

Modern slavery in supply chains



AN INTRODUCTION FOR PROCUREMENT PROFESSIONALS

The increase in global sourcing opportunities has highlighted some serious issues in procurement practices, in particular the occurrence in the supply chain, unwittingly or otherwise, of modern slavery. From every perspective – reputational, financial and ethical – this is not acceptable in the 21st century.

Whatever sector or global region you work in, we urge you to read this guide to understand the issues and know where to go for assistance so that you can begin to make a real difference in your business and in society.

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Modern slavery in supply chains:

an introduction for procurement professionals

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1 Why is modern slavery relevant to business?

Business most often comes into contact with modern slavery where there are complex global supply chains. One of the most important challenges for procurement professionals is therefore to ensure that their supply chains do not unwittingly involve exploitative labour, and that they are as far as possible 'slavery proof.'

BUSINESS DRIVERS TO ADDRESS MODERN SLAVERY

RISKS

Reputational damage

Loss of market share

Legal sanctions

BENEFITS

Increased consumer confidence

Improved employee morale

Exceed legal requirements

Governments and consumers are increasingly aware of bonded labour and human rights issues in supply chains and are supporting, if not demanding, that businesses act to implement ethical sourcing programs. Organisations will suffer reputational damage and bear the risk of loss of both consumer confidence and market share if they are found to be sourcing from suppliers which use exploitative labour. Companies and supply staff may face legal sanctions if their suppliers are involved in illegal conduct, even if it happens abroad. Organisations naturally want to avoid these negative impacts. On the other hand, a track record of ethical procurement activity can encourage investment and improve employee morale as well as exceed legal requirements.

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2 What is modern slavery?

Modern slavery affects over 29 million people around the world (Walk Free Global Slavery Index, 2013). The term 'modern slavery' describes exploitation so severe that people are not able to leave their place of work. 'Slavery' refers to the condition of treating another person as if they were property – something to be bought, sold, traded or even destroyed. People in modern slavery are essentially 'owned' by their employers, and are controlled through a variety of means including massive recruitment debts that they are unable to pay off, and threats of harm if they do try to leave. In 2013, modern slavery takes many forms, and is known by many names (see final page).

Whatever term is used, the significant characteristic of all forms of modern slavery is that it involves one person depriving another person of their freedom: their freedom to leave one job for another, their freedom to leave one workplace for another, their freedom to control their own body.

The evidence suggests that the risk affects almost every industry – electronics and high tech, steel and automobiles, agriculture and seafood, mining and minerals, garments and textiles, and shipping and transportation. The evidence also

suggests that, while modern slavery is illegal in every country in the world, it still occurs in every country in the world. Even in highly developed economies, every country still has sectors of their economy that operate outside the reach of government regulation. In the so-called informal (or black) economy for example, labour may be sourced from irregular migrants, with workers being paid in cash or in kind.

INDICATORS OF MODERN SLAVERY

The risks of modern slavery are most pronounced:

- where workers have fewer protections through inadequate laws and regulations, weak or non-existent enforcement, and poor business and government accountability
- where there are high levels of poverty among workers
- where there is widespread discrimination against certain types of workers (e.g. women and ethnic groups)
- where there is widespread use of migrant workers
- in conflict zones, and
- in some specific high risk industries (typically industries involving raw materials).

3 How business should respond

Business has the opportunity to end modern slavery in supply chains within a generation. Three basic actions can generate the cultural change required to do this:

- **Understanding and commitment**
All organisations should understand modern slavery and require their leaders to commit to taking a proactive role in ending it. Government and the private sector should work to make the business environment intolerant of slavery, to drive slavery out of procurement and 'slavery-proof' supply chains.
- **Leadership on auditing**
Organisations should reframe their understanding of auditing from a 'risk and reputational management' measure driven by PR teams to an ethical imperative and essential operational measure driven by Chairpersons, CEOs, CPOs. Organisations should engage reputable, independent auditors to undertake rigorous audits of their supply chains and encourage effective worker/management dialogue.
- **Accountability**
Organisations should be accountable for business relationships and work to eliminate vulnerabilities in supply chains. Where modern slavery or other human rights abuse is identified, organisations should take corrective action and work together with suppliers and business partners. The private sector should be transparent about actions taken and lead by example.

4 Role of procurement professionals

Procurement professionals have critical influence over, and visibility of, supply chain decision-making, especially over what level of due diligence is done, how suppliers and tenders are evaluated and assessed, and in establishing business systems to deal with risk. Procurement professionals can address modern slavery in supply chains through the 'Three Ps':

- Putting into place **POLICIES** to prevent, detect and eradicate modern slavery within their own operations and the operations of suppliers and business partners, and:
 - establish codes of conduct which set out the essential standards of personal and corporate conduct and behaviour expected;
 - make statutory declarations and contractual provisions to ensure existing suppliers and incoming new suppliers understand the company's approach to modern slavery in supply chains, and to insert such a provision into new contracts for supply; and
 - encourage whistleblowing to identify breaches of policy and contractual provisions. Systems should be in place to ensure that whistleblowers' identities are protected and that they have Board-level support.
- Establishing **PROCESSES** to identify vulnerabilities such as:
 - supply chain mapping. While it is impractical for a company to audit and monitor each and every supplier in its entire supply chain at all levels, businesses should be able to manage their supply chain by working to identify key vulnerabilities and taking a risk management approach to ethical procurement.
 - rigorous, independent auditing of key supply sites is invaluable in determining whether standards set by a company have been met by suppliers. Buyer companies should emphasise the importance of transparency over compliance and demonstrate a willingness to work with suppliers to address any issues.
- **PLANNING** for situations where corrective action is needed:
 - where issues are identified (via audits, media reports, whistleblowers etc.) they should be escalated and followed up at the highest level.
 - The feasibility of remediation will depend on the buyer's relationship with the supplier and the supplier's willingness to make improvements. As a last resort, it may be necessary to exit a relationship with a supplier. When terminating a relationship, buyers should check that workers have been and will be paid correctly if their work ends before any final payments are made.

5 CIPS support for procurement teams

Walk Free and CIPS are working together to ensure that all CIPS members:

- are made aware of the risk of modern slavery in their supply chains;
- are able to identify the vulnerable points in their supply chains; and
- have the ability and the tools to take steps to effectively address it.

CIPS believes strongly that professional procurement can play a major role in driving unethical practices such as modern slavery out of the supply chain, and has embedded ethical principles throughout its education and training programmes. CIPS members are bound by a Code of Conduct which specifically requires them to develop an awareness of modern slavery and other human rights abuses, as well as bribery, fraud and corruption, and to endeavour to eradicate these from the supply chain.

CIPS is now working towards licensing the procurement profession through establishing a new standard, which will require CIPS members to demonstrate, and regularly renew, their professional competence and ethical awareness.

WHAT TO DO NEXT

Continue to develop your knowledge and understanding of these issues by accessing more information:

- CIPS Code of Conduct
- CIPS Ethical and Sustainable Procurement Guide

Access from the CIPS website at www.cips.org/code-of-conduct

MODERN SLAVERY DEFINITIONS

Trafficking

- Recruitment, transportation, transfer, harboring or receipt of persons.
- By means of threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person (these means are not required in the case of children).
- With the intent of exploiting that person through:
 - Prostitution of others
 - Sexual exploitation
 - Forced labour
 - Slavery (or similar practices)
 - Servitude, and
 - Removal of organs. (*UN Trafficking Protocol, 2000*)

Slavery

The status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised. Includes slavery-like practices; debt bondage, force or servile marriage, sale or exploitation of children (including in armed conflict) and descent-based slavery.

Forced labour

All work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.
(*ILO Forced Labour Convention, 1930 (no.29)*)

This report is co-authored by the Chartered Institute of Procurement & Supply and Walk Free.

The **CIPS** and **Walk Free Foundation** partnership aims to build commitment and strategies among CPOs and whole procurement teams for promoting anti-slavery practices both up and downstream within organisations.

About us

The **Chartered Institute of Procurement & Supply (CIPS)** is incorporated under Royal Charter in the UK and is also a registered educational charity. Its purpose is to promote the highest standards of professional procurement among individuals and organisations, in all sectors and in all regions of the world, for the benefit of society. CIPS provides guidance, education and training on all aspects of procurement ethics. www.cips.org



The **Walk Free Foundation** is a global organisation with a mission to end modern slavery in our generation by mobilising a global activist movement, generating the highest quality research, enlisting business and raising unprecedented levels of capital to drive change in those countries and industries bearing the greatest responsibility for slavery today.
www.walkfreefoundation.org

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