

# TRANSPARENCY IN SUPPLY CHAIN A PRACTICAL GUIDE ISSUED BY UK GOVERNMENT OCT 2015

## SUMMARY PAPER

### THE GOVERNMENT HIGHLIGHTS WHY THE PROVISIONS ARE NEEDED...



*“It is simply 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 organisations to put profit above the welfare and wellbeing of its employees and those working on its behalf.*

*We must take a strong and collective stand to stop the callous and brutal individuals who are prepared to abuse men, women and children for their own personal gain. I know that many large global organisations are already tackling this issue head on but we must not let our guard down.*

*By increasing supply chain accountability, more workers will be protected and consumers will have greater confidence in the goods and services they buy. That is why the transparency in supply chains provision is world leading and will bring about the change that is so vitally needed”*

**Home Secretary - Theresa May**

### BUSINESS BENEFITS FOR COMPLYING WITH THE PROVISIONS

It is not just about complying with legislation, there are also business benefits for meeting these obligations including,

- protecting and enhancing an organisation’s reputation and brand;

- protecting and growing the organisation’s customer base as more consumers seek out businesses with higher ethical standards; improved investor confidence;
- greater staff retention and loyalty based on values and respect; and
- developing more responsive, stable and innovative supply chains.

Due diligence processes and reporting are essential management tools that improve risk identification and long-term social, environmental as well as financial performance.

Reporting requirements can drive better strategic understanding of the risks and impacts of an organisation’s core activities in relation to the environment and human rights. The disclosure of these management tools allows investors to move capital towards more sustainable, responsible organisations and strengthen the long-term ethical sustainability of the financial system.

## GOVERNMENT ADVICE ON COMPLETING THE STATEMENT

The Government has not been prescriptive about the layout or specific content of a slavery and human trafficking statement. It is up to organisations how they present information in the statement and how much detail they provide. However, organisations must include in the statement all the steps they have taken. The information presented in the statement will be determined by the organisation’s sector, the complexity of its structure and supply chains, or the particular sectors and nations its suppliers are working in.

### TOP TIPS

- Keep the document succinct but cover all the relevant point, if possible link to relevant supporting documents, publications and policies already available it is not necessary to replicate things already written
  - Writing the statement using simple language
- The Statement must be in English but can be reproduced in other languages
- Specify actions by specific countries will help people understand the concept of any actions and steps taken to minimise risks

The government has produced guidance as to what may be included in each section of the statement.

## ORGANISATION POLICIES

Clear organisational policies demonstrate an organisation’s commitment to this issue and ensure that appropriate and coordinated action is taken throughout the business.

Modern slavery does not necessarily require a standalone policy. It could simply be adapting, and/or clarifying how existing policies and practices, programmes and management systems already work to prevent modern slavery. These policies will need continuously updating

Clear policies should include a provision that all employees in the organisation and the organisation’s suppliers know how to, and are resourced to prevent or identify exploitation. They should provide information about the first steps when modern slavery is identified and broadly how and with whom to contact

When reviewing process or amending organisation policies to take account of the Modern Slavery Act, the following should be considered;

- What minimum labour standards are expected of the business, its subsidiaries and suppliers, and how do these align to industry standards?

- Who in the business is responsible for a) ensuring efforts are made to investigate and remediate the risk of modern slavery in the business and/or supply chains, and b) ensuring that basic labour standards are met, and how are such leaders financially incentivised and resourced to do so?
- How does the business factor legal and fair full labour costs into production and sourcing costs to avoid the need for seemingly cheaper slave or bonded labour in operations or the supply chain?
- What is the company's policy where a supplier is found to have been involved in modern slavery?
- When entering into a contract with a new supplier or renewing contracts with existing suppliers what checks, assurances, investigations will the company conduct or accept?
- What support or guidance is available to business operations or suppliers willing to remediate situations of slavery or forced labour found?
- What due diligence will the company commit to conducting regarding its supply chains (see section below on due diligence)?
- What is the company policy to support whistle-blowing? What procedures are in place to facilitate reporting, including reporting by workers through helplines?
- What is the company's policy and approach to remediation for workers if and where cases of modern slavery and forced labour are found; and what measures are taken to protect them from further victimisation or vulnerability?

#### GOOD PRACTICE

Ensure business policies, procedures requests or contracts do not put unnecessary demands on the supply chain which may lead them to violate modern slavery obligations, these demands could include, late payments, low payments, high pressure time demands etc.

Ensure zero tolerance for modern slavery is incorporated into contracts, policies, training, audits and are dealt with through communications with business partners and contractors

#### DUE DILIGENCE

Consider including information in the Statement about the due diligence processes. Breaches are not immediately apparent; suppliers can go to great lengths to hide the fact that they are using slave labour.

Due diligence procedures should be, proportionate to the identified modern slavery risk, the severity of the risk, and the level of influence a business may have. It may also be informed by any broader risk assessments that have been conducted

Procedures may vary depending on the complexity of the relationships and should include a process to ensure the integrity of their investigations.

A business may have greater knowledge about their first-tier suppliers and expect it to make greater efforts, however lower tier suppliers should also be engaged where possible.

Due-diligence includes on-going assessment of modern-slavery risks, and meeting the changing expectations on industries to use their influence to encourage change where conditions of slavery may be persistent.

## ASSESSING AND MANAGING RISK

Risk assessment policies and procedures should be proportionate to the organisation's size, structure, location of activities and supply chain(s), and nature of business.

Identifying relevant information from internal and external sources will help businesses to undertake effective risk assessments and appropriate review of those risks.

### PARTICULAR BUSINESS RISKS TO CONSIDER INCLUDE:

- Country risks – exposure may be greater in global supply chains in countries where protection against breaches of human rights are limited, particularly with regard to rights of foreign contract workers to retain their own ID and papers, and/or where work arrangement by agents is common, etc.
- Sector risks – there are different risks and levels of risk in different sectors. For example, the risks and arrangements which generate bonded labour situations for workers in the extractives sector may differ to those causes in manufacturing.
- Transaction risks – banks or financial institutions may be involved in facilitating financing from or supporting cases of modern slavery and bonded labour in operations or supply chains or through money laundering.
- Business partnership risks – Different supplier relationships and business partnerships will all carry different levels of risks. In some cases, existing long-term partnerships will involve less risk because the organisation will have a better knowledge of their partner's operations and policies. However, a new partnership or business relationship may be equally low risk as long as proper due diligence is conducted.
- Organisations should then decide how identified risks can be investigated, and where issues are found, how they can best be remediated or mitigated through activities such as industry collaboration or improved purchasing practices internally. Training the Board, organisation's leadership, and employees to develop the skills and knowledge to understand and support risk prevention and remediation can greatly assist.

## KEY PERFORMANCE INDICATORS

KPIs could be used in a modern slavery statement in two ways.

Firstly, businesses could choose to provide information on their existing KPIs and set out whether they have considered whether they make their business and supply chain vulnerable to modern slavery. Secondly, outline any additional KPIs which the company has introduced to measure the performance of any anti-slavery actions undertaken.

Whilst there is no requirement to introduce new KPIs, carefully designed KPIs could help a business to demonstrate they are making progress over time in preventing modern slavery in their business or supply chains.

## TRAINING

Modern slavery training could be a module in a wider training programme.

Organisations should think about where training should be targeted to have the most effect.

- If those employees who might encounter victims directly are more aware of the indicators of modern slavery and of how to report suspected cases, and what actions they can expect the company to take, then they can raise flags, and help to root it out in a particular business or supply chain.
- Similarly, if a supply chain manager, procurement or product quality professional is trained and incentivised then they may be able to do a lot to prevent new modern slavery occurring in the supply chains they manage, and to assist its remediation for victims where it does exist