

Corporate approaches to addressing modern slavery in supply chains:

A snapshot of current practice

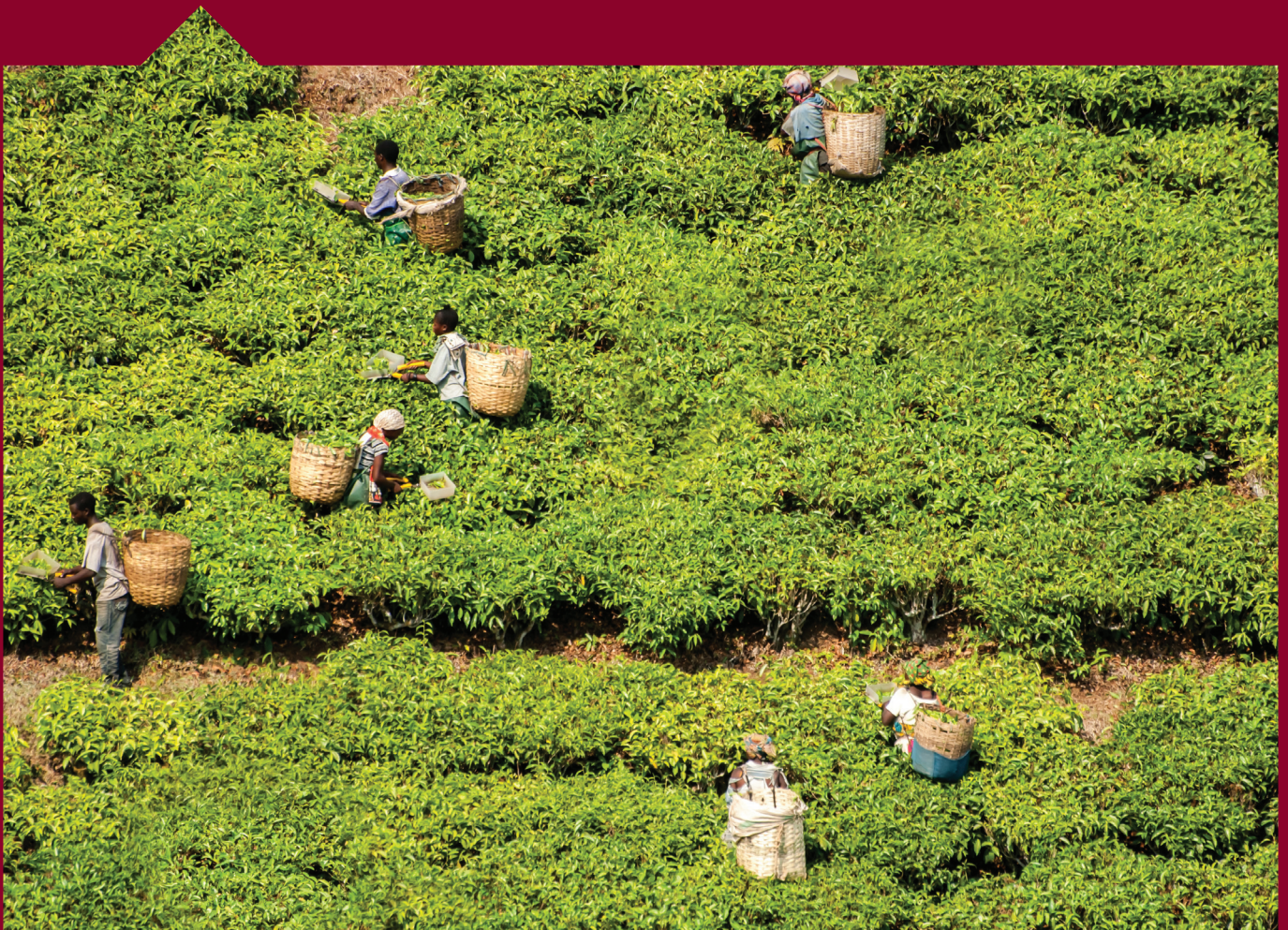
Quintin Lake

Jamie MacAlister

Cindy Berman

Matthew Gitsham

Nadine Page



About the authors

The Ashridge Centre for Business and Sustainability at Hult International Business School

Hult International Business School strives to provide the world’s most relevant business education through a cutting edge curriculum and innovative teaching methods, offering undergraduate and postgraduate education across a global network of seven campuses, and serving business leaders, teams and organisations globally through Ashridge Executive Education.

The Ashridge Centre for Business and Sustainability at Hult International Business School was established in 1996 as a centre for thought leadership on the implications of global trends around sustainable development for business leaders. The centre regularly partners with leading companies and networks to explore emerging practice on sustainability and leadership, strategic thinking and organisational change.

Quintin Lake, Research Fellow
Jamie MacAlister, Faculty and Consultant
Matthew Gitsham, Director, Ashridge Centre for Business and Sustainability
Nadine Page, Research Fellow

The Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers’ rights around the globe. Its vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity.

ETI was established in 1998 and has more than 80 company members, including high street retailers, luxury fashion labels, supermarkets and a wide variety of suppliers. ETI works with its members to improve working conditions in global supply chains, recognising that these are complex and challenging, and are best tackled through collaborative effort.

Cindy Berman, Head of Knowledge and Learning

Acknowledgements

The authors would like to thank all of the companies and individuals who participated in this research both for their time and their honest reflections and insights into this topical subject.

Thank you to the British Retail Consortium for its support.
Thank you also to Gary Milne for the design, and Tina Johnson for editing the report.

About the research

In October 2015, complying with the UK Modern Slavery Act became a legal requirement for at least 12,000 companies in the UK and around the world. The Ashridge Centre for Business and Sustainability at Hult International Business School and the Ethical Trading Initiative (ETI) partnered to lead this research into company perspectives and responses to the risks of modern slavery in their global supply chains — against a backdrop of increasing global human rights legislation and reporting requirements.

We engaged with a range of companies that are already actively managing labour standards in their supply chains. Our specific aims were to:

- Provide insights into the motivation, drivers and practices of companies as they develop policies and strategies to address or mitigate the risks of modern slavery in their supply chains;
- Provide insights for companies engaging with modern slavery for the first time by sharing the experience and learning of others, helping to accelerate the Modern Slavery Act’s aim of creating a level playing field;
- Create a qualitative baseline for ETI on how their member companies are addressing modern slavery at the time the Modern Slavery Act is coming into force.

We interviewed 21 retailers and tier 1 suppliers from across the apparel, grocery, department store, home and garden retail, beverage, fresh produce and health and personal care sectors. Companies were a mix of ETI members and non-ETI members.

We also carried out a survey to build a picture of company perspectives and practice to further understand the current response to modern slavery within the interview group and across ETI’s membership base (response rate = 55%¹). Responses in this report have been anonymised to highlight general corporate perspectives and practices rather than the performance of individual companies.

Interviewee roles included Chief Executive Officer (CEO), Chief Operating Officer (COO), Head of Responsible Sourcing, Head of Corporate Responsibility, Head of Ethical Trade and Head of Sustainable and Ethical Sourcing.

While this study is focused on the supply chains of the participant company sectors, the principles apply across businesses of all shapes and sizes. Many of the companies have been members of the ETI or other multi-stakeholder initiatives for over 15-20 years and have well-established ethical trade programmes – particularly those in the apparel and grocery sectors. Almost all companies interviewed have only started to address modern slavery more recently.

This report reflects a snapshot of current practice in the companies who volunteered to participate. It is not a guide for good practice, nor an assessment of companies’ readiness or capacity to meet the requirements of new legislation. Instead, it draws on valuable insights from a group of companies that are likely to be further along in their thinking and practice than others.

21 leading brands and retailers have been interviewed for this research, with a further 30 brands participating in a wider survey.

1. 92 companies were requested to take part. There were slight variations in response numbers to each question, however the overall response rate was 55%.



What is modern slavery?

Modern slavery is a broad term that encompasses slavery, servitude, forced and compulsory labour and human trafficking. The International Labour Organization (ILO) estimates that globally there are 21 million victims of forced labour, which it defines as all work or service that is extracted from any person under the menace of any penalty and for which said person has not offered him/herself voluntarily². Of these, it estimates that 10.7 million are victims of labour exploitation in private enterprise in the agriculture, manufacturing, construction, mining and utilities sectors, generating US\$43.4 billion in illegal profits per year³.

To tackle this issue in the United Kingdom, the Modern Slavery Act was passed into law on 26 March 2015. It applies to all companies carrying on a business, or part of their business, in the UK, and applies to goods and services in their global supply chains. From October 2015, at least 12,000 companies will be required to publish an annual slavery and human trafficking statement, which must be approved by the board of directors (or equivalent management body) and posted in a prominent place on their website.

The Act builds on existing global and local legislation, such as the 2010 California Transparency in Supply Chains Act and the European Union Directives on Human Trafficking, Human Rights and Non-Financial Reporting, and is being introduced at a time of rapid evolution in the expectations of business with regards to human rights and the development of guidance for effective due diligence and reporting. The new United Nations Global Goals for Sustainable Development also include a target to eliminate modern slavery practices⁴.

“Modern slavery is a broad term that encompasses slavery, servitude, forced and compulsory labour and human trafficking”

2. www.ilo.org/global/topics/forced-labour/lang--en/index.htm

3. www.ilo.org/global/topics/forced-labour/publications/profits-of-forced-labour-2014/lang--en/index.htm

4. These goals, adopted by the UN Member States at the Sustainable Development Summit on 25 September 2015, follow and expand on the Millennium Development Goals (MDGs), which expire at the end of 2015.

What we found: 10 key messages

From our interviews and survey with companies, we found that modern slavery is widely perceived to be present in supply chains and that there are a number of important drivers and catalysts prompting companies to get engaged. Companies perceive modern slavery in different ways and are undertaking a range of practices and activities, depending on their level of experience and where they are in their journey. There are a number of enabling factors that enhance their ability to take action. Each section in this report illustrates these findings with quotes from those interviewed.

Overall, 10 key messages emerged.

1. 71% of companies believe there is a likelihood of modern slavery occurring at some stage in their supply chains: it is complex, hidden and challenging to address

Companies feel there is a high likelihood of modern slavery occurring at various stages of their supply chains – particularly in high-risk countries or sectors and at the lower stages of the chain. However, the complexity of supply chains together with the often hidden nature of the issues makes it difficult to identify and address. This presents reputational and strategic risks for the business, not to mention the human rights risks to workers themselves.

2. Leadership makes all the difference in an effective response

Companies that have leaders who provide a clear vision and drive for addressing ethical trade and modern slavery issues – as well as a pathway of accountability and support from the board, chief executive officer (CEO) and senior team – are able to make more progress than those that do not. The attitude and support of individual line managers also makes a difference.

3. Companies that are aligned in their response are able to make more progress

Key for momentum and mitigating the risks of modern slavery in the supply chain is ensuring the business is aligned in terms of strategy, policies, systems, key performance indicators (KPIs) and training. Companies felt that the more aligned their response was, the lower the likelihood that modern slavery will be found in their supply chains and the greater the understanding of the commercial benefits that come from better working conditions.

4. Collaboration is essential, but competitive tensions can be a barrier

Collaboration with peers, non-governmental organisations (NGOs), governments, trade unions and others is seen as important in effectively addressing modern slavery. Yet there are significant challenges to companies achieving the levels of collaboration they desire. Attitudes towards collaborating with competitors and competition law, as well as the levels of engagement of their peers, were all seen to be barriers.

5. End-to-end supply chain visibility and engagement are critical but this is only happening in narrow pockets

Where companies have vertical integration, they have significantly greater confidence in their ability to identify any worker abuse and be in a position to do something about it. In addition, a number of companies have invested in programmes that address specific commodities or sectors where forced labour or extreme exploitation has been found. Some initiatives support workers directly; others are about raising awareness of suppliers about the risks and signs of modern slavery. Engaging with tier 2 in the first instance is an immediate priority for most companies.



6. Relationships and trust with suppliers is important, but most responses are still audit-led

Most companies take an audit-led approach to supplier due diligence; however, almost all agreed that audit is particularly ineffective in identifying instances of modern slavery. Building relationships, capacity and trust with suppliers is seen as much more critical when it comes to preventing and identifying the incidence of modern slavery.

7. Reputational risk is the biggest driver for change, but other factors are significant too

Risk to the reputations and brands of retailers and suppliers was identified as the biggest driving factor for corporate action, though all companies agreed that addressing risk to workers was significant too. Most companies felt that mitigating risks to workers was ultimately mitigating risk to the business. The recent passing of the Modern Slavery Act is already proving a catalyst for change, while company values, senior leadership commitment, investors and the views of employees and customers are also said to be important.

8. Bad news can catalyse change, but it needs to be the right kind of change

For the sectors and companies that have had high exposure to modern slavery in their supply chains, due to scrutiny from either the media or NGOs, the bad news has helped them to develop a proactive response. Those who are more advanced in their approach highlight that finding and acknowledging issues is key to being able to address them.

9. There is a real spectrum of experience and practice in companies seeking to address modern slavery

All of the companies we spoke to had already made public commitments to addressing ethical trade in their supply chains and were taking active steps towards actively managing labour standards. However, they all agreed that the challenge of modern slavery requires some policies, activities and approaches that are more distinct.

10. Developing sustainable solutions to modern slavery takes time, but requires urgent action

Addressing modern slavery is a journey that is only just beginning - but it is encouraging to see the momentum building and the steps that companies are already taking. All highlighted the need for urgent and decisive action, while recognising that the complex nature of modern slavery means solutions will not be quick and no one company can solve it on their own. The advice from companies whose response is more established is that a concerted effort and strategic partnerships are required. Immediate actions must be taken, but significant change can and will come with time if the hard work is sustained.

This report highlights the findings of our research in each of these 10 areas.

1.

71% of companies believe there is a likelihood of modern slavery occurring at some stage in their supply chains: it is complex, hidden and challenging to address

The issue of modern slavery presents a significant strategic dilemma for companies in a wide range of sectors, particularly in supply chain strategies. Companies operating in an increasingly competitive global market – with complex supply chains across different sectors, countries and business models – face multiple risks and challenges. They face commercial risks in bringing products to market at agreed quality, costs and timeframes, with the ability to respond quickly to changes in demand and the market. For this they rely on effective and reliable global supply chains.

However, the companies we spoke to feel there is a high likelihood of modern slavery at various stages of their supply chains – particularly in high-risk countries or sectors and at the lower stages of the chain (see Figure 1). The complexity and demands of supply chains, together with the often hidden nature of the issues, makes it difficult to identify and address. This presents reputational and strategic risks for the business, not to mention the human rights risks to workers themselves.

“Think about how big the supply chain is. More than 5,000 factories, and you don’t have a camera in each one. So, any brand that is saying it does not have any issues, you don’t know your supply chain.”

– Head of Corporate Responsibility, Company S

“You’re never going to have a supply chain that’s 100 per cent clean. There’s no such thing. It just doesn’t exist and it’s a fallacy to think that you can. You don’t have boots on the ground in every single factory, and every single part of your supply chain – we’re talking hundreds of thousands of factories.”

– Head of Sustainable and Ethical Sourcing, Company Y

Issues mentioned by respondents included forced labour, trafficking, child labour and debt servitude in farms and factories from Asia to South America and Africa and – a more recent revelation to most companies – the UK.

“We have had a big issue with Leicester. It’s the UK, it’s an hour and a half up the road. So we have this opinion: If we can’t solve the issues in Leicester, how are we going to solve them out in China or India, or anywhere else?”

– Head of Ethical Trade, Company K

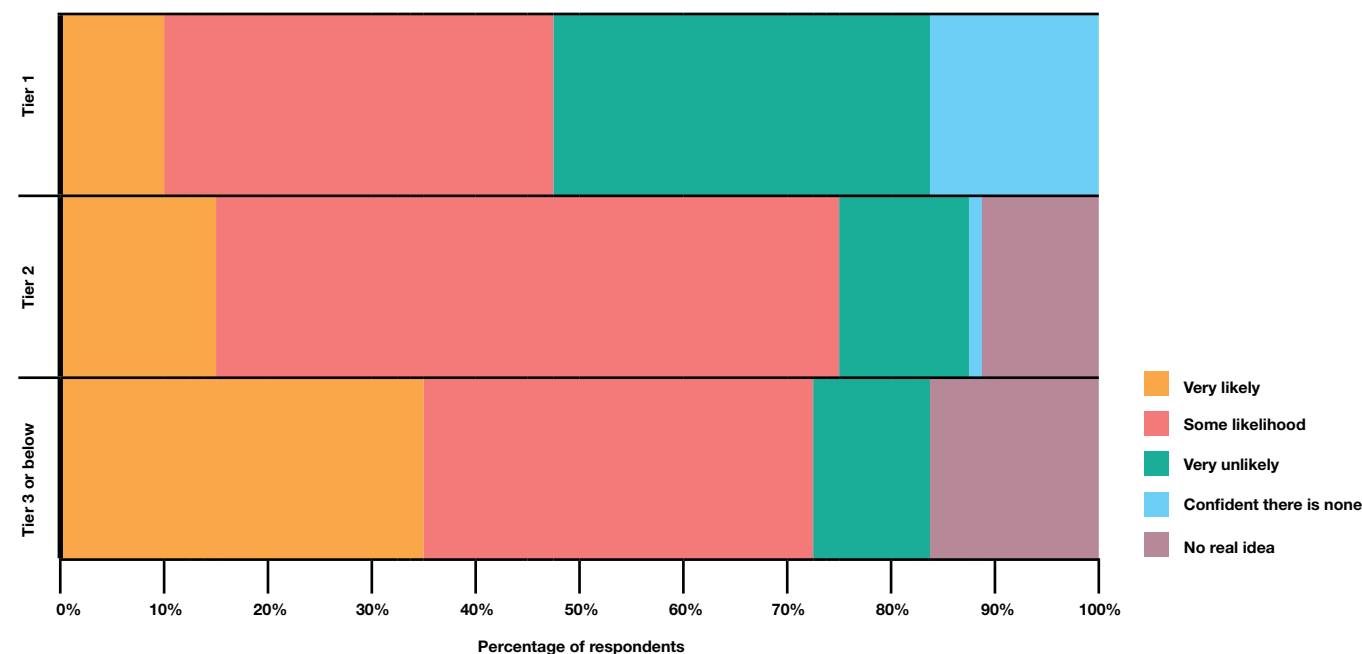


Figure 1: To what extent do you believe modern slavery practices could be taking place in specific areas of your supply chain?

Part of the journey of learning for companies has been gaining greater understanding of their own supply chains. A few years ago, for many firms, there would not have been anyone in the business who knew exactly how many factories were supplying them or the extent of sub-contracting or temporary labour involved in delivering last-minute orders. The dynamics of labour markets have been rapidly shifting.

“I think one of the main risks that is going up the agenda at the moment is around how we’re managing, understanding and monitoring contract labour in the supply chain. Particularly where it relates to migrant workers, because of the perceived additional risk around the vulnerability of those workers. And that affects us as much in the UK as in Europe – arguably more than it does in some of our other sourcing regions.”

– Head of Corporate Responsibility, Company N

At the root of many of these issues is a complex web of underlying factors, from company structures and purchasing practices to criminal activity, poverty, unemployment, discrimination and sourcing country government regulations and enforcement capabilities.

Some of these factors are similar to those experienced when addressing wider issues of ethical trade and human rights. However, forced labour is at the extreme end of the spectrum of labour exploitation and abuse and, as such, presents a number of unique challenges as well. For example, because of the huge profits to be made from exploitation of the most vulnerable workers, the business case for improving working conditions is harder to apply.

“You’re able to work with suppliers to improve working conditions on broader issues of ethical trade, there’s a strong benefit for the supplier too in improving those working conditions, whereas, with forced labour, the economic model for those who are profiting from forced labour, there’s no benefit for them in improving working conditions because actually they’re able to profit more from greater exploitation.”

– Head of Responsible Sourcing, Company H

In addition, its underground and criminal nature makes it hard to patrol, particularly in places where victims’ rights are weak.

“It’s a criminal situation. It isn’t necessarily incompetence or mismanagement any more. You could actually be a really strong HR Manager, good HR team, and somehow in your workplace modern slavery is getting in because it’s criminal and because it’s hidden.”

– Head of Responsible Sourcing, Company P

“As we’ve learnt more about the complexity of supply chains, it’s very clear that the biggest risks we face, of the most severe abuses in supply chains, are where you have vulnerable workers. They’re generally migrants and, most acutely, illegal migrants. If you’ve got people who do not feel they can run to the legal authorities, or work in countries where those authorities wouldn’t treat them tolerantly anyway, they are incredibly vulnerable to abuse.”

– Head of Responsible Sourcing, Company H

While our research focuses on the company response, this complexity means that addressing modern slavery, and its root causes, requires a collaborative response across a broad range of stakeholders – including governments, NGOs, trade unions and local communities – to develop effective solutions. And we found that companies are increasingly working in this way.

“What we’re trying to do in the future is we want to be able to make these changes beyond our supply chain... so we are trying to work with governments as well to address some of these issues.”

– Head of Sustainable and Ethical Sourcing, Company L

Despite all of these challenges, and the various stages we found companies at in both their understanding and ability to address modern slavery in their supply chains, we also found a strong desire to take action and to find the most effective solutions in doing so.

“I think it is simply enormous. As you start to find out more, you have a clearer understanding of how much challenge and complexity there is across labour issues in the supply chain, and that drives a fairly irrepressible logic that you need to invest more and more to start to address it.”

2 Leadership makes all the difference in an effective response

Senior leadership

There was clear evidence from our interviews that companies with leaders who provide strong vision and support for addressing ethical trade and modern slavery issues, as well as a pathway of accountability, are able to make more progress than those who do not. It is most significant when there is engagement and support from the board, CEO and executive team, and line manager support was also highlighted as being important.

“I think we’re relatively lucky. I actually feel there’s quite a strong ethical compass that runs through the business at quite a senior level. And often, if there is an issue and you really can’t resolve it and then you escalate, senior people are quite prepared to make those difficult decisions, on the basis of what’s the right thing to do.”

– Head of Sustainable and Ethical Sourcing, Company J

“If, unprompted, the Chief Exec takes his Sunday morning to write a note to everybody basically saying, ‘We want to do it the right way, guys’, it actually indicates your culture’s pretty aligned to what you’re trying to achieve.”

– Head of Responsible Sourcing, Company Z

“There is absolutely no lack of genuine good will from a succession of people running Commercial, who have been personally very interested and which has really helped.”

– Head of Responsible Sourcing, Company H

However, companies also highlighted that training for the board and senior teams probably does not go far enough, especially with the Modern Slavery Act, and that building awareness for these teams is a priority. In their experience, interviewees stated that it is much harder to make progress if the leadership drive is lacking.

“The CEO has embraced it, massively, and he’s the one who has actually pushed for a steering group and we’re now pushing to get ethics throughout the business. That’s why we need a strategy and a policy really because we haven’t got that yet, so we’re developing that, and then it’s going to get all the buying teams involved.”

– Head of Ethical Trade, Company K

“If your boss doesn’t care, the chance that you are going to do the right thing here is zilch, in my view, unless you’re an incredibly dedicated individual that’s the exception.”

– Head of Responsible Sourcing, Company Z

“I think we’re relatively lucky. I actually feel there’s quite a strong ethical code compass that runs through the business at quite a senior level. And often, if there is an issue and you really can’t resolve it and then you escalate, senior people are quite prepared to make those difficult decisions, on the basis of what’s the right thing to do.”

– Head of Sustainable and Ethical Sourcing, Company J

The skills needed to manage ethical trade are changing

It’s not just the quality and drive of senior leadership that’s important – it is also clear that the passion, skills and experience of individuals who are tasked with managing modern slavery day-to-day make a significant difference as well. The most effective teams seem to provide specialist support to the business, rather than holding a specific responsibility for ethical trade. Their location in the business is also important, with ethical trade increasingly located within the commercial or buying teams rather than corporate affairs or corporate social responsibility (CSR).

“The skill set of a CSR and ethical trade person, I think has changed from being someone who can work with external stakeholders and run a project, to somebody who can really facilitate and be part of and contribute to a strategic dialogue across all functions of the business. I spend a massive amount of my time working with Procurement and Marketing and Sales and, you know, HR and Finance and helping all of those functions to figure out how this is relevant and becomes part of their strategy.”

– Head of Sustainable and Ethical Sourcing, Company J

Individuals also need the ability to contextualise the message and business case for addressing ethical trade and modern slavery for different audiences in the company.

“Some parts of the audience will be looking more for the human side, other parts will be looking for the commercial risk side. Somebody who works in risk, they’ll get the human side, but they’re not there to consider that per se – they’re there to consider the impact and what does this mean for my share price? What does this mean for the business? What part of the profit and loss is this going to hit, and all the rest of it? Group Legal are probably looking at it from a slightly different lens as well. Are we likely to be prosecuted? If we are going to be prosecuted, what, where and who’s going to be potentially asked to appear in the dock? It will absolutely depend on who the audience within the business is as to how we communicate it.”

– Head of Sustainable and Ethical Sourcing, Company Y

“ The skill set of a CSR and ethical trade person, I think has changed from being someone who can work with external stakeholders and run a project, to somebody who can really facilitate and be part of and contribute to a strategic dialogue across all functions of the business. ”

– Head of Sustainable and Ethical Sourcing, Company J

3 Companies that are aligned in their response are able to make more progress

A major focus of our conversations with companies was understanding what an effective response to modern slavery looks like in the context of a broader approach to addressing ethical trade and human rights. They all spoke about different factors that were important in their businesses – small changes in mind-set or adjustments in processes that had been made over time. Usually these aspects were related to their culture or way of working within the business. For some, the company values and culture drove an environment of open conversations around commercial tensions with buyers, while others were much more policy and systems driven.

“Responsible sourcing, similar to compliance, has to be integrated in the way the business operates. If it’s not, then essentially, it can’t work. If that buyer doesn’t know from minute one that he should only be doing businesses with well-intentioned suppliers, the rest of it doesn’t work. So, I’m just stressing to make a point that the only way that this truly happens in any organisation is if it runs through the blood of how the business operates, and you should be seeing physical signs of that almost everywhere you go to say, we’re all in this to try and do the right thing and get it right.”

– Head of Responsible Sourcing, Company Z

Strategic alignment

Companies that had made more progress were ensuring their approach was aligned to the business in terms of strategy, policies, systems, KPIs and training – and that there was a clear driving force and pathway of accountability from the most senior leaders right through the business. Taking a long-term approach to contracts and relationships was also seen as important.

“You can chase value by constantly renegotiating contracts and moving them for half a p a unit here cheaper, half a p a unit there, but you don’t engender any loyalty and you carry a lot of risk. Or, you can create value by having long-term partnerships that encourage people to really invest, to de-risk for the long term, to re-engineer supply chains, in a way that you can’t ever get them to do with short-term contracts – and that’s increasingly well understood in a business like ours.”

– Head of Responsible Sourcing, Company H

Some companies saw an opportunity to align commercial and responsible sourcing drivers. They felt that the more aligned their response was, the lower the likelihood that modern slavery will be found in their supply chains – and the greater the understanding of the commercial benefits that come from better working conditions.

“The follow on then would be, from a leadership point of view, how does that overlay with where the group strategy is? The business strategy? That potentially commercial strategy or that particular HR-related strategy? So, is there, then, a need for a change to what we’re currently doing, to bring it into line with where we perceive the law is asking us to go?”

– Head of Sustainable and Ethical Sourcing, Company Y

“I think having a much more strategic approach to how we work on continuous improvement is something that we’ve been reviewing over the last months, but also ensuring that we do make that commercial decision upfront, based on ethics as well as quality and the price that’s offered by the supplier.”

– Head of Corporate Responsibility, Company Q

“We talk about two sides of a coin – so obviously you’ve got the reputational risk and we show press clippings and so forth, but also the opportunity that you know it’s really common sense that people who are treated well are paid properly, health and safety looked after, will make better quality products, more efficiently, so there’s a really obvious business driver. As we know from all of our own organisations, investing in people, treating them well, observing high standards, means better products. We wouldn’t get anything past anybody senior in here if we didn’t have a business case to do it and we recognise that’s going to be the same for the supply base.”

– Head of Responsible Sourcing, Company P

Clear systems and processes

Other companies had very clear due diligence processes that were integral to their buying process – helping ensure they had the right suppliers in the first place. For those who had this, it was important to work alongside suppliers to give them time to find solutions to poor working conditions or modern slavery practices – but they all had a clear red line where if a supplier was not making improvements, they would have to walk away.

“So really, below this minimum standard, the order cannot be placed because it’s automatically blocked. Everything is integrated with the order system. Above this minimum, you can define a process for assessing the supplier before they are brought on board for the longer term – but in this I would say your process needs to adapt to the business, not the business adapt to your process.”

– Head of Corporate Responsibility, Company S

“We have a programme in place, and when sourcing comes to us with these factories that they want to bring into the supply chain, we put the supplier through this approach where we evaluate them through four key lenses. We look at their business suitability and we look at quality, and then we look at social and environmental responsibility. And each one of those aspects has equal weight – so if the factory is able to provide an agreed price in content and delivery, but they can’t meet our social and responsibility standards, then as a department we have the ability to say we can’t bring this supplier into our supply chain. And that’s been a very powerful process for us because it gives us a voice.”

– Head of Sustainable and Ethical Sourcing, Company L

“In one example, the factory is just not to an acceptable standard and it’s so far off it, it won’t get there in a reasonably short period. So, there’s a really disappointing moment for our commercial colleagues when we have to say no, but it hasn’t been contested.”

– Head of Responsible Sourcing, Company H

“In order for it to be done every day, it’s important for us to have that open and honest conversation, which means we need to be okay with issues. If we’re not okay with issues, then we start red-flagging them after 30 days, which means suppliers won’t tell us about their problems. So, there’s a balance of rewarding suppliers and having consequences for not acting. If they think commercially they can’t be transparent, they won’t be.”

– Head of Ethical Trade, Company W

“As we know from all of our own organisations, investing in people, treating them well, observing high standards, means better products. We wouldn’t get anything past anybody senior in here if we didn’t have a business case to do it and we recognise that’s going to be the same for the supply base.”

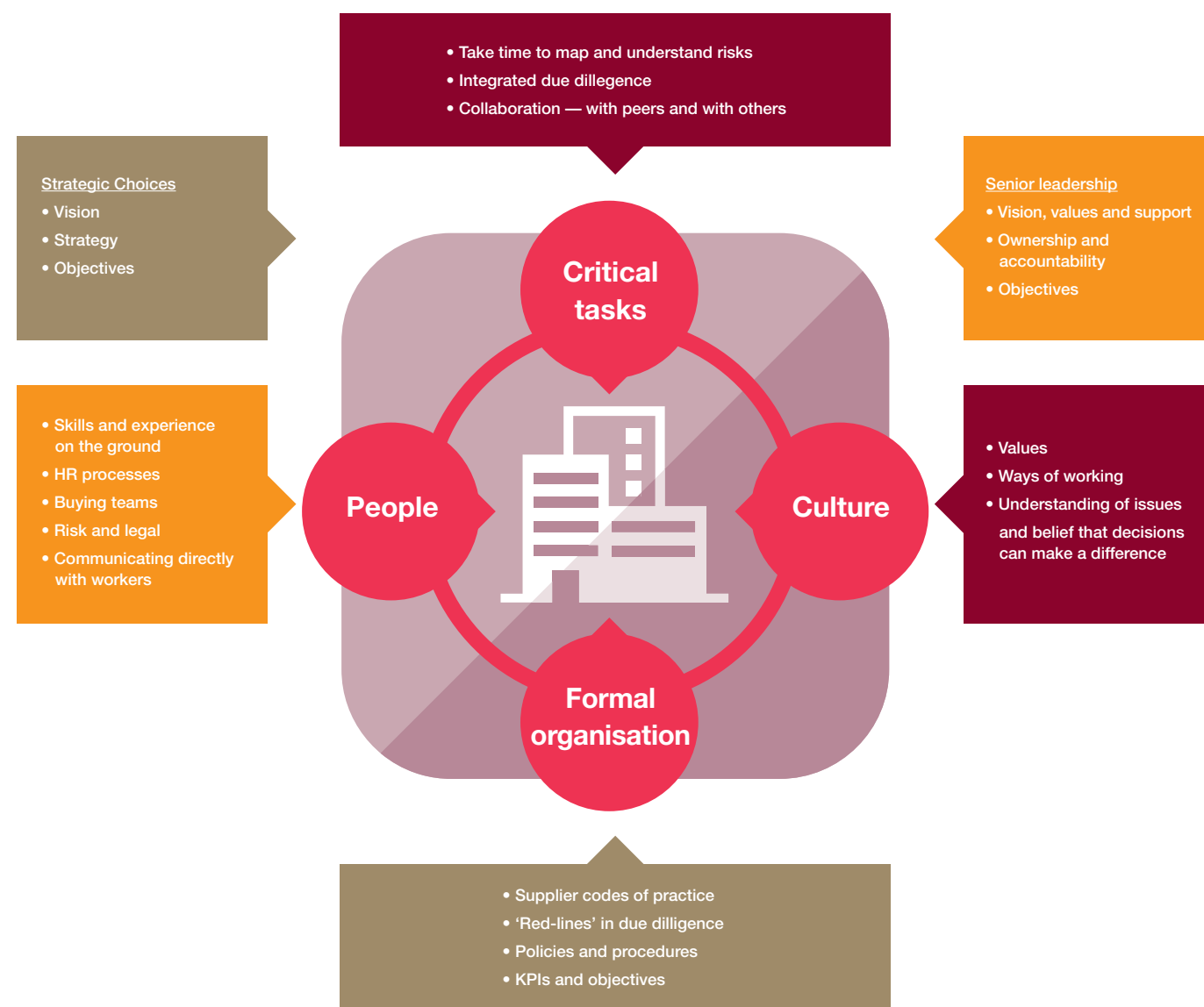


Figure 2. Aligning the company's response to modern slavery⁵

5. Figure 2 adapted from Tushman, Michael L. and O'Reilly, Charles A. (1996). The ambidextrous organisation: managing evolutionary and revolutionary change. California Management Review, 38: 1-23.

The key role of buyers and the procurement process

We found that buyers and procurement teams were probably the most important people to engage, next to senior management, in the implementation of an approach to address ethical trade and modern slavery issues – particularly ensuring they understand the issues and the tensions and can make appropriate decisions in their daily activity.

"The number one thing we ask of our buyers is to end up with people who have a reputation to protect, who've got skin in the game and who absolutely share our values of what we're trying to do."

– Head of Responsible Sourcing, Company Z

"We've had to have difficult conversations around that recently, just trying to encourage them to stick with a country, which they have. Because you can't, from a responsible sourcing point of view, just switch supplier because there's an issue in the country. You need to work with the suppliers, as long as it's the right quality, and the commercials make sense, to support them to drive improvements. Yes, we do have tricky conversations with buyers, but most, on the whole, really understand and they want to do the right thing."

– Head of Responsible Sourcing, Company F

"When you take that long-term view, it's much easier to win the argument internally of baking in improvements and investment, because people's mind-set is different and it changes the ethical questions from being, 'Oh, gosh, are you telling me I can't source with this supplier anymore?' – as an irritant where we're trying to pin risk management onto existing processes – into baking it into long-term planning."

– Head of Responsible Sourcing, Company H

The challenge of sufficient resources

Of respondents to our survey, 44 per cent felt that a lack of dedicated resources (both human and financial) was a significant barrier to the company being able to conduct sufficient modern slavery due diligence, while 50 per cent felt it was a barrier to being able to support supplier improvements, training and remediation. Companies often rely on external consulting expertise to help manage their risks effectively – in most cases at least 50 per cent of the total budget to address ethical trade, including staff salaries, is spent on external support.

"We really make an effort to work with different partners. And in some cases, if it's a cost issue, we'll also contribute to that cost. We do help pay for training, like safety training, and we arrange for consultants to go into the factory to provide guidance on how to develop certain systems."

– Head of Sustainable and Ethical Sourcing, Company L

"The more you engage collaboratively the more you're asked to engage and then the more difficult it gets to resource. I think the danger is that you create an industry for your own teams and then you need more people to service those teams."

– Head of Corporate Responsibility, Company N

"There's two of us who work on responsible sourcing, so that's why we build our response on a risk-based approach. We try to embed as much as we can throughout the organisation, and get support where we need it. We do the best we can with the resources that we've got."

– Head of Responsible Sourcing, Company F

4

Collaboration is essential but competitive tensions can be a barrier

Collaboration with peers, NGOs, governments, trade unions and others is seen by the companies we spoke with as an important factor in effectively addressing modern slavery.

“Addressing modern slavery is actually not a competitive issue, it’s a pre-competitive issue in many respects. You’re talking about peoples’ lives.”

– Head of Sustainable and Ethical Sourcing, Company Y

Yet there are significant challenges to companies achieving the levels of collaboration they desire. Attitudes towards collaborating with competitors and competition as well as the levels of engagement of their peers, were all seen to be barriers.

Collaboration with peers

Reducing burdens on suppliers from multiple companies trying to address ethical trade issues with them, as well as sharing risk assessment platforms (e.g., Maplecroft⁶) and audit data (e.g., Sedex⁷), were all highlighted by companies as reasons for collaboration. But the key reasons were around gaining sufficient leverage with suppliers to drive change, as well as sharing activities, learning and innovation to accelerate improving conditions for workers and the elimination of modern slavery from supply chains.

“The most troubling issues tend to be quite far down the supply chain, therefore you really need a collective effort from a large number of companies if you want to start being able to address it – because your direct leverage as a retailer, even if you’re quite large, is pretty limited.”

– Head of Responsible Sourcing, Company H

“There are things we can do on our own that are impactful, but on an issue such as extreme exploitation and trafficking, given the complex and global nature of our supply chain, given that we’re dealing with 70 countries, I think we all realise we have a limited set of resources and as a group of UK businesses we sometimes don’t have sufficient leverage.”

– Head of Ethical Trade, Company W

“Five years ago, the impression was that we could fix this ourselves, and that’s not that long ago. We really truly thought that if we audit every one of these suppliers, very, very frequently, they’re going to get it and they’re going to be doing the right thing. And I think, frankly, over the last five years, we’ve seen the folly of that and we’ve seen the reality that we cannot do this on our own.”

– Head of Responsible Sourcing, A

While achieving sufficient leverage with suppliers to drive change is an important factor, there are significant challenges to companies achieving the levels of collaboration they desire. Attitudes towards collaborating with direct competitors and competition law were the two most significant, though cultural perspectives when attempting to collaborate with peers overseas was also a factor.

“I think if I was to mention any collaboration with a competitor, in any meeting, I’d probably get asked to leave the room and ‘get shot’ on the way out. There’s almost like a visceral response to it.”

– Head of Sustainable and Ethical Sourcing, Company I

“One thing I hope doesn’t happen is that we will all start becoming very competitive, because of this race to the top type of approach – seeing our programmes on modern slavery as being something where we can get an edge. This type of approach means that sometimes people might go off and do their own thing, rather than work collaboratively, which is counterproductive to dealing with the issue.”

– Head of Ethical Trade, Company W

“Particularly in China, where we have got quite a big supply base – because the domestic market’s getting big – the attitude is, ‘Well, you know, you’re less than 2 per cent of our business, why should we do what you want us to do?’”

– Head of Ethical Trade, Company G

Some companies are finding ways around this through using independent facilitators to remove any challenges with competition law, and significant and shocking events can also help force greater levels of collaboration.

“Actually, one of the things that we also do as an industry, taking aside the competition law elements, is to have dialogue through brokers, like the British Retail Consortium or the ETI or whatever it happens to be, on collectively what would the industry do about this? And also look to other industries or responsible businesses.”

– Head of Corporate Responsibility, Company N

“If you walk down Oxford Street you’ll see all the big names. We often meet together or are on the phone to each other, talking about, what are you doing? What have you done? That’s a dramatic change, that whole open collaborative approach, since Rana Plaza⁸.”

– Head of Sustainable and Ethical Sourcing, Company V

Trade unions, freedom of association and collective bargaining

Companies all agreed on the need to seek the perspective of workers – especially in uncovering instances of modern slavery – and some, though not all, highlighted freedom of association and collective bargaining as a foundation for achieving this. Collaborating with trade unions was felt to be important in providing protection for workers – as well as the local context, experience and expertise in negotiating directly with workers. The differences in the approach of local trade unions, however, was sometimes seen as a barrier for companies to engage, and there were varying views on how to best help workers ensure their rights are protected and that issues can be raised.

“Our relationship with the trade union produced an alliance with the potential for significant change. So we started to work with them, especially from the remedy perspective at that time. At the same time, it has been a challenge and really requires an effort, even for the trade union – but it has been a road that we have gone together. The reality is clear that the more workers have representation, the less vulnerable they are.”

– Head of Corporate Responsibility, Company S

“So for worker voice – freedom of association and collective bargaining – we definitely are working on this, but we do feel like that’s something we need to learn a little bit more about. We have asked ourselves if we want to take a positive stance on trade union partnerships. We are piloting one at the moment – we would like to work with them to implement our vision related to fair wages and benefits and worker voice. Knowing that we have no leverage there, and they have a lot of leverage and potential to influence – positively influence the entire country. But in the US our suppliers’ attitude towards trade unions is very different – I think there’s a lot of fear as they kind of shut down if you bring it up.”

– Head of Ethical Trade, Company U

Some companies recognise that traditional approaches to auditing and due diligence are not going to be effective in dealing with modern slavery. They suggested that different ways of approaching this could be through workers collectively negotiating their own terms and conditions of work, possibly through trade unions or other representative bodies.

“I get the sense that people who are doing modern slavery in our supply chain are trying their best to absolutely hide it – so I think the normal traditional routes of trying to find out where we have those problems are not going to be effective to get us to the root cause of this.”

– Head of Responsible Sourcing, Company P

“The most troubling issues tend to be quite far down the supply chain, therefore you really need a collective effort from a large number of companies if you want to start being able to address it – because your direct leverage as a retailer, even if you’re quite large, is pretty limited.”

6. www.maplecroft.com

7. www.sedexglobal.com/ethical-audits/

8. 1134 people were killed and hundreds injured when the Rana Plaza building in Savar, Bangladesh collapsed in 2013. Brands quickly formed collaborative responses to provide immediate support and ongoing improvements to working conditions in Bangladesh.

“You must respect freedom of association and we can audit to say ‘Where’s the evidence that you respect freedom of association?’ What we cannot do is say to our suppliers, ‘You will all have a union’. We can’t do that. We think it’s really important that you hear the voice of your employees, and that you act on it, and so we’ve done a lot of work to encourage more effective workplace communication, in whichever form people have chosen to be represented, and then to encourage staff surveys and grievance mechanisms and so to try and do it that way.”
– Head of Responsible Sourcing, Company P

Some companies particularly highlighted that any routes available for workers to raise issues need to be backed up with clear and positive action.

“Quite often one sees helplines and whistleblowing policies put in place, and helplines exist, but there’s nobody at the other end who managed those calls – and so you lose faith.”
– Head of Corporate Responsibility, Company S



Role of government and NGOs

Though companies increasingly recognise the role they have in addressing modern slavery, particularly together with their peers, they also believe there will only be lasting impact through working collaboratively with governments and NGOs. Lobbying and working with governments to bring in legislation, or enhance enforcement of existing regulations, is also seen as an important engagement for companies. For example, many of those involved in this research, as part of the ETI, called on the UK government to introduce the Modern Slavery Act.

“When you understand more about the risks, then you can start to understand where the root causes lie and what the most effective interventions might look like in terms of is it about a policy, is it about a training course, is it about lobbying with other stakeholders for a change at sector level, or at government level? Often these things are not about one issue, in isolation, they are often linked together, so part of the human rights work is a little bit of mapping – where do these issues overlie, and which issue is the leading issue, which if you solve that issue, the other issues would become less?”
– Head of Responsible Sourcing, Company P

“I think the interesting element is we source from 70 countries. We have a GLA⁹ in one country, and I think it is absolutely right that the Modern Slavery Act was going to come along in some form or other. I think the real challenge is, what are we going to do in the other 69 countries? Let’s not underestimate how big the task is.”
– Head of Responsible Sourcing, Company P

NGOs were particularly highlighted for the positive role they play in helping raise awareness in the business (see Box 1 for examples).

“NGOs were very helpful in explaining to us how people become enslaved, what happens to them and some of the brutal treatment they receive. It did open our eyes to what the reality of it is, but it also meant that we can talk about it in the first person now, having actually understood it. We’ve been able to speak to all of our internal people now, explaining what it is and what it looks like. It also leads us to being incredibly concerned about the risk that’s taking place in some of our sourcing areas, especially in the UK.”
– Head of Responsible Sourcing, Company M

Box 1.

Two examples of company and NGO collaboration

Project Issara
Project Issara is a public-private sector platform to tackle human trafficking in Southeast Asia, with an initial focus on forced labour in Thailand’s export-oriented industries affecting global supply chains (see www.projectissara.org).

“We’ve recently been doing work in the Thai seafood sector, with Project Issara and that’s a really good project driving lots of improvements on the ground, for thousands of migrant workers.”
– Head of Responsible Sourcing, Company F

Stronger Together
Stronger Together is a UK-based multi-stakeholder initiative that provides guidance, resources and a network for employers, labour providers, workers and their representatives to reduce exploitation (see www.stronger2gether.org).

“With Stronger Together, we roll out supervisor training, work and induction training, showing suppliers a DVD about issues of slavery and how to spot it and building their capacity to be able to manage it. And one of our suppliers said that because of it they proactively spotted an issue of modern slavery a month or two later and they knew how to handle it, they knew who to get in touch with, they knew how to protect that worker - and they would have never done that normally.”
– Head of Ethical Trade, Company W

9. The Gangmasters Licencing Authority (GLA), which works in partnership to protect vulnerable and exploited workers. www.gla.gov.uk

5. End-to-end supply chain visibility and engagement are critical but this is only happening in narrow pockets

Of the companies we spoke to, a few had vertical integration in a relatively narrow part of their supply chain. In addition, a number of them have invested in programmes that address specific commodities or sectors where forced labour or extreme exploitation has been found. Some initiatives support workers directly, while others are about raising the awareness of suppliers about the risks and signs of modern slavery. In some cases, these were collaborative initiatives such as Project Issara (see Box 1).

In these instances, companies had significantly greater confidence in their ability to identify any abuse and be in a position to do something about it. As discussed above, relationships with suppliers and their awareness of the issues, as well as the role they have to play in addressing them, are essential. However, the lines are blurred as to how far a company can be expected to have visibility, let alone responsibility, within its supply chain.

“With your suppliers and with your suppliers’ suppliers, you have a reasonable hope and expectation and a reasonable level of control. Once you get beyond that, I fear that is completely new territory for most businesses. Because when you are four or five steps away from that supplier, your challenge becomes you have no power. If you have no power, in terms of trying to change and influence what they’re doing and how they’re doing it, you have a big problem. You have to try and create this virtual chain of people that care.”

– Head of Responsible Sourcing, Company Z

“The question is how do really extended supply chains bring in more risk and how do you restructure those supply chains to reduce the risk.”

– Head of Responsible Sourcing, Company P

Looking back at some of the drivers for addressing modern slavery, it could be suggested that customers and other stakeholders do not see the tiers and complexity of supply chains – only a product being sold that they want to know is slavery free. Most of the companies we spoke to said they were planning to investigate tier 2 and beyond as a priority, while acknowledging it presents a big challenge.

“Until there’s a precedent set, it’s so difficult. We sort of sit here, and think, well how far do we go because it’s so, so difficult to get to tier 2.”

– Head of Ethical Trade, Company K

“When it comes to tier 2, we are relatively stable, but it definitely moves around a lot more than tier 1 because of the finishing and all the extra processes that don’t happen all the time – we think we will have problems with leverage when it comes to tier 2.”

– Head of Ethical Trade, Company U

Some companies said they were looking for innovations in either shortening or restructuring their supply chains to remove some of the layers, or using technology to increase visibility.

“Our goal was to look at the supply chain from end-to-end and shorten the people involved. Because, by definition, the more people you have between the person selling it here and the person growing it here, the worse deal this person gets, the less control you have of the supply chain and the less visibility you have. The length and the complexity of the supply chain has got to be reduced and both financially for the business, and from a responsible sourcing angle, this will make a tremendous difference.”

– Head of Responsible Sourcing, Company X

“What you know is that the shorter the supply chain, the less likely the risk. The longer the supply chain, the more complex, the less visible, the greater the risk. Simple as that.”

– Head of Responsible Sourcing, Company P

“What you know is that the shorter the supply chain, the less likely the risk. The longer the supply chain, the more complex, the less visible, the greater the risk. Simple as that.”

Box 2.

Case studies

“We used to buy from a bunch of companies in the UK who were sourcing the X, but now we have direct contracts with a very small number of farms, some of whom only supply to us. Because we’re able to buy all their X, we’ve been able to get them to commit to living wages by 2017. We’re in charge of the logistics, so we save money that way, so we’re getting X, and the workers are getting a living wage, which is ahead of where fair trade is, but they’re costing us a lot less than other people are paying for fair trade. It’s an example of what you can do if you take a longer-term approach. But we’ve also got an awful long way to go on that kind of journey.”

– Head of Responsible Sourcing, Company H

“But Y is the only place where we actually grow and then process and have visibility right back through the supply chain. So, we had the same situation that any other branded company would have, therefore, where you’re buying from often, from either a processor or an aggregator, and you’re not buying direct from the source where the biggest issues might exist. So, it’s then working out, how do you work back through that supply chain and make sure that you don’t just look at your first tier supplier and assume that, if you manage that, you’re managing the issue. But at the same time, if you’re trying to go back through your supply chain and actually understand back to farm level, well, you’ve got to do that in a way that actually engages your supply chain and doesn’t just go round them and saying, ‘You, Mr Processor, we’re just going to ignore you and we’re going to go and work out what’s happening here,’ so it becomes much more complex.”

– Head of Sustainable and Ethical Sourcing, Company J

“We actually have direct relationships with our tier 2 suppliers, and that’s unique to our business. We developed our materials with our suppliers, and so we have to have a lot of contact with them. And we nominate the materials for the factories, so we are very integral in that relationship.”

– Head of Sustainable and Ethical Sourcing, Company L

6 ■ Relationships and trust with suppliers is important, but most responses are still audit-led

Though companies consistently stated that relationships with suppliers and workers is a key factor in their response to modern slavery, we also found that unless a company has focused on a more relational approach from very early on, it is very difficult to implement retrospectively and at scale. This is not surprising when you consider the range of drivers and priorities at play in the business, or the fact that most companies are taking an audit-led approach to human rights and ethical trade due diligence – an approach likely to be intensified with the reporting requirements of the Modern Slavery Act.

The role of audit

Most companies started their ethical trade response with audit – both to get a sense of what issues could exist and to see where to focus their attention. Most take an audit-led approach to due diligence and base their KPIs around audit completion and compliance. However, almost all agreed that audit is particularly ineffective in identifying instances of modern slavery – and that investing in audit is not an effective use of resources. There is a real desire among companies to find a better method of engaging with suppliers and rooting out modern slavery.

“So this is actually a case of there’s a lot of wasted resource here, a lot of money being spent – you know, it can be average of \$2,000 for an audit report, for an audit to happen – and it has no benefit for workers, it doesn’t actually look at the root causes of any non-compliances. And how do you decide what’s real and what’s fake? But obviously, if you’re there, you can actually see what really is happening and I think that’s where we saw the benefit to invest in having a team on the ground.”

– CEO, Company O

“If it were me I would be saying something along the lines of, don’t just go down an audit programme. Do try and start with some due diligence and get some expert help to say ‘this is probably where your biggest risks are’ and then try to understand what is out there, rather than just pay a provider to give you a level of plausible deniability.”

– Head of Responsible Sourcing, Company H

“Modern slavery was found even with two brilliant organisations that have been in there, audit after audit after audit. After years of history of auditing a supplier, they never even got a sniff that modern slavery was there.”

– Head of Responsible Sourcing, Company M

On the other hand, auditing still has a role to play in the identification of issues. Follow-up of audit information was identified as important – particularly ensuring that it focuses on addressing the root causes of modern slavery, not just technical compliance. Companies spoke about the challenge of dealing effectively with the depth and breadth of data that audits can produce.

“Everyone blames audit as being ineffective, but I think half the time it’s because they don’t use audit in the right way. I think if you do use it in the right way and if you’re in a partnership with suppliers, they can know that actually they have a poor ethical audit – but you want to understand what they’re doing about it, rather than they’ll lose business because they’ve had a poor ethical audit.”

– Head of Responsible Sourcing, Company C

“What we’re trying to do now is to look at the ‘so what’ factor. Okay, so we’re doing compliance – so what is that actually changing? How are you going to solve it? Audit is just the starting point. The audit is not the endpoint. It’s just the beginning of your conversation.”

– Head of Ethical Trade, Company G

“If it were me I would be saying something along the lines of, don’t just go down an audit programme. Do try and start with some due diligence and get some expert help to say ‘this is probably where your biggest risks are’ and then try to understand what is out there.”

Relationships in the supply chain

Relationships and trust with suppliers along the supply chain are seen as particularly key when it comes to identifying issues of modern slavery, not only because by nature they are generally very well hidden but also because suppliers can be fearful that talking about them with a buying company will mean losing their contract. Transparency and communication were seen as important issues.

“We are sourcing from some of the poorest countries in the world – it’s better for us to know what the issues are so we can work with our suppliers to address them. Half the battle is trying to improve the communication flow, so that suppliers feel that they can trust us to tell us what their real issues are.”

– Head of Ethical Trade, Company R

“I think the single most important thing is personal relationships and people actually looking one another in the eye and being able to be open and honest and transparent. I always find that there’s a real breakthrough with suppliers when they’ll start to share with you things that aren’t in the public domain, that they feel quite uncomfortable about, that they don’t necessarily know what to do about, but they’ll share them and say ‘We actually think you might be able to help us and give us some insight into this, and we trust you enough to give you something ’

– Head of Sustainable and Ethical Sourcing, Company J

“One of the challenges that we have, in terms of the process, is making sure that the information that we’ve got, that we rely on so heavily, is accurate information, correctly obtained and truthful. You have to have a degree of trust, or make sure that you’ve got people who really know the difference and they can spot it.”

– Head of Corporate Responsibility, Company N

Several companies talked about the importance of having people on the ground to build these relationships.

“In each of the countries we source from, having local people ensures that we can build long-term relationships – not just with the factory owners and the workers, but with NGOs and trade unions. That has been a massive asset because what then happens is you can look at endemic issues within a country or at a global level where we can coordinate, because some of our suppliers are also multinationals. It helps us ensure that responsibilities are taken, but it also allows us, when we talk about auditing, it allows us to do a lot more of the work directly with factories and workers instead of the kind of tick box approach.”

– Head of Responsible Sourcing, Company M

“I think the single most important thing is personal relationships and people actually looking one another in the eye and being able to be open and honest and transparent.”

"If I look at the team we've got overseas, a very big part of their job is simply having experts in this broad field, on the ground, building the relationships, building networks and starting to understand where all these risks are. It's only by having that close connection which helps drive us to do things, that we find stuff which absolutely no one knew about before."

– Head of Responsible Sourcing, Company H

"We've got a team around the world who work full-time on labour standards issues, where we do more of the site visit work in-house, because of the difficulties of using independent parties to really get to the truth."

– Head of Corporate Responsibility, Company V

"One thing we do particularly well is supplier engagement – quarterly meetings. So if ETI are developing some new guidance I can take that, discuss that with suppliers, make announcements, brief out new approaches and so forth, and then we do awards to recognise best practice. We do loads of tool kits, we've got a website and so on. Typically you'd have about 60 HR Directors, HR Managers, coming to that session so actually that's a really good sense check of what the supply base capability's like - who would get it and who wouldn't get it, so it just enables us to really hone a policy or to pilot a different approach or just engage people on this serious issue and to see what collaboratively could we all do about it."

– Head of Responsible Sourcing, Company P

Most of the companies have active programmes of working with their suppliers to help them prevent issues, and to address them if they are found. This could be as simple as helping improve health and safety conditions in a factory through to training on modern slavery issues: awareness of the issues, how to identify them, how to remedy them if found, and also to share good practices and learning with other suppliers. Some companies spoke of running supplier conferences to achieve this, at times even in collaboration with their peers.

"One of the best ways you can get to know about an issue is by working at the coal face with the supply base – creating the right kind of environment where people feel they can talk about an issue, and you can talk collaboratively about solutions. So we run international conferences, and over the last three or four years have started to form supplier exchange groups with the other suppliers. It's about saying 'We're here to talk to you about these issues' not 'There's loads of problems here'. It's about coming and saying, 'These are the ways we work with different countries, which will have their own problems', and I think that kind of collaborative approach is really well received."

– Head of Responsible Sourcing, Company P

"All of our UK manufacturers have attended workshops talking about modern slavery and what the Act means. Expectations, our responsibility, and therefore their responsibility too."

– Head of Corporate Responsibility, Company V

"We run international conferences, we get suppliers to talk and showcase about what they've done... the buying team listening in the audience are kind of like 'Wow, that's really impressive', but also for our other suppliers listening, they are saying 'I want to do that too'."

– Head of Responsible Sourcing, Company L



7 Reputational risk is the biggest driver for change, but other factors are significant too

Risk to their reputations and brands was agreed by 92 per cent of the retailers and suppliers we surveyed as the main factor driving them to address modern slavery (see Figure 3), though companies interviewed all felt that addressing risk to workers was significant too. Most companies we interviewed felt that mitigating risks to workers was ultimately mitigating risk to the business. For many, addressing the risk to workers has come about as a very personal response to either seeing first-hand or better understanding the reality of working conditions.



“When you get underneath the surface of what goes on – in modern trafficking and modern slavery in all its different guises – it is horrific, absolutely horrific and nobody would accept it or tolerate it at all.”
– Head of Corporate Responsibility, Company V

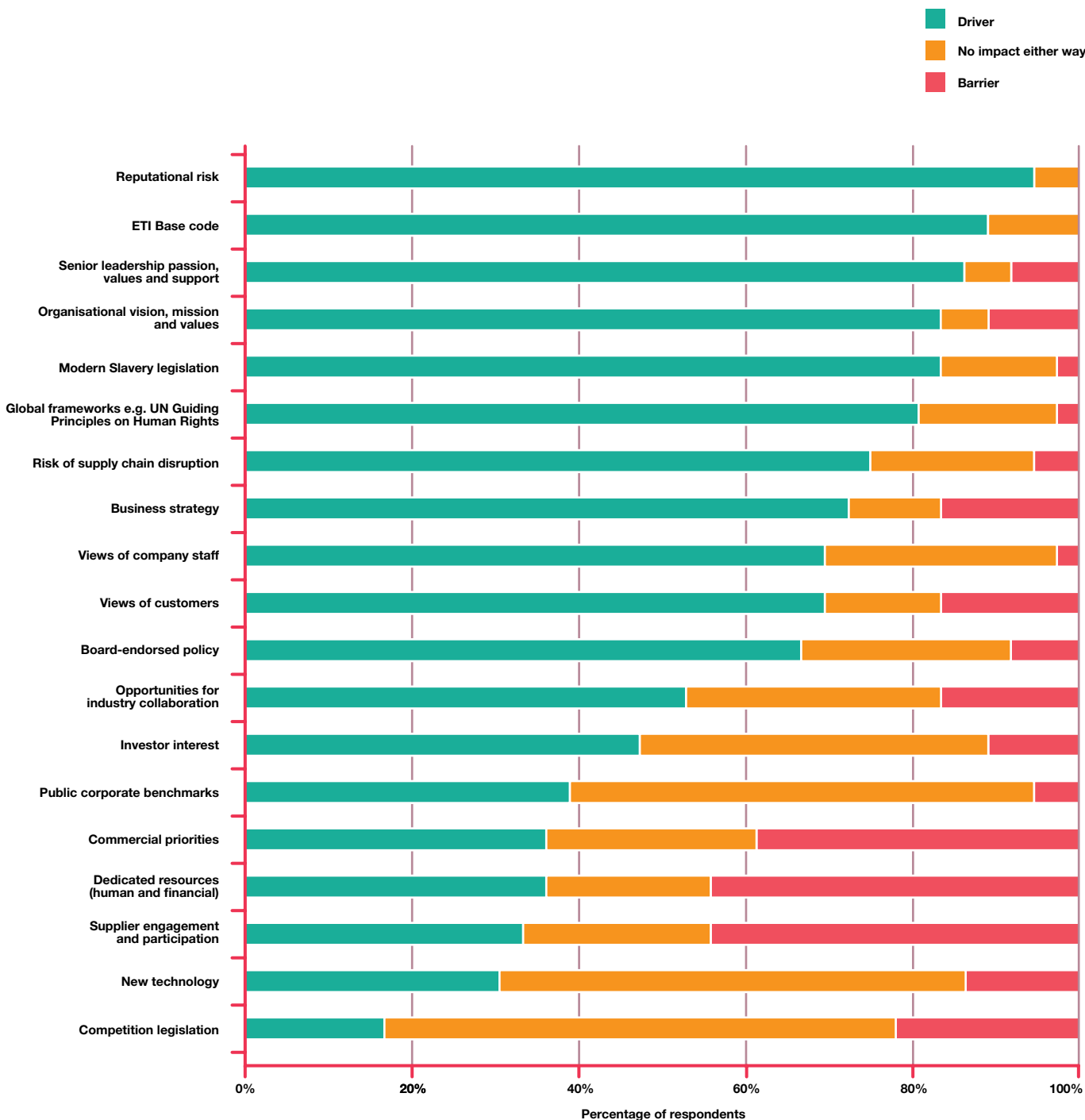


Figure 3. Factors impacting company action on modern slavery

The Modern Slavery Act is already proving to be a significant catalyst for change (alongside other regulations) in companies, regardless of the length of time they have been addressing modern slavery and broader ethical trade challenges (see Box 3). All of the companies we spoke to welcome the Act (with some believing it does not go far enough), and most were involved in helping bring it to fruition through their involvement with the ETI and British Retail Consortium. They particularly welcome the fact it helps level the playing field for those companies that are already addressing modern slavery challenges.

Box 3.

Companies’ responses to new and current legislation and regulation

What the Modern Slavery Act means is very different for each of the companies we spoke to, depending on their size and where they are at in developing a response. For larger companies, many of which have requirements to act already under laws such as the California Transparency in Supply Chains Act or the UN Guiding Principles on Human Rights, it is helping to consolidate existing approaches. Some companies spoke of concerns such as resources not being allocated well because of a focus on reporting, while pointing to greater alignment of codes of practice, reporting standards and benchmarks as being essential in alleviating this burden.

“So for us, when we think about the Modern Slavery Act, we don’t feel it’s necessarily anything different to what we’re doing. But it does mean that it has more profile internally, higher level profile and more ease to justify the mandate of why we have to be doing what we need to do. So it just makes life a bit easier, but these are things that we’re doing anyway.”
– Head of Ethical Trade, Company W

“I think we’re more driven by the UN Guiding Principles, because what I’m keen to make sure that we do is to incorporate modern slavery as part of that bigger piece of work. Whereas I think if you’re driven just by modern slavery, then you can miss a huge amount of other things and actually end up focusing your resource in one area, at the detriment to other areas. I think taking the strategic approach, and addressing modern slavery as part of that, is an important thing.”
– Head of Corporate Responsibility, Company Q

“What happens is that somebody somewhere will league table you. It drives you nuts. Then somebody in the business at a senior level will want to know why you’re at such and such and not such and such and then that drives the wrong behaviour.”
– Head of Corporate Responsibility, Company N

“I think a lot of the suppliers that we’re working with through the human rights programme, we’ve actually worked with for a really long time. It would be difficult to go in with a complete compliance approach, when actually they’ve been partners with us for so many years and it is more about the relationship.”
– Head of Sustainable and Ethical Sourcing, Company J

“I think obviously the fact that we have legislation now means that there is a fear of being able to put things out in the public domain. How do we create an environment where more transparency is looked at positively and more issues being identified is actually a good thing, because it means we’re improving our identification of issues?”
– Head of Ethical Trade, Company W

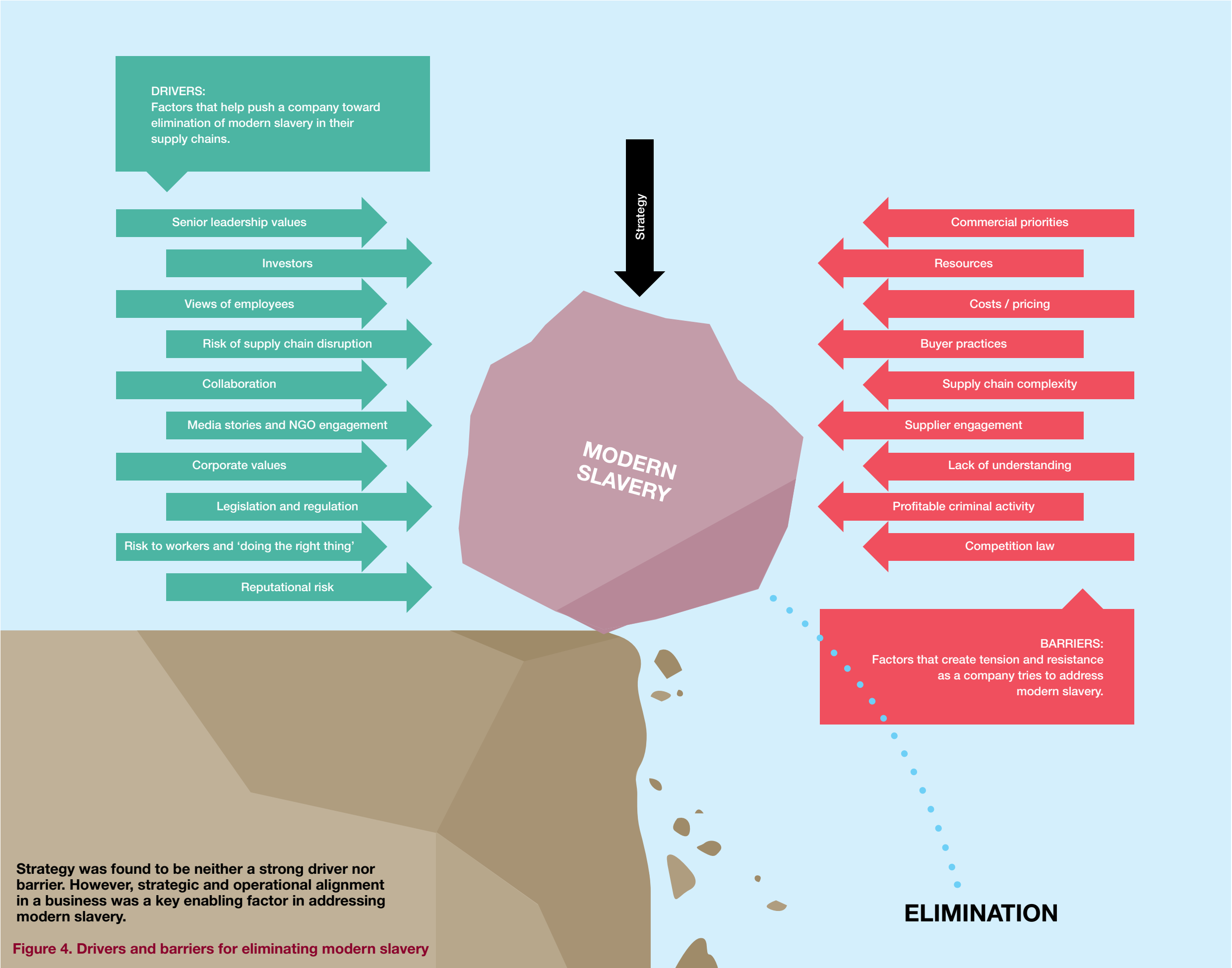
“With the threshold coming down to £36 million for reporting, that’s going to help, but it brings a whole bunch of our suppliers into this legislation and I’m not quite sure whether they know what it is. We’ve also got to be very careful, because they could easily contradict something that we’re saying.”
– Head of Responsible Sourcing, Company O



A finding that requires some explanation is that customer behaviour is less clear as a driver for change. Although ‘views of customers’ was rated highly in the survey (see Figure 3), our interviews revealed that most companies (even those known for their ethical approach) do not think most customers would change their buying behaviour primarily because the company was known for addressing modern slavery issues. Price and quality were more critical factors. However, companies perceive that customers assume the business is ensuring there is no modern slavery in the product or service they are purchasing. There is a sense then that customers would reconsider buying from companies if modern slavery was found to exist and they were unconvinced it was being fully addressed.

However, as Figures 3 and 4 show, there are a significant number of both drivers for and barriers to companies working towards the elimination of modern slavery in their supply chain. This can also create tensions in the business which are covered more throughout this report. Though it is beyond the scope of this report to cover each in detail, the main drivers are highlighted by the quotes on the following pages.

Drivers and barriers for eliminating modern slavery



Drivers for a corporate response to modern slavery

Senior leadership values

“Our CEO is personally really quite passionate about corporate responsibility. Some of the people that didn’t see it as part of what they needed to be involved with are now much more engaged. Our CEO has definitely accelerated that change.”
– Head of Corporate Responsibility, Company X

Investors

“Increasingly, the investor community are concerned about share prices being affected by things that might affect reputation.”
– Head of Corporate Responsibility, Company X

Views of employees

“It’s employees as well. From an employee perspective, I want to work for a company that does the right thing and doesn’t exploit people. And I think responsible business is an increasingly important aspect of recruitment. For the younger generation particularly, who know about these issues more than, perhaps, people my age might have done. So, it’s seen as something that we will need increasingly to appeal to those younger, incoming employees.”
– Head of Corporate Responsibility, Company X

Corporate values

“One of the reasons which has driven it being just part of our terms of trade, the way that we do business, is because it’s one of those core brand standards. We have a very set way that we do business, and if you want to do business with us, you have a valid ethical audit and it’s shared and you’ve addressed your actions, and that’s just the way we operate.”
– Head of Responsible Sourcing, Company P

Legislation and regulation

“In the past it’s been voluntary, so therefore it’s much more difficult and you always have to say it’s a business case, we need to protect our reputation – or we need to do this because it’s the right thing to do, which in a commercial environment, even when values-led, is a challenge. But, when it’s legislation and it’s law, it’s different, and it’s much easier to say, ‘Well, we’re just legally required to do this’.”
– Head of Ethical Trade, Company W

“So, from that point of view, you’ve got the disparity that, historically, the rest of the group hasn’t done a great deal of stuff and then you’ve got pockets of work being done in other parts of the operating companies, or group. Which then, when you come back into where this Modern Slavery Act sits, that obviously starts to create a level playing field within the business, let alone in our sector.”
– Head of Sustainable and Ethical Sourcing, Company Y

Risk to workers and ‘doing the right thing’

“Risk to the worker is ultimately risk to the business as well. We’re doing it because it’s the right thing – that’s fine – but there is also the reputational risk to the business. But by doing the right thing for the worker, you’re reducing the risk.”
– Head of Ethical Trade, Company K

Reputational risk

“Any media story with these types of issues, linked to our brand, is a huge risk to us and that’s the risk we’re trying to avoid. There are all these business and commercial risks, but ultimately, it would have to be the risk to our brand.”
– Head of Ethical Trade, Company W

“So we need to be addressing these issues, because they’re the right thing to do, but in a pragmatic way the business is focused on them because it has a big reputational exposure.”
– Head of Responsible Sourcing, Company H

Peer activity

“We look across our business peer groups to see what’s happening in the marketplace. What other retailers are doing, clearly, is going to be relevant.”
– Head of Corporate Responsibility, Company N

Good business is good business

“I think you can sum it up by saying good business is good business. It’s not rocket science, in a way. It’s simply a case that proper management of your supply chain is about proper business, about effective business and fundamentally we are a customer-centric business. We sell a product. The customers are very unlikely to buy a product from a retailer they don’t trust.”
– Head of Corporate Responsibility, Company N

Views of customers

“When customers walk in to our business, they walk in with the understanding that we have taken all of that responsibility – that we have made sure that those products have been made in decent, safe, working conditions. They put that whole responsibility on you, so there’s that trust there, not necessarily that they’re actively following up on it, but they have placed that trust.”
– Head of Responsible Sourcing, Company M

“A lot of people say well, customers don’t care. I think that’s not right. I think customers do care. I think customers care in very different ways, depending on what their moral compass is set at. They may not ask us for this information upfront, they may not tell us that they want us to do this upfront, but they certainly do tell us if we get it wrong.”
– Head of Sustainable and Ethical Sourcing, Company Y

“I think you can sum it up by saying good business is good business. It’s not rocket science, in a way. It’s simply a case that proper management of your supply chain is about proper business, about effective business and fundamentally we are a customer-centric business .”

8 ■ Bad news can catalyse change, but it needs to be the right kind of change

Helping people across all aspects of the business to realise that modern slavery could exist in their supply chains is an ongoing process. Even for companies that have well-established labour standards programmes, there is a general lack of understanding of the issues widely across the business.

“Human rights, and I think modern slavery probably even more so, are incredibly misunderstood terms and they’re terms that in business generally tend to get one of two reactions. Either, a real defensiveness, ‘We don’t have modern slavery in our supply chain’ or ‘What are you talking about? How’s that relevant to us?’”

– Head of Sustainable and Ethical Sourcing, Company J

No company wants to find that there is modern slavery anywhere in their business, let alone their supply chains. But as section 1 highlighted, there is a high likelihood that it is happening.

Sectors and companies that have had high exposure to issues in their supply chains, either through media or NGO scrutiny, have been forced to confront them and develop a response. Because of these media scandals and campaigns - whether in relation to cocoa and coffee farms, Thai prawns, Uzbekistan cotton or factories in the UK — these companies are much further along in their response. Increasingly, it is prompting the need for a more strategic and structured plan of action.

“Another driver is absolutely through media stories, and it would be churlish if anyone pretends differently. Given that the greatest risks of slavery in the supply chain tend to be a bit further down than the first tier, which is where we have both greatest sight and greatest, potential influence over events with our suppliers, it’s the case that we will often find out about things through the media, but that provides then, the trigger for us to act.”

– Head of Responsible Sourcing, Company H

“I don’t think we’ve had human rights or modern slavery put on our agenda because of any major campaign or any major media support line or anything like that. And, I say, maybe that’s unlucky because actually when you’re doing our kind of jobs, it’s easier to have the big campaign that forces the action and visibility in the company than it is to have nothing.”

– Head of Sustainable and Ethical Sourcing, Company J

“What has led to that change I think is very senior people within the business travelling, seeing it first-hand. When an issue hits the old proverbial fan – or you’re in the press, or you’re being hounded by an NGO – the business sits up and listens. How could this have happened? What do we do to prevent it again?”

– Head of Corporate Responsibility, Company V

However, interviewees also underlined that the expectations and demands made by consumers, investors, NGOs and the media are sometimes poorly informed or unrealistic, failing to understand how much influence companies actually have in many of their supply chains and how long it takes to see real change. Some are inclined to publicly ‘name and shame’ or call for boycotts of products or companies rather than encourage companies to progressively improve working conditions. This presents a significant disincentive to transparency, honesty and openness.

“And if we’re finding more issues, the recognition for brands should be about how they’re tackling those issues — not being required to guarantee there’s no slavery in their supply chain, which is what’s been happening. It’s too simplistic.”

– Head of Ethical Trade, Company W

“Some of the campaigning NGOs have been saying, ‘Can you get in touch with so and so retailer and ask them to guarantee that there are no issues of slavery in Thailand?’ And you’re like... ..how can you do that? And if you can’t guarantee it, it goes on, ‘Can you ensure that you will boycott that country?’ And how is that going to help anyone? You can either be involved and deal with the issues, which means that you need to acknowledge there will be issues, or you can leave and make things even worse for workers.”

– Head of Ethical Trade, Company W

“I think it would be really helpful if the discussion changed a bit. I think it would be great if people realised that it’s not really brands that own the factories – there are suppliers in the middle and some of these suppliers are huge, a lot bigger than us.”

– Head of Ethical Trade, Company R

Companies that are more experienced at addressing ethical trade have learnt to acknowledge there is a high likelihood of finding issues, particularly as they engage further down the supply chain. They highlight acknowledging problems as critical to being able to develop a meaningful response.

“If you’ve got a serious issue, the first thing you do is you have to acknowledge across the business that you have an issue. You’ve got to be honest enough to be able say it – and, indeed, to stakeholders.”

– Head of Responsible Sourcing, Company H

However, even when companies have a desire to be more honest and transparent, they find it challenging because other companies, often their competitors, are less willing to do the same. Some bad news can also be extremely unhelpful to companies, especially if there is a knee-jerk reaction that leads to overly simplistic solutions.

A number of companies highlighted the need for greater awareness of modern slavery and increased capacity of relevant staff to know what to do if it is found.

“If you’ve got a serious issue, the first thing you do is you have to acknowledge across the business that you have an issue. You’ve got to be honest enough to be able say it – and, indeed, to stakeholders.”



9

There is a real spectrum of experience and practice in companies seeking to address modern slavery

We asked companies about how well developed they felt their practices were in different aspects of their response to modern slavery (see Figure 5). The most mature aspects related to having an ethical code of conduct and due diligence process in place for all suppliers. It is perhaps reflective of the leadership and experience of companies we spoke to that over 50 per cent felt they have a clear handle on managing risks to workers' rights within their overall supply chain strategy.

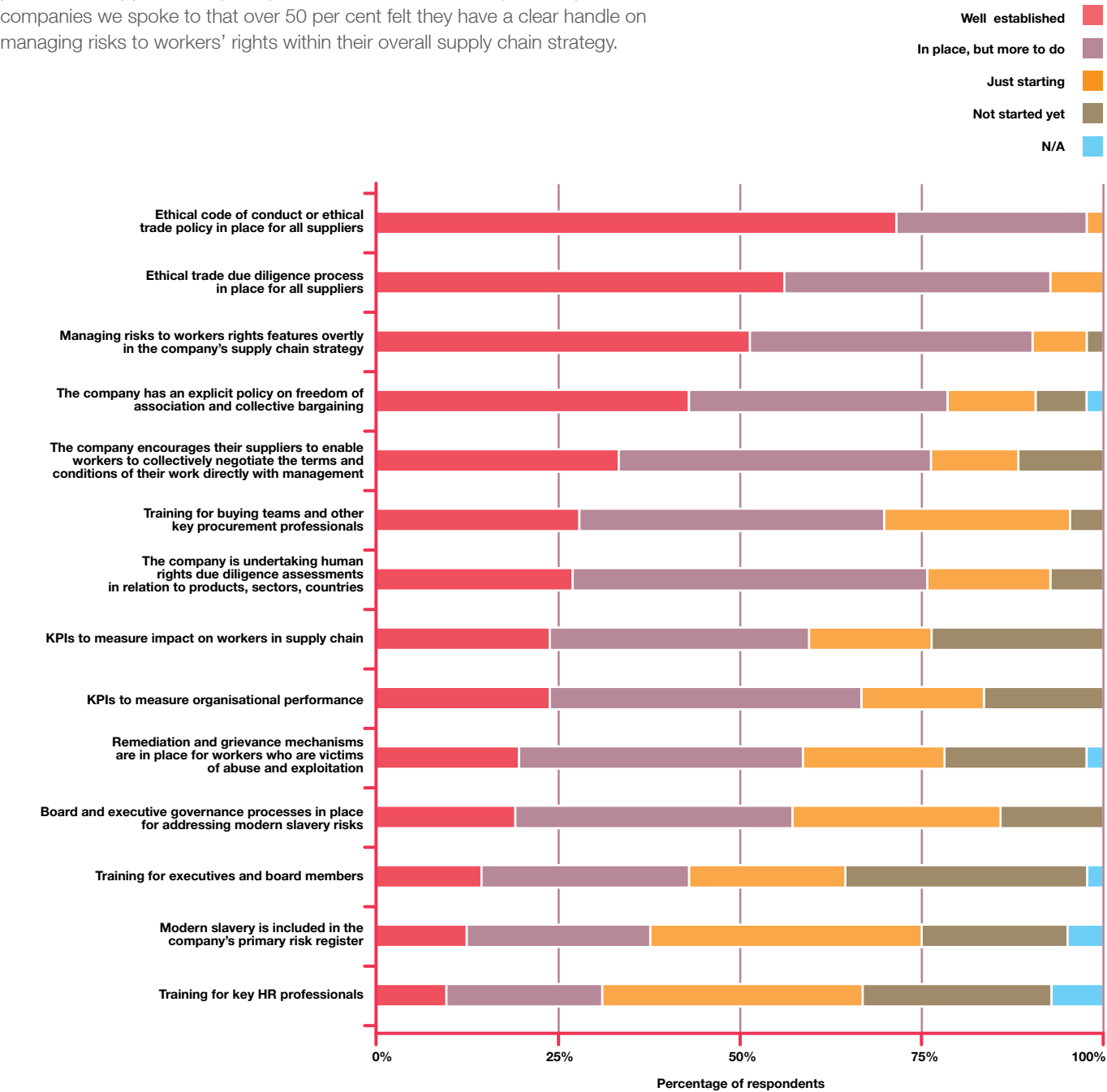


Figure 5. Corporate practices to address the risks associated with modern slavery

“You start by thinking, well, how do we look at the riskiest areas? How do we start to get some coverage and how do we use independent parties? You start to learn more and then try and build programmes and interventions and collaborative work with others. And as you do that, you really learn more about where the biggest risks lie. If we were starting again, I think we’d learn more about modern slavery risks to start with – it’s through building your own understanding of your supply chain.”
– Head of Responsible Sourcing, Company H

All of the companies we spoke to had begun their process of addressing modern slavery issues by mapping their supply chain to understand where there were potential areas of risk – often bringing in specialist support. In most cases, they found that different parts of the business managed different suppliers, and no one had the complete picture.

“When I was being interviewed, I said to the Vice President of Global Sourcing, ‘So, how many suppliers do you have?’ He said, ‘No idea, that’s for you to find out’.”
– Head of Corporate Responsibility, Company V

Less than 30 per cent of companies felt they have well-established training for buying teams and other key procurement professionals. Nearly 40 per cent are just starting or have not yet started to implement KPIs that measure the company’s performance, and all companies we spoke to acknowledged it is even harder to put in place effective KPIs to measure the impact of their response on workers themselves.

Some of the least established practices relate to a formalisation of modern slavery risks within the companies risk register and business processes. Most companies do not yet have formal governance processes, or training for executives and board members, as part of their response.

All of the companies we spoke to had already made public commitments to addressing ethical trade in their supply chains and were taking active steps towards actively managing labour standards – with varying lengths of experience. Most are members of the Ethical Trading Initiative (ETI) and have signed up to ETI’s Base Code¹⁰, which addresses forced labour, child labour, human trafficking and slavery. However, as the rest of this report shows, they all agreed that addressing these issues requires some policies, activities and approaches that are distinct from addressing ethical trade more broadly. For example, incorporating a more comprehensive requirement to understand human resources (HR) practices into existing ethical or social compliance auditing can help identify the existence of modern slavery. Changes to terms and conditions of supplier contracts to more directly refer to modern slavery issues is another factor, but this is a small addition to a well-established labour standards and human rights due diligence programme that ‘bakes in’ ethical standards to buying and procurement practices.

“If we were starting again, I think we’d learn more about modern slavery risks to start with – it’s through building your own understanding of your supply chain.”

Across the 21 companies, we found a real spectrum of activities and practices, which are summarised in Figure 6 in three distinct clusters – from practices of those who are just beginning to address ethical trade through to those that are more experienced. The final column shows some of the specific practices in place to address modern slavery, and we asked companies what advice they would give to others to address modern slavery risks in their supply chains (see page 42).

10. The ETI Base Code is founded on the conventions of the International Labour Organization (ILO) and is an internationally recognised code of labour practice. See www.ethicaltrade.org/eti-base-code

Spectrum of experience and practice:
What are companies doing to address modern slavery?

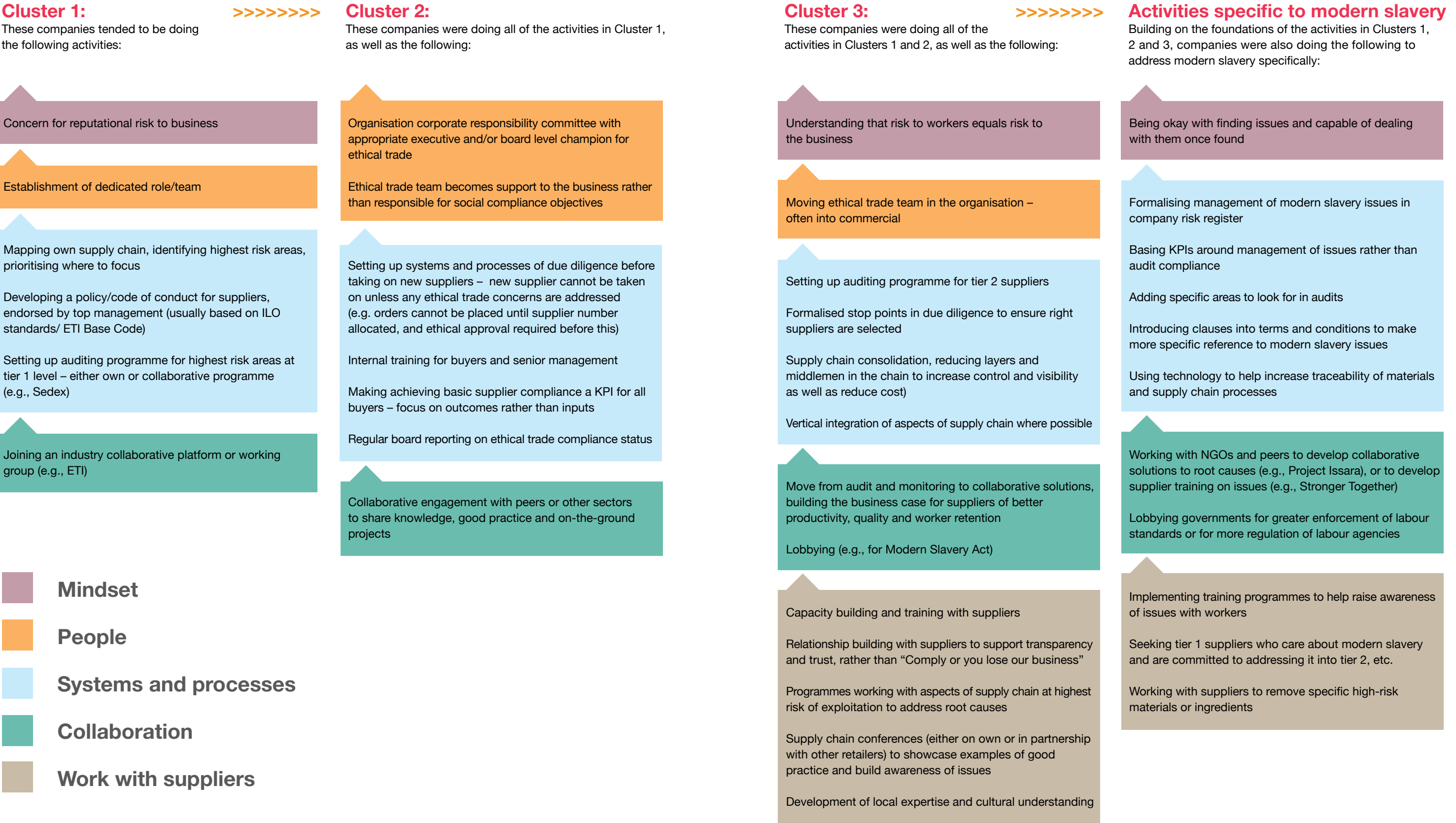


Figure 6. Spectrum of experience and practice: What are companies doing to address modern slavery?

10 ■ Developing sustainable solutions to modern slavery takes time, but requires urgent action

Modern slavery is a crime and addressing it is urgent. Whilst there is a globally accepted recognition that businesses have a responsibility to respect human rights and to protect workers in their own supply chain, this is a journey that is only just beginning. It is, however, encouraging to see the momentum building and the steps that companies are already taking.

All of the companies we spoke to have learned valuable lessons about the effectiveness of different approaches – even those who are still relatively early in their journey. Their learning will help others to engage and develop their own approaches even faster. There was a general consensus that modern slavery requires urgent action from companies and other stakeholders, but it is important that the right actions are taken. Some companies highlighted that the integrity and quality of their actions is what matters most, rather than simply being seen to be doing ‘something’ that is unlikely to make a significant difference.

“I think you need to understand what it is that you’re doing. Do you truly understand where your stuff is coming from? It’s not all about product, but it’s also the people part of it. Effectively, do some basic mapping of your processes on which this will impact. Make sure that, once you’ve understood where your hotspots potentially are for something like modern slavery to impact on you, that you then ensure you get senior management support, and you make it a credible agenda item. From there on in, work through in bite size chunks as to what the priorities are. You’re not going to complete it all in one fell swoop. This is not a quick journey, I’m afraid.”

– Head of Sustainable and Ethical Sourcing, Company Y

“It’s a progressive, gradual, greater understanding and it’s absolutely evident that we’ve barely scratched the surface of many supply chains. You go deep enough and you’ll find all sorts of complexity, so who knows how long the journey is, or on how big the task is in the long-term, but we progressively get more and more engaged with it.”

– Head of Responsible Sourcing, Company H

The most significant shift has been a change in mind-set about how and where modern slavery could exist in the supply chain. The practices at different stages of maturity are highlighted in Figure 6 – and for many of the companies, reaching those stages was not something they could jump straight to. Rather there was a cultural change that occurred over time, which meant they could move on to a new stage of maturity.

“When I joined there wasn’t anything formally structured and in place, so that was what I came in to do. There was a lot of resistance from the buying teams of, ‘Oh yeah, fine, sales prevention’. And it took, apart from getting all the processes and systems in place, getting people on board to understand why you’re doing it and educating them and training them across the business – we still do it. It took a good year and a half, two years and then the mind-set changed.”

– Head of Corporate Responsibility, Company V

“We first built up the team in Asia, because our understanding at that time was that’s where predominant risks were, even though it’s a much smaller part of our supply chain. So the first couple of years, I would say, was really just understanding that supply chain. We started off doing risk management, then we started working on compliance, then we’re starting to look at sustainable supply chains. It’s changed from we’re doing it because it’s the right thing to do, to we’re doing it because it’s the smart thing to do.”

– Head of Corporate Responsibility, Company X

“The mind-shift I’ve seen generally is it’s not just about looking after the share price and the reputation any more. It’s more that people actually realise this is important – this is about doing the right thing, having a moral responsibility, putting something back into where you’re taking out resources. This is about people. It’s genuine. Everything, it’s just changed, really, really changed.”
– Head of Corporate Responsibility, Company V

“So I think it’s something that whilst we have been looking at it, it’s something that we’ll just continue to always look at. I don’t think there’ll ever be a perfect point where we’ll all sit down and say “We’ve done our job here,” because it’s not going to be the case, is it?”

– Head of Corporate Responsibility, Company N

As noted by the respondents above, the journey to tackle ethical trade and modern slavery issues tends to be more involved than people originally think as they set out, and it is very much one that is still in progress – there is still more to learn and more to do. For those figuring out what they need to do and where to act first, the advice from companies that are more experienced is that hard work is needed and that, even with the best of intentions, the pace of change can be slow. However, significant change can and will come with time if the hard work is sustained.

What advice would you give to other companies to help them address the risk of modern slavery in their supply chains?

- Mindset
- People
- Systems and processes
- Collaboration
- Work with suppliers

Understand your supply chain – the tiers and factories involved

Ensure understanding of complexities of modern slavery before taking action

Go and see what is happening on the ground

Ensure you have senior management buy-in

Engage different parts of the business

Identify and understand the risks based on your countries, products, sectors

Consolidate and build relationships of transparency and trust with your suppliers – seek long-term strategic partnerships

Ensure your systems and processes are aligned with buying processes – develop a response that is appropriate

Review your HR and procurement systems and ensure they are aligned with your forced labour and other human rights standards

Engage with external stakeholders who can provide intelligence and insight about the risks i.e. NGOs, trade unions, academics

Collaborate with peers and others wherever possible – don't reinvent the wheel

Integrate your due diligence and measurement of production, labour and environmental performance

Make sure your suppliers have effective HR management systems

Work with your suppliers to help them understand and meet the forced labour and anti-trafficking standards you expect

Participants:

We are most grateful to the companies that took part in this research and informed its findings.

In-depth interviews were conducted with 21 brands and retailers, and 51 companies completed a detailed on-line survey.

The list below highlights the companies that were willing to be named as participants.

- ASDA
- B&Q
- Co-operative Food
- Debenhams
- Eileen Fisher
- Fyffes
- Inditex
- John Lewis Partnership
- Marks & Spencer
- Matrix APA
- Morrisons
- Next
- Patagonia
- SABMiller
- Sainsburys
- Tesco
- The Body Shop
- Waitrose

© Ashridge Executive Education at Hult International Business School 2015

All rights reserved. Except for the quotation of short passages for the purpose of criticism or review, no part of this publication may be reproduced, stored in a retrievable system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of Ashridge.

Ashridge Centre for Business and Sustainability
Hult International Business School
Berkhamsted
Hertfordshire HP4 1NS
United Kingdom

Email: research@ashridge.hult.edu
www.hult.edu/research

Ethical Trading Initiative
8 Coldbath Square
London
EC1R 5HL
United Kingdom

Email: eti@eti.org.uk
www.ethicaltrade.org

ISBN: 978-1-910025-16-1



Printed on paper that is 100% recycled
or from sustainable sources.
Ashridge is committed to sustainable development

Registered as Ashridge (Bonar Law Memorial) Trust.
Charity number 311096.

