Modern slavery

Over the past two centuries, human trafficking has grown at an immense rate. But how can risk managers ensure it’s not happening in their business?
The great human rights issue of our time is how the Prime Minister, Theresa May, described slavery and human trafficking when, as Home Secretary, she introduced the 2015 Modern Slavery Act. This pioneering legislation consolidated existing offences of slavery and human trafficking, set out stronger criminal sanctions, provided new preventative orders and introduced greater protections for victims. It also placed a specific obligation – the first of its kind in the world – on larger commercial organisations to report on what they are doing to eradicate modern slavery within their own organisations and their supply chains.

Section 54 requires businesses with global sales of more than £36 million to publish annual slavery and human trafficking statements setting out their efforts to identify and address slavery. The idea is to bring the issue to board level and increase transparency. “It is simply not acceptable for any organisation to say, in the 21st Century, that they did not know,” argued May.

April 2017 marked a year since the reporting provisions came into force, and the evidence suggests that progress has been made and businesses have begun to openly engage on the issue. But there is still room for improvement and too many companies are falling down in both the presentation and content of their statements.

In a recent letter to business leaders, Kevin Hyland, the Independent Anti-Slavery Commissioner, noted that the requirements had “clearly pushed modern slavery up the business agenda and into the board room”. He added, however, that despite some positive steps, he remained disappointed that the quality of statements was “weak overall” and that, even where statements are legally compliant, they are too often simply “reiterations of generic human rights policies”.

Closer than we think

Modern slavery captures a wide range of abuses including forced labour, child labour, bonded labour, sexual exploitation, domestic servitude, forced criminality and human trafficking. The 2015 Act outlines the offences of “slavery, servitude and forced or compulsory labour” in Section 1 and “human trafficking” in Section 2.

International Labour Organization (ILO) statistics – due to be updated in November 2017 – show there were 20.9 million people in forced labour globally in 2012: 11.4 million women and girls, and 9.5 million men and boys. The total included 14.2 million people (68%) working in private economy sectors such as construction, manufacturing, mining, utilities, agriculture, forestry, fishing and the domestic sector.

UK government figures suggest there are between 10 and 13 million people suffering in modern slavery in Britain (see box overleaf). They come from around 100 different countries, with Romania, Poland, Albania, Nigeria and the UK the five most likely countries of origin. Sectors in the UK where labour exploitation is most common include food processing, manufacturing, construction, car washes, agriculture and tarmacking.
The Salvation Army staged a ‘modern-day slaves for sale’ reconstruction on Oxford Street in London to mark Anti-Slavery Day.

**HUMAN TRAFFICKING**

The Home Office has published seven sector-specific fact sheets [www.gov.uk/government/publications/modern-slavery-industry-factsheets](www.gov.uk/government/publications/modern-slavery-industry-factsheets), which include tips on how to identify some of the tell-tail signs that workers may be victims.

**Making a statement**

The Section 54 statement must include “the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains, and in any part of its own business”. The Act does not prescribe the statement’s layout or specific content: it simply sets out that it “may” include:

- the organisation’s structure, business and supply chains;
- its policies in relation to slavery and human trafficking;
- its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- 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;
- 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; and
- the training and capacity building about slavery and human trafficking available to its staff.

The Home Office has produced detailed guidance [www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide](www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide) on what information a statement could cover under each of the above headings. Statements, which must be published on the organisation’s website and include a link in a prominent place on the homepage, have to be approved and signed by a director, member or partner in the organisation.

Penalties for failing to produce a statement are limited: the Secretary of State may seek an injunction through the High Court requiring the organisation to comply. But – quite apart from the human damage of failing to take adequate steps to identify modern slavery practices – the reputational damage of not producing a statement, or producing a poor statement, could adversely affect consumer and investor confidence.

**Breaking the chain**

So, where are businesses falling down and how can risk management professionals help keep their organisations compliant?

Ergon Associates, a consultancy specialising in helping businesses implement human rights strategies, recently analysed 150 statements uploaded in March 2017 to the Business and Human Rights Resource Centre’s registry. This found that, compared with a similar analysis of the first published statements a year ago, companies are generally producing better reports about their structure, operations, supply chains and modern slavery policies, as well as training.

The key weaknesses lie in reporting due diligence processes and outcomes. More than half (58%) of statements analysed only addressed risk assessment processes minimally and did not identify priorities for action. Just 11% of companies in the sample disclosed specific cases where they had acted in response to identified risks.

Some firms said they expected no risk of modern slavery because their suppliers were UK or EU-based. Yet recent criminal convictions, such as that of two brothers who trafficked 18 people from Poland to work at a Sports Direct warehouse, indicate that this belief is mistaken. UK companies using outsourced labour or service contractors such as in commercial cleaning, catering or warehousing, need to examine whether there are any hidden risks within their contractors.

Stuart Bell, Policy Director at Ergon Associates,
The UK Government’s guidance includes information on how to report suspected incidents of modern slavery.

- Specific cases identified in the UK should be reported to the police on 101 or, if potential victims are in immediate danger, on 999.
- Potential victims can then be referred through the National Referral Mechanism to be formally identified as a victim and offered government-funded support.
- When training employees in the UK, the Modern Slavery Helpline (0800 0121 700) is a useful tool.
- Where modern slavery is identified or suspected abroad, responses should be tailored to local circumstances, either through engaging with local non-governmental organisations, industry bodies, trade unions and other support organisations, or contacting government and law enforcement bodies.
- If the response is inadequate, the local supplier should be given “more support, guidance and incentives” but, if after receiving such support, the supplier does not act, the organisation “could reconsider” its commercial relationship.