Modern Slavery Reporting Requirement: Don’t Treat This as Box-ticking Exercise

From 1st April, UK businesses will have to start reporting on their actions to prevent modern slavery in their supply chains under the UK Modern Slavery Act. David Noble, Group Chief Executive Officer of the Chartered Institute of Procurement & Supply (CIPS), reflects on how businesses can comply with the new law and contribute to the eradication of modern slavery from their supply chains.

Under the UK Modern Slavery Act, which came into force in October 2015, commercial organisations with a turnover of £6m or more, that supply goods and services in the UK, must publish an annual statement explaining what they are doing to eliminate slavery from their supply chains. The reporting requirement applies to organisations with their financial year ending on or after the 1st April 2016.

Modern slavery, as defined by the Act, encompasses all forms of unjust labour: human trafficking and slavery, servitude and forced or compulsory labour. The prevalence of modern slavery in the UK and beyond cannot be overlooked or underestimated. A recent study by Walk Free found that slave labour contributes to at least 136 products made in 74 countries. In the UK alone, the National Crime Agency identified over 3,300 victims of human trafficking, many of whom are also subject to unfair working conditions. The fact that modern slavery is often hidden deep down in the tiers of the supply chain, and is rooted in the business culture where profit maximisation takes precedence over human worth, makes it very difficult to detect and deal with.

The Act has been designed to put the onus on businesses to monitor their suppliers and ensure there is no modern slavery at any stage of their supply chain. With the reporting requirement, businesses which fail to take meaningful action, risk damaging their reputation and consequently their bottom line. This is because consumers, armed with valuable information, can now make informed decisions at the checkout and in this world of fast communications; anyone caught out is instantly pilloried.

Despite this upcoming milestone, research from CIPS found that the majority of businesses are still woefully unprepared. As the deadline for reporting looms, almost one in five UK supply chain managers at businesses which fall under the new rules are unaware of the requirements, with 38% unable to say when their first modern slavery report will be due.

More alarmingly, businesses are failing to take basic steps to identify modern slavery in their supply chains. Our research found that of businesses with an annual turnover of £36 million and over, just a third claim to have mapped all their suppliers to understand the potential risks and exposure to modern slavery.

Only 41% of these businesses have ensured all UK workers in their supply chains are in receipt of the minimum wage and that robust immigration checks are in place. In addition, less than 28% of businesses in this group claim to have provided training to employees and local suppliers on modern slavery, despite a quarter of the procurement professionals surveyed citing lack of skills as the main obstacle in dealing with the issue.

Under the new reporting rule, businesses have the option to simply state that they have taken no steps on modern slavery, and still comply. Such a declaration, however, could damage both their reputation and ultimately profit if slavery is found in their supply chains and consumers or business partners decide to go
elsewhere as a result. In fact, over four in five procurement professionals surveyed believe reputational damage would have the biggest impact on their business if slaves were to be found in their supply chain.

What can be done to safeguard vulnerable people – and your business?

It is true that today’s global supply chains are becoming longer and more complicated but it is possible for businesses to take definite steps to ensure that their procurement practices comply with the Act and do not contribute to modern slavery at any stage. Businesses could start with putting in place the ‘Three Ps’ framework, which we at CIPS have pioneered:

- **Policies**: businesses should put policies in place to prevent and detect modern slavery within their own operations and the operations of suppliers and business partners. With this, businesses are advised to establish codes of conduct which set out the essential standards of personal and corporate conduct and the behaviours expected. Systems should be in place to ensure that whistle-blowers’ identities are protected and that they have board-level support.

- **Processes**: businesses can establish processes to identify vulnerabilities within their supply chains. While it is impractical for some company to audit and monitor each and every supplier in their entire supply chain and at all levels, businesses should be able to to identify key vulnerabilities resulting in a risk management approach and ethical procurement.

- **Planning**: businesses should plan for situations where corrective action is needed. This can take place through audits, media reports, and assisting whistle blowers. If necessary, businesses should be prepared to exit a relationship with a supplier if they are found to condone or support modern slavery.

We have put together a comprehensive toolkit for businesses and procurement professionals on tackling modern slavery to help aid compliance. The toolkit is available at [here](#).

The Modern Slavery Act reporting requirement means that businesses can no longer just turn a blind eye to slavery within their supply chains. If they are unable to convincingly outline the steps they are taking to eradicate human exploitation, they risk significant damage to their own business. As the deadline for UK businesses to report on modern slavery approaches, businesses should to take decisive action to tackle the issue head-on, rather than treat this as box-ticking exercise, at best.