating the risks and taking prompt and appropriate actions to address identified issues. A deliberate attempt to conceal problems would require a company Director to sign off a misleading slavery and human trafficking statement, and more importantly does nothing to resolve the situation.

Structure of the statement

Section 54, clause 5 of the Modern Slavery Act is a list of information that an organisation's slavery and human trafficking statement 'may include'. This is also referenced in the Home Office Guidance.

From a civil society perspective, a comprehensive, relevant statement should cover all of the areas listed. Additional information about what this could look like and good practice examples are provided below.

(a) The organisation's structure, its business and its supply chains

Information to disclose could include:

- Main products/services/customers
- Areas of growth/decline
- Company structure and subsidiaries, including outside the UK
- Structure and complexity of supply chains
- Location of company operations and countries that the company is sourcing from (including list of products or product categories by country).
- Whether the company's suppliers change on a seasonal basis and percentage of employees on temporary/seasonal contracts
- Internal procedures to ensure adequate procurement pricing, prompt payment and good planning
- Existing assessment systems, data collection practices, stakeholder engagement programmes and modes of operation
- Information relating to risk factors highlighted earlier in this guide.

(b) The organisation's policies in relation to slavery and human trafficking

Information to disclose could include:

- The process for policy development
- Policies that concern business relationships i.e. supplier code of conduct
- Recruitment policy
- Procurement policy
- Whistle-blowing procedures
- Migrant labour policies
- Child labour policy
- Child protection policy
- Supplier code of conduct
- Employee code of conduct
- Policies concerning remedy and compensation for labour rights abuses
- Policies relating to staff training and increasing awareness of modern slavery
- Details of any mechanism by which standards or policies are enforced

(c) Its due diligence processes in relation to slavery and human trafficking in its business and supply chains

and

(d) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk

Information to disclose could include:

- An assessment of the risk factors relating to modern slavery outlined in Section 3 of this guide in relation to the company's supply chain.
- Details of social auditing and/or other risk management processes, including whether risk assessment processes cover human trafficking and any other labour issues dealt with in the company's policy statements
- Impact assessments undertaken including evidence of, and findings from engagement with rights-holders potentially or actually affected by the business's operations or business relationships, and other stakeholders
- Action planned and action taken (including how actions have been prioritised) to:
 - embed respect for human rights and zero tolerance of modern slavery across the business
 - address any risks of modern slavery
 - support broader efforts to eliminate modern slavery
- Monitoring and evaluation measures in place
- Communication and reporting on modern slavery

(e) Its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate

Companies should present an accurate picture, rather than seeking to cover up problems. This will help consumers and potential business partners to understand whether the business has identified a problem and what it has done to address it.

Good practice in this regard would include:

- Disclosure of any identified instances of modern slavery and of results of any corrective action plans.
- Company-level grievance mechanisms in place, number of complaints made through these mechanisms and their resolution.
- Remedy and compensation provided for labour rights abuses.
- The publication of any performance indicators used, including detailing if and how business decisions are informed by performance indicators.

- Evaluations of the effectiveness of training, formally or informally.

Sign-off and publication

The Act requires that the slavery and human trafficking statement must be approved by the Board of Directors (or equivalent management body) and signed by a Director (or equivalent) or a partner in the case of a limited liability partnership, limited partnership or any other partnership. This process provides an important check on the information contained in the statement. It also offers the opportunity for Directors and senior management to be briefed on the issues of modern slavery and understand the resources and expertise that will be needed to ensure that the company's response is credible and appropriate.

Experience to date shows that it is impossible to drive sustainable changes in working conditions unless there is link to the overall strategy of the organisation, its approach to making a profit and the values that senior management believe to be central to how they do business. The sign-off process is vital to securing high level buy-in for the required changes.

To ensure the information contained is relevant and up to date, we expect businesses to publish their statements as soon as reasonably practicable after the end of the financial year for which they are producing the statement. Where numerical data are provided, these should be accessible in machine-readable format.

The Modern Slavery Act 2015 requires businesses to publish the slavery and human trafficking statement on their website, and to include a link to the statement in a prominent place on that website's homepage. Companies should use the link 'Modern Slavery Act Transparency Statement', as recommended in the Home Office guidance. We expect businesses to make it easy for the public to be able to find the statements and to undertake appropriate PR activity to promote the statement and its contents.

Update and review

While companies are required to produce a modern slavery statement annually, tackling the risks of modern slavery posed by business activities should be an ongoing process. For instance, new risks can emerge when a company forms a new business relationship, particularly in firms with lengthy and complex supply chains. Equally, risks can be reduced from year to year through better co-operation with suppliers or others in the industry or as a result of changes to sourcing practice. This is why identifying and tackling modern slavery should be built into company policies and procedures, and understood by staff at all levels.

A company's slavery and human trafficking statement is intended to provide information on the steps the company has taken to minimise and respond to the risks of slavery occurring in their supply chains, and should accurately reflect activity in the reporting period. If some practices have been discontinued or adopted, or if policies have been amended, this should be reported to enable the various audiences for the statement to understand how the company has responded to changes in its business that may pose risks.

Statements should be issued in a way that allows meaningful comparison over time. Automatically reissuing an identical statement from one year to the next would not represent good practice. While in some companies the statement may be similar from year to year, a review should still be undertaken to ensure that the statement adequately presents relevant activity over the reporting period.

The process of preparing the revised statement is an opportunity to consider the effectiveness of steps taken by the company to minimise and respond to the risk of slavery in their supply chain.

The principal question to ask in the process of preparing the revised statement is whether any new risks emerged in the reporting period as a consequence of: new types of business activity; sourcing from, producing in, or selling into a new market; relationships with new suppliers or subcontractors? The statement should outline what those new risks are, how they have been identified and what steps have been taken to address them.

The process of preparing the revised statement is an opportunity to consider the effectiveness of steps taken by the company to minimise and respond to the risk of slavery in their supply chain. It would be good practice for statements to include a brief analysis of the measures that the company has found to be of use in the reporting period. If the company is engaged in a multi-year process of rolling out measures throughout its international operations and supply chains, it would be useful for statements to describe progress made in the reporting period towards the longer-term goal.

New steps or initiatives taken in the reporting period should be described in the statement. It may also be useful to mention if certain practices have been discontinued and to explain why.

Reviews and amendments of relevant company policies within the reporting period should be mentioned in the statement. It would be helpful to set out whether these were standard reviews as part of a planned process, or whether they were prompted by a particular event or demand from stakeholders. Briefly describing who was involved in the review and how changes were communicated to staff and to suppliers and subcontractors would be good practice.



Who should be involved in the review?

As the Board is responsible for signing off the modern slavery statement, it would be good practice for at least one member of the Board to have oversight of the process of reviewing the statement. This leadership will help to ensure that adequate resources are made available for the review and that the revised statement is a current and accurate reflection of steps that the company is taking.

The review should involve areas of the business in which the risks of modern slavery are highest: purchasing, procurement and human resources. While CSR or sustainability teams may be involved in the process, it would be inappropriate for them to be the only or primary functions involved in the revision process.

It would be good practice to describe, in brief, the process the company has adopted for reviewing its statement.



6. FURTHER INFORMATION

[Child labour guidance tool for business \(ILO-IOE\)](#)

[Children's Rights and Business Atlas \(UNICEF & Global Child Forum\)](#)

[Children's Rights in Impact Assessments \(UNICEF & Danish Institute for Human Rights\)](#)

[Children's rights in policies \(UNICEF & Save the Children\)](#)

[Combating Forced Labor : A Handbook for Employers and Business \(ILO\)](#)

[Engaging Stakeholders on Children's Rights \(UNICEF\)](#)

[ETI Base Code](#)

[Fair Hiring Toolkit \(Verité\)](#)

[Human Trafficking and Business: Good Practices to Prevent and Combat Human Trafficking \(UNGIFT\)](#)

[Labour Exploitation Accountability Hub \(Focus on Labour Exploitation \(FLEX\)\)](#)

[Webinar: Grievance Mechanisms for Business and Human Rights \(UN Global Compact\)](#)

Specific information about what investors can do to help address modern slavery is available from ShareAction.

Organisations that contributed to this guidance

This guidance was prepared by [CORE](#) with its partner organisations:

[Amnesty International UK](#)

[Anti-Slavery International](#)

[CAFOD](#)

[Focus on Labour Exploitation \(FLEX\)](#)

[Dalit Freedom Network UK](#)

[ECPAT UK](#)

[Know The Chain](#)

[Quakers in Britain](#)

[ShareAction](#)

[Traidcraft](#)

[Unicef UK](#)

[Unseen](#)

[Walk Free](#)

Endnotes

1. Transparency in Supply Chains etc.: A practical guide' is available at <https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide>
2. Ibid, p. 2
3. See <http://www.ilo.org/global/topics/forced-labour/policy-areas/statistics/lang--en/index.htm>
4. The Focus on Labour Exploitation (FLEX) Labour Exploitation Accountability Hub provides information about the legal obligations of businesses on human trafficking, forced labour and slavery www.accountabilityhub.org
5. Verite (2014) Forced labour in the production of electronic goods in Malaysia: A comprehensive study of scope and characteristics
6. <http://www.unicef.org.uk/Documents/Media/Children's%20Lives%20Cast%20In%20Stone.pdf>
7. HomeWorkers Worldwide 'Organising homeworkers in Tirupur's garment industry, Briefing note no. 1, 2015
8. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/236901/BHR_Action_Plan_-_final_online_version_1_.pdf
9. Available at <http://www.ethicaltrade.org/resources/key-eti-resources/principles-implementation>
10. https://www.tuc.org.uk/sites/default/files/gettingtothecore_0.pdf
11. http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
12. http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
13. ETI Ashridge (2015) Corporate approaches to addressing modern slavery in supply chains: a snapshot of current practice

Photo credits: Tea plantation workers (p. 2) by Thunderbolt Tea. All other photos by Will de Villiers.
Layout and design by Will de Villiers

By coming together with a positive agenda to take action on supply chains, businesses can play a pivotal role in the fight against human trafficking, forced labour and slavery.

Companies and employers are particularly well placed to prevent and detect exploitation in their own operations and in the communities where they operate, to influence and work together with suppliers and business partners, and to raise labour standards within their industries.

To meet this responsibility, companies need an honest and transparent view of their own supply chains. The requirement in the Modern Slavery Act 2015 for every commercial organisation with an annual turnover of £36 million or more to produce an annual slavery and human trafficking statement is an opportunity for individual companies to take immediate action and for sectors to develop collective approaches.

This Guidance has been prepared by civil society groups that campaigned for the reporting requirement. It sets out our initial thinking on how companies can use the new provision to link reporting to the wider due diligence needed to eradicate human trafficking, forced labour and slavery from their supply chains.

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EXPLOITATION

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TRAIDCRAFT
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