
Modern slavery reporting: Is there evidence of progress?



Key findings

- Under the UK Modern Slavery Act 2015, companies with a financial turnover of over £36m must make an annual statement on their efforts to combat modern slavery. However, from a cohort of 150 companies we last analysed in April 2017, only 81 companies or 54% have produced a subsequent statement. As there is no official monitoring or enforcement mechanism, companies that do not produce new statements face little by way of sanctions.
- Among the 81 companies that produced an updated statement, 58% incorporated substantial changes, but a significant minority (42%) made no changes or only minimal changes. This suggests that many companies are not applying a continuous improvement approach to developing reporting of their activities to counter modern slavery.
- However, our interviews with leading companies beyond our sample suggest that the Act has served an important awareness raising role internally, in particular for senior leaders. In other cases, the MSA has offered an opportunity to expand the scope of existing initiatives into business functions other than product supply chains.
- Statements are getting longer but not necessarily more informative. Our analysis suggests that the quality of reporting in terms of content, scope and detail has remained the same with no appreciable change in quality. This finding holds across nearly all the topics recommended to be covered in statements and is disappointing if reporting is regarded as a true reflection of enhanced activity.
- Consistent with our previous analyses, reporting on modern slavery policies is generally strong, and it is notable that leading companies are calling out new policy commitments on fair recruitment for migrant workers.
- Detailed information on risk assessment processes continues to be rare. While some leading companies have published maps of their suppliers, in general, there is considerable scope for better reporting on the geographies, business functions or supply chain tiers where risks lie. In interviews, several companies outside the sample told us that the Act had led to wider consideration of risk in their businesses.
- A fifth of statements continue to provide detailed or moderately detailed information on specific actions taken to combat modern slavery, with most such actions relating to internal policy or procedural changes. However, there is also some more reporting on remediation actions taken where instances or indicators of forced labour have been found, often illustrated by case studies.
- Discussion of KPIs as a means of assessing effectiveness continues to be the weakest aspect of most statements, with 86% of statements not including any detail on KPIs.
- According to the Act, a statement must be approved and signed by a director, board member, or partner of the organisation. Compliance has improved with only 6% failing to show senior level approval, compared with 21% of statements in our previous sample.
- For leading companies, the Act's transparency requirement has worked with the grain and underlined and strengthened existing programmes and activities. For smaller businesses and those out of the public eye, there is a danger that reporting under the UK Act may become stale, repetitive or even absent. The current government review of the Act may want to address this challenge. Additionally, emerging legislation in other countries may well serve to keep the subject higher up corporate agendas.

About this report

This analysis of modern slavery statements focuses on changes in reporting and practice in addressing forced labour and human trafficking. It is our fourth such report, [the last one having been produced in April 2017](#). That analysis covered 150 sample companies across different sectors and sought to understand the quality and scope of reporting against the UK Modern Slavery Act's (MSA or 'the Act') transparency requirements set out in s. 54 as well as the accompanying guidance on recommended content published by the [Home Office](#) ('the Guidelines').

In the intervening period there has been more activity than ever in terms of NGO analyses, benchmarking, media coverage, and legislative developments. In 2017, Baroness Young introduced a Private Member's Bill to the UK Parliament which, amongst other things, sought to mandate the content of statements and require the UK Government to publish a 'name and shame' list of non-compliant businesses.

In summer 2018 the [Home Office announced a review](#) of the MSA to examine 'the operation and effectiveness of, and potential improvements to, provisions in the Modern Slavery Act 2015' including the transparency elements in s. 54. Beyond the UK, early reports are being issued under France's [Duty of Vigilance](#) law, and laws addressing modern slavery or human rights transparency are taking shape in other jurisdictions (an overview of some notable legislative developments is provided in the Annex).

In light of these developments and companies' increasing familiarity with modern slavery reporting, for this report we have followed a slightly different approach to our previous analyses. While focusing on the same 150 companies that were sampled in April 2017, we have tracked which companies produced an updated statement in order to determine what has changed (or what has not).

Our findings have been supplemented by interviews conducted with leading companies from outside the sample group to identify whether and how the reporting requirement is impacting on their modern slavery-related activities, in other words to assess if reporting is proving to be a driver for change.

About Ergon

Ergon provides advisory services on a broad range of business and human rights issues including:

- Advice on modern slavery and human rights reporting including scoping, benchmarking and review
- Support for human rights due diligence including risk identification, risk prioritisation and action planning, supply chain risk mapping, sectoral risk analyses, country rankings, hotspot reports, and detailed country briefings
- Human rights impact assessments in sectors such as extractives, infrastructure and agriculture

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Obligation to prepare a modern slavery statement for each financial year

Commercial organisations covered by the Act must prepare a slavery and human trafficking statement for each financial year. While the Act itself does not prescribe a specific reporting timeline, the Home Office Guidelines state that ‘organisations should publish their statement as soon as possible after their financial year end... [w]e expect this to be, at most, within six months of the organisation’s financial year end.’

Many companies have failed to update their report but updated reports do have substantial changes

Our last analysis was published in April 2017 and focused on 150 statements that had been recently published at the time. If the Home Office Guidelines were being followed, we would reasonably expect that approximately 18 months later, most of these companies would have produced a new statement.

However, we found that only 81 out of 150 companies (or 54%) produced an updated statement between April 2017 and September 2018. (These 81 companies are referred to as ‘the 2018 sample’ throughout this report).

Approximately 52% of companies with new reports had a global turnover of over £500m compared to 36% in our previous sample suggesting that it is the larger companies that are regularly updating their statements. The sample companies represented a range of sectors including retail, construction, banking and financial services, professional services, and transportation.

As there is no statutory deadline by which to make a statement, we cannot conclude that companies without a new statement are breaching the legal requirement to report each financial year. Equally there is no official central registry of statements and no government body charged with monitoring whether companies make an annual statement or not.

However, given that the non-binding Guidelines state that reports should be published promptly and no later than six months after the financial year, our finding certainly suggests that many companies feel no compunction to review their approach to modern slavery regularly or to report on a systematic basis.

‘The lack of penalty for not reporting means that many businesses have not acted on the modern slavery requirements’ Leading international clothing brand

Among the 81 companies that produced a new report since our last analysis, the degree of change between statements varied, although a majority of companies produced a substantially revised statement.

Since April 2017, 58% of new statements contained substantial changes, for instance considerable updates on policies, risk information and actions. However, 30% of statements contained minimal changes, for instance minor changes to language and some new information or updates relating to financial turnover, number of employees, changes in management, etc. and 12% of companies produced the same statement as the previous year; only the date had changed between reporting cycles.

The Act requires ‘a statement of the steps the organisation has taken during the financial year’ to ensure that slavery and human trafficking is not taking place...’ It is unclear if companies issuing a broadly unchanged report took the exact same steps in each year, and thus no change in their statement was necessary, or if a significant content update was viewed as unnecessary for other reasons.

Of course, companies cannot be expected to renew their due diligence processes on modern slavery every year, but we might expect reporting on new initiatives or disclosure of the results from risk assessments that were put in train after the Act was first passed three years ago.

Has reporting driven change? Practioner views

Assessing the relationship between reporting and action is a crucial part of understanding the MSA's impact over its three years of existence. Of course, reporting is not an end in itself and the central question is whether transparency has driven activity to combat modern slavery.

Our conversations with companies for this report, as well as our professional experience in advising organisations on modern slavery, suggest that the transparency requirement has been important in formalising and embedding modern slavery risk assessments and in creating a broader understanding of modern slavery risks within businesses. A respondent from a major oil and gas company indicated that the Act was indeed a 'catalyst for greater action', and that the conversation on modern slavery precipitated further scrutiny of labour standards more broadly.

Other respondents agreed that the MSA's requirements were not simply a box ticking exercise. According to one media company 'with an established ethical trade process, it's very easy to fall into business as usual, but the encouragement to build on reporting year-by-year encourages setting new commitments and ensuring we report against them'.

Louise Nicholls at Marks & Spencer emphasised the importance of raising awareness more broadly in the business. 'Reporting on its own is not a magic bullet but it has been hugely helpful in widening the number of companies and brands having conversations about modern slavery, and including a wider range of partners, such as franchises'.

'We treat reporting as a formal process. There has to be an annual risk assessment with internal audit involved and it has to go to the board. Directors responsible for each area of the business are responsible for this so there is a high level of senior ownership'.

Undoubtedly the escalation of modern slavery to a board level issue should be seen as one of the key impacts. However, another company cautioned that 'The requirements prompted an initial upsurge in interest amongst leadership which was initially useful in providing some momentum to the issues, but reporting alone was not able to sustain this interest or momentum'. This was echoed by Eoghan Griffin at John Lewis Partnership (JLP): 'It was easier when the Act launched to engage the Board and senior level Directors on the issue of modern slavery. The challenge for us now is to ensure there is momentum and not allow the issue to fade from the minds of senior leaders'.

Maintaining impetus and continuous improvement three years down the line is a challenge but legislative developments elsewhere may be one way to do this, though several companies cautioned on the need for consistency in reporting requirements across jurisdictions. They also expressed some concern with the lack of enforcement and penalties for non-compliance in the UK. According to Simon Connell, Head of Sustainability Strategy at Standard Chartered Bank, 'The most pressing need is to get more companies to report or report in more detail. We need to raise the lower end of the playing field'. Another pointed out that smaller companies below the £36m reporting threshold may be where many of the risks lie.

However, several companies argued that the impact of reporting should not be overstated as they already had policies, programmes and actions in place on modern slavery prior to the Act. According to one retailer, 'It's difficult to call out the impact of modern slavery reporting on its own, as it's part of our holistic strategy on human rights... We already had high awareness and commitment from the top of the business. The reporting requirement has not changed this'.

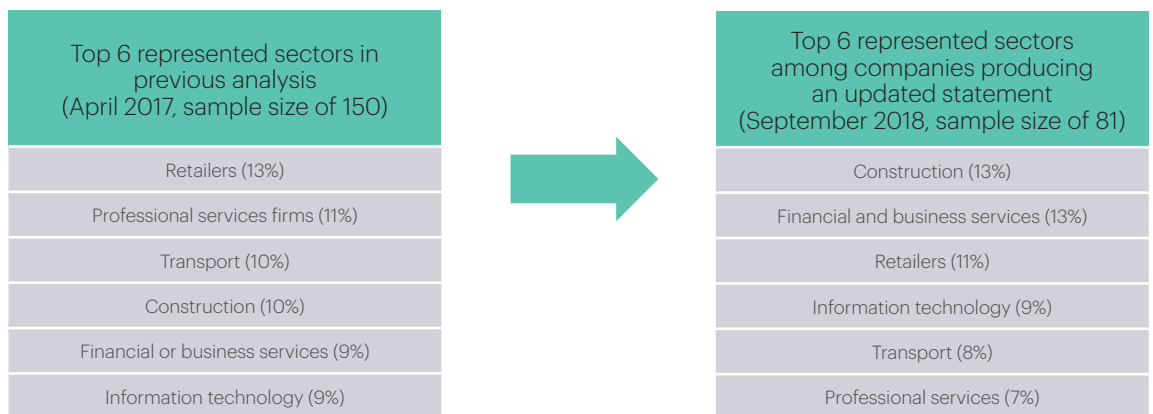
Nestlé also had a measured assessment of the impact of the Act. 'The requirements may have contributed to raising the profile or significance of certain risk mitigation and tracking challenges (e.g. remediation of modern slavery, using KPIs to track outcomes and impacts of activities), though these were issues that the company was already engaging with'.

Company location, sectors and financial turnover

The transparency obligations in the Act apply to commercial organisations with a global turnover of more than £36 million that carry on a business, or part of a business, in the UK. This includes companies headquartered or registered outside the UK.

Sectors

Our 2018 sample covers the same spread of sectors as before, with the bulk of statements coming from retail, construction, banking and financial services, professional services, and transportation.

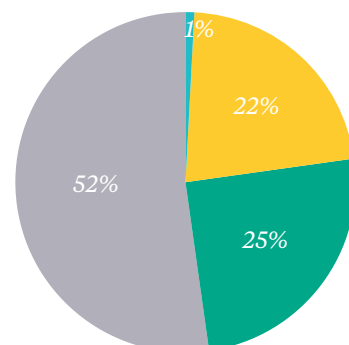


Location and size

The 2018 sample largely comprises of UK headquartered companies (70%). The majority of companies (52%) had turnover of over £500M. Although our 2018 analysis is based on a smaller sample, our benchmarking (discussed in further detail below) suggests that companies with turnover exceeding £500M produced more detailed reports, consistent with past years' analyses. This may be due to the complexity of their operations and supply chains, greater exposure to modern slavery risk, more resources available to devote to reporting or driven by publicly traded companies facing greater scrutiny.

Reported turnover (2018 sample)

- Under £ 36M
- Under £ 100M
- Under £ 500M
- Over £ 500M



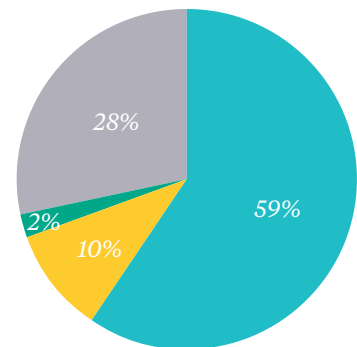
Visibility of the statement and sign-off

The statement must be published on an organisation's website with a link in a prominent place on the homepage. The statement must be approved and signed by a director, member or partner of the organisation.

Over a quarter of companies (28%) in the 2018 sample did not have a link to their statement on the home page, and thus did not appear to be in compliance with the Act. This proportion has been roughly consistent across the four analyses that we have published since 2016. Anecdotally, companies tell us that it can be hard to negotiate space on home pages, particularly where these are consumer-facing.

Visibility of statement (2018 sample)

- Immediately visible on homepage
- On a drop down menu from the homepage
- On homepage, but not clearly identified
- Not on home page



Sign-off

Most statements in the 2018 sample were signed by either the chief executive (52%) or a director (30%). Approximately 12% were signed by some other senior executive, a board, or a partner.

In total, 6% of statements were not clearly signed and therefore apparently non-compliant with the Act. This is a significant improvement from our last analysis which found that 21% of statements did not have a clear sign-off.

This increase in board sign-off is significant as many companies agree that the requirement that statements have board approval has been a key factor in raising modern slavery up corporate agendas.

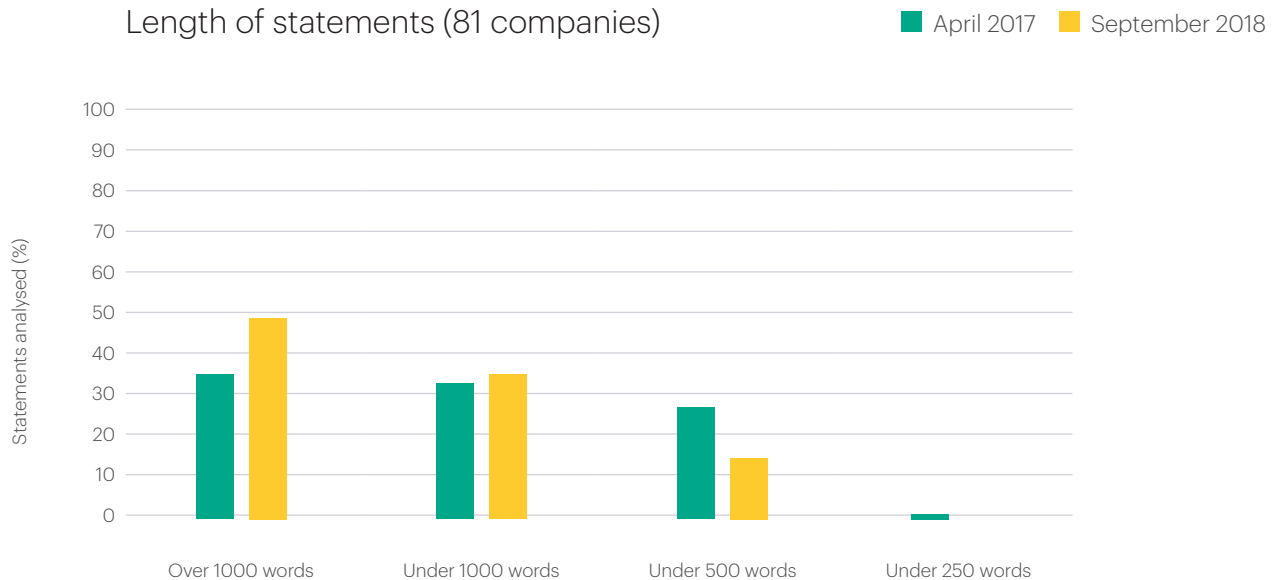
'Modern slavery was not necessarily previously seen as material for the Board of a bank. But the board approval requirement has made it subject to their scrutiny and oversight.' Simon Connell, Standard Chartered



Length of statements

While not indicative of quality, statement length can offer an indication as to the level of effort being put into reporting and the scale of issues being covered. Our finding is that compared to their last statement, the 81 companies that produced updated reports produced longer reports, with nearly 50% over 1000 words, up from 36%.

Length of statements (81 companies)



Approaches to reporting

Although our analysis seems to suggest that statements are getting longer, it is worth emphasising that shorter statements do not necessarily reflect a lack of action. As the reporting cycle comes around, companies are having to consider the best ways to communicate their activities in a way that avoids repetition while still following the reporting Guidelines and fully capturing actions taken.

For example, JLP's 'Tackling Modern Slavery' report for 2017/18 was shorter than the full-scale human rights reports produced in previous years. Eoghan Griffin, Corporate Responsibility Manager at JLP, explained that this was part of a conscious effort to avoid repetition. As a result, the company produced a simpler statement which focused on progress. For its next statement, JLP will review its approach again.

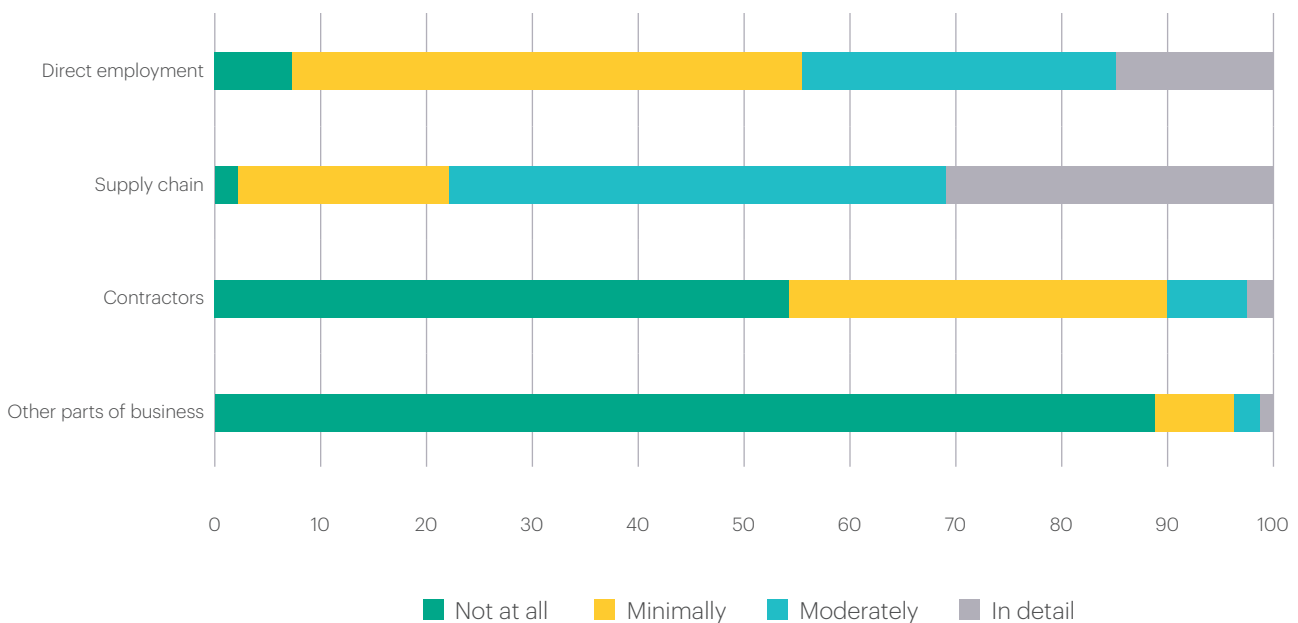
'One question is to be clear who the report is for. There is a difficult balance in reporting between providing lots of detail for experts and engaging senior leaders and our wider customers. We can't just keep repeating the same stuff, we need to show what we have learned and done differently over the year.' Louise Nicholls, Marks & Spencer

What business relationships are covered?

Modern slavery statements should apply to a company's own operations and its supply chains.

Our review of the business areas covered in statements reveals that companies continue to see modern slavery risks primarily in relation to supply chains and their direct employment and focus their reporting on these areas. Other parts of businesses (e.g. distribution), and contractors (e.g. catering and security) continue to be blind spots in many statements, with a majority of statements not covering these topics at all. This trend is consistent with findings from our previous analyses.

Business relationships covered (2018 sample)



Expanding risk reviews beyond supply chains

However, from our conversations with leading companies it is clear that they are gradually extending their focus beyond supply chains and have started looking more broadly at risks across business functions.

Some interviewees indicated that the MSA encouraged them to look beyond supply chains and to scrutinise other areas of their business. At JLP, for instance, there has been a gradual interest in warehouses and distribution centres, as well as the use of agency workers and couriers. Similarly a global media company told us that 'Since the MSA does not define supply chain, it has helped us take a broader view on risk areas and brought into focus other supply chains, for example we started to consider labour supply chains in TV production not just traditional material supply chains'. According to the Co-op's modern slavery statement, well-established risk assessment programmes used in its food business are being expanded to other areas of the business such as goods and services not for resale.

Quality of reporting within the 2018 sample

For this analysis, as with our previous report, we have used our internal benchmarking methodology to assess the content of statements across different reporting areas to determine if topics were covered ‘in detail’, ‘moderately’, ‘minimally’ or ‘not at all’. These reporting topics are based on those subjects suggested in the Act and recommended by the Home Office Guidelines, and are as follows:

- Organisation structure, business and supply chains
- Policy
- Risk assessment
- Priorities based on the risk assessment
- Monitoring / auditing
- Actions taken to reduce risk or to provide remedy
- Monitoring effectiveness using KPIs
- Training
- Collaboration / stakeholder engagement

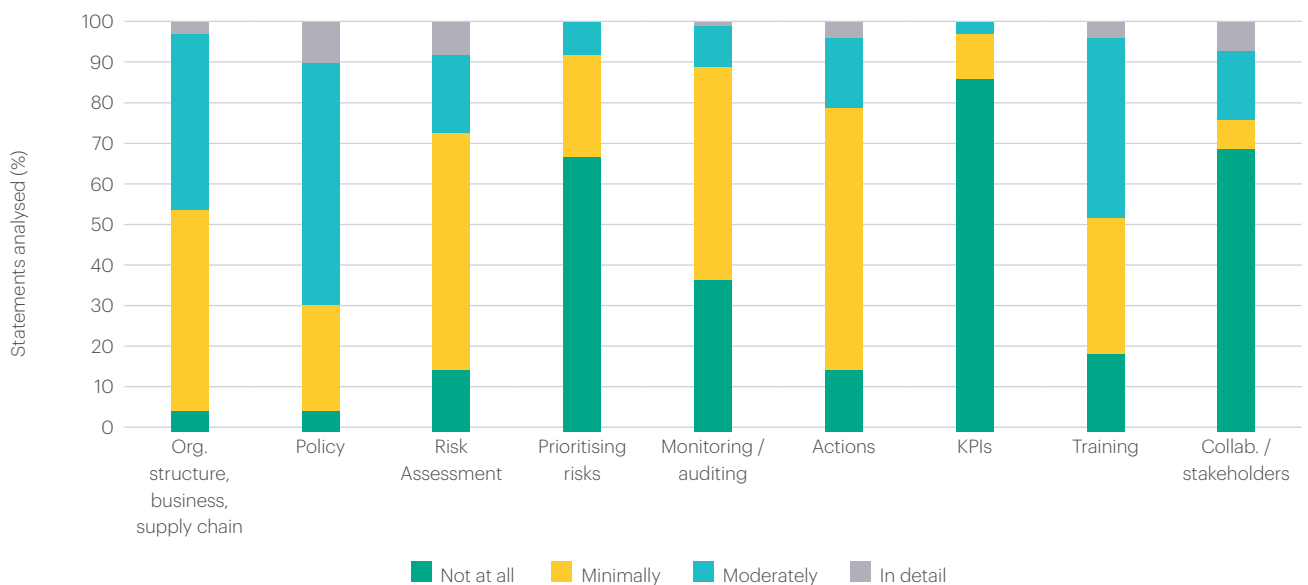
Throughout the analysis which follows, our findings are supplemented by excerpts of statements from companies within the 2018 sample as well as from leading companies beyond the sample.

This is indicated throughout the text: ➡ Within the sample ⬅ Outside the sample

Overall finding: No real change in content and quality

Based on average scores across all reporting areas, the new statements belonging to the 81 sample companies show no appreciable improvement or decline compared to their previous statements. In other words, reporting appears to have plateaued and there is little sign of continuous improvement. This runs counter to the Guidelines which state that ‘Organisations will need to build on what they are doing year on year’.

Quality of reporting (2018 sample)



Description of organisation structure, business and supply chains

This topic was relatively well reported on, with many companies (45%) providing either moderate or detailed information on their organisational structure, business and supply chains. It is of course an uncontroversial area.

Reports would be improved with the inclusion of areas of growth or decline in the business, the nature of their workforce (e.g. percentage of direct or contractual employees, information on seasonality), and disclosure of particular products sourced by region.

Some companies outside our sample are providing full transparency on their suppliers. For example, both [Marks & Spencer](#) and [Primark](#) include links to full lists of suppliers with factory information including factory names, addresses, the number of workers and gender disaggregation of the workforce.



Example: business structure and supply chain

➔ Ted Baker

'Our supply chain consists of over 190 first-tier suppliers for our own product alone. Suppliers based in China make up over 50% of our first-tier and suppliers in Turkey and Portugal make up another 20%. In our previous report, we identified China and Turkey as being our most significant risk due to both volume of product and socio-political circumstance. Within the last year we have been working with Segura, an independent supply chain platform, to better map and understand our Chinese supply base including process subcontractors such as printers and dye-houses.

Through ongoing consideration of risk factors we have identified China and Turkey as territories that present the biggest challenges. The scale and complexity of our manufacturing base in China makes it particularly difficult to accurately assess compliance beyond the first-tier.

The mapping of our supply base has improved transparency which is pivotal in maintaining a robust supply chain. Having a better understanding of our supply base beyond the first-tier will increase the effectiveness of the due diligence conducted through enforcement of our Code, auditing and factory visits'.



Policy on modern slavery

Reporting on policies is generally strong – 69% of statements describe policies either moderately or in detail. However, common gaps across statements include descriptions of the policy development process (e.g. whether policies have been developed through consultation) and indication of key policy enforcement mechanisms.

From our conversations and work with companies it is clear that some businesses have reviewed the adequacy of their policy framework with regard to modern slavery and they have developed new internal standards. Fair recruitment is one of the main areas where policy development is concentrated. According to one online retailer ‘The focus on modern slavery in general has allowed us to identify gaps in our own policies and issues such as the Employer Pays Principle that are not covered by standard Codes’.



Examples: policy development and oversight

← Primark Stores

‘Primark’s Supplier Code of Conduct is reviewed regularly to ensure it remains current and fit for purpose. We also benchmark the Supplier Code of Conduct against other relevant codes of practice and regularly consult with our internal and external stakeholders. The Code of Conduct clause on Forced Labour was last updated in 2014 through consultation with the ILO and expert stakeholders, following the adoption of the ILO Protocol on Forced Labour. The Boards of Primark and its parent company ABF have oversight and responsibility for the Code of Conduct. Primark’s Ethical Trade and Sustainability Director has responsibility for its development and implementation and reports to both the ABF Director of Legal Services and Company Secretary, and the Chief Executive of Primark’.

← ASOS

‘We continuously develop our Fashion with Integrity corporate responsibility strategy based on the UN Global Compact’s four pillars of human rights, labour standards, environmental and anti-corruption principles and with reference to the United Nations Guiding Principles on Business and Human Rights. In recognition of the human rights risks inherent in global sourcing, ASOS developed a new, board-approved ethical trade strategy in January 2017 to protect workers against human rights abuses, including forced or compulsory labour. Our ethical trade standards supporting action on modern slavery are set out in these policies:

- ASOS Supplier Ethical Code: based on the Ethical Trading Initiative Base Code and International Labour Organisation’s Fundamental Conventions, and defines the minimum standards we require from all our suppliers, including a separate section with greater detail on what constitutes forced or compulsory labour.
- ASOS Child Labour, Remediation and Young Worker Policy: sets out the steps suppliers need to take to protect young workers and to make sure no children are involved in the manufacture of any of our products. Also prohibits the recruitment of young migrant workers through labour agents.
- ASOS Migrant and Contract Worker Policy: sets out supplier requirements to safeguard the rights and welfare of migrant and contract workers - two groups vulnerable to exploitation and modern slavery



← Morrisons

As well as setting out its existing policy on modern slavery contained within its supplier code of conduct, the UK supermarket Morrisons states 'We aim to build on this further in 2018 with the development of a specific and targeted policy on Preventing Hidden Labour and Exploitative Practices for our own businesses'.

← Sainsbury's

Another supermarket, Sainsburys, states 'This year we introduced a Code of Conduct for goods not for resale suppliers, also founded on the ETI Base Code'. Sainsbury's also details its work in building understanding of recruitment fees as a new policy area.



Risk assessment and risk prioritisation

Understanding where the most important risks lie is the starting point for taking action on modern slavery. It follows that reporting on risk assessments and outcomes should be at the heart of modern slavery statements.

However, while statements generally provide some information on a company's risk assessment processes, this is rarely detailed. Approximately 58% reported minimal detail while only 19% went further and provided what we regard as a moderate level of information.

'There are a worrying number of statements saying that they have no risks of slavery. This must mean they are not looking carefully enough, highlights low level of understanding of modern slavery risk, or blinkered due diligence... For us the Act has been crucial in opening peoples' eyes to have a different understanding of risk, and in different countries'. Louise Nicholls, Marks & Spencer

More detailed explanations tended to include descriptions of risk factors, sources of information and methods or specialist organisations used to evaluate risk data. One emerging trend is for stronger statements to include descriptions of how companies are mapping supply chain tiers, sometimes with admirable openness in terms of tiers where there is less or little visibility. For example, within the sample, Whistles provides a table setting out the level of mapping at different tiers.

The obligation to report on risk assessments has broadened conceptions of risk for some companies. For example, Simon Connell from Standard Chartered (a company outside the 2018 sample) told us ‘The need to report has helped to catalyse a journey we were on anyway in terms of understanding risks in our supply chains. We have extended our understanding of where risks lie and also our understanding of the leverage we have’.

While risk assessment processes receive some attention, the way in which risks are prioritised is described far less frequently. By prioritisation we mean the factors that are applied to determine which risks are most important to address. For example, this could be based on severity of risk, how widespread it is, or degree of leverage that the company has in mitigating the risk. Approximately 67% of statements make no mention of how risks are prioritised, and those that do tend to provide minimal detail (25%). Without such description of prioritisation, readers cannot assess whether the company is addressing the most significant manifestations of modern slavery it faces.

In terms of outcomes of risk assessments, there is considerable scope for better reporting on the geographies, business functions or supply chain tiers where risks reside. Among the 15% of companies that did provide details on the location of risks, the regions that are most often mentioned are South Asia, Eastern Europe and South-East Asia. The specific countries most often mentioned are China and the UK.



Examples: risk assessment processes and outcomes

➡ Whistles

‘...we are conducting analysis of areas of our business where there is migrant labour, high presence of refugees, young workers and a risk of the use of child labour, contract and temporary workers, women workers, outsourced recruitment agencies. We recognise that certain countries within our own operations may have one or more of these modern slavery risks and as such we have divided them into three different categories of high, medium and low risk and allocated appropriate priorities. This differentiation was based upon assessing causes and contribution, direct and indirect impacts as well as level and influence... As part of our risk assessment and management, we partner with specialists on the ground to further investigations with our suppliers or to raise awareness of potential risks. At the same time Whistles values its partnerships with key NGOs, suppliers, other brands and multi stakeholder initiatives, working together on pre-competitive ground to find a common solution to salient issues’.

← Google

‘We continue to assess modern slavery risk in our supply chains, and, in 2017, we partnered with several internal teams to better understand additional indirect supply chains within Google. Our assessment processes involve review and analysis to identify higher-risk areas of our business based on external reports and standards, country and sector risk profiles, and input from experts in this area. As a result of our risk assessments, we identified our higher-risk areas of focus as our hardware supply chain and branded apparel, office construction, janitorial services, food services, and other manual labor-related jobs’.

← Marshalls

Marshalls provides a chart which shows sourcing volume versus modern slavery risk ratings; they also provide detailed country risk profiling, which includes an open source ethical risk index that gives customers an overview of how well different risks (including modern slavery) are managed by Marshalls for each individual type of stone.

← Sainsbury's

Sainsbury's describes how it 'developed a new Modern Slavery Risk Assessment Tool through the combined and enhanced data analytics capabilities of PwC and Ergon' as well as going into some detail about the key risk areas across its whole business: 'The tool has confirmed some of our assumptions around modern slavery risk and highlighted new areas to review. In our food business it confirmed that meat, fish, poultry and produce were high risk, so we will continue to reinforce our actions and increase due diligence in these categories. We learned that we need to look more carefully at cooked and continental meats, and specifically at bananas, citrus, apples, peas and beans. The tool also identified products and sectors that we have not previously included in our due diligence such as wines, some baby products, canned and packaged goods, and ready meals. In clothing and general merchandise, the tool results have expanded our focus beyond the most well-known risks in garments, textiles and toys to areas such as kitchenware, tableware, gifting, and sound and vision. In goods not for resale and logistics, the use of agency staff in depots is an area we already look at, but know we need to do more on. Unsurprisingly, haulage was also identified as one of the top risks. Sainsbury's Bank has also identified a small number of products and services to investigate further, but relative to the rest of the business its modern slavery risk is low'.

← Tesco

Tesco provides a very detailed description of its risk assessment procedures and factors considered including the country of origin (with ratings from the Food Network of Ethical Trade (FNET), their own understanding of labour rights and human rights risks in key sourcing sectors, the type of work being carried out such as mechanical or manual, and the type of labour (seasonal, permanent, agency, migrant or refugee workers). It also highlights use of intelligence from local groups, NGOs and organisations such as the Ethical Trading Initiative and the Consumer Goods Forum. Campaigners and the media.

← The Co-op

The Co-op identified masonry supply chains as a higher risk area in terms of modern slavery within its funeral-care business, and an independent study was commissioned in order to support risk management efforts. As part of enhanced due diligence, the Co-op aims to have all tier 1 masonry suppliers complete self-assessment questionnaires and Sedex registration.



Monitoring and auditing

Many companies make reference to having a supplier audit programme, but further details on how this is undertaken were not strong within the 2018 sample. Approximately 89% of companies provided minimal or no detail on monitoring and auditing. This is consistent with the previous sample.

One area where we might expect to see better reporting, based on our professional practice and conversations with companies, is on innovative approaches to auditing that could improve forced labour identification.

While the companies offering some detail often describe monitoring and audit processes, few disclose key findings from audits that are relevant to modern slavery. Evaluation of the effectiveness of these systems is also typically absent.



Examples: auditing outcomes and innovation

British American Tobacco

'In 2017, Intertek audits identified major issues relating to forced labour with two direct materials suppliers, both of which were immediately escalated to our Group Head of Direct Procurement. The first related to a supplier in Malaysia, which was found to be storing the passports of all foreign workers. Intended for the purposes of safekeeping, the workers had all signed consent forms and could request the passports back at any time. However, there was no procedure in place to enable this. The supplier took corrective action to immediately return the passports to the workers and provide personal lockers for them to store their passports on site if they wished. Intertek revisited the supplier within three months and a 100% audit score was achieved. In the second case, it was found that a supplier's employees in Poland were not free to decline overtime and had received an official order from managers to work on days off. The supplier amended its policy to explicitly state that overtime is strictly voluntary and communicated this to the supplier's management, for which all have signed written confirmation'.

Intel

Intel includes a detailed explanation of its audit process including how audit findings are ranked and what responses have been required (including examples).

Walgreens Boots Alliance

Walgreens Boots Alliance shares that, in 2017, 5 suppliers (0.4% of all suppliers assessed) were found to have incidents of 'zero tolerance', relating typically to cases of child labour, forced labour, or bribery.

Actions taken to reduce risk or remediate cases of modern slavery

Modern slavery-related actions can include steps taken to embed relevant provisions into contracts, mitigation measures in response to identified risks, or remediation in response to actual occurrences of modern slavery. A fifth of statements provide detailed or moderately detailed information on actions taken. Most relate to policy or procedural changes within companies, which is not surprising as this is the area over which businesses have control. However, we are also seeing some more detailed reporting of remediation actions taken when instances or indicators of modern slavery have been found. This is encouraging both from the point of view of transparency, but also because it shows that due diligence processes are working. Remediation is often dealt with in the form of case studies. Since identified cases of modern slavery are few, and where they do occur, require sensitive and complex handling, providing case studies is an effective way to demonstrate actions.



Examples: taking action – mitigation

← ASOS

One notable approach to reporting on action is ASOS. It provides detailed action plans on its key priority areas with steps taken and future commitments. It also reports on progress against past commitments.

➔ TSB

'Our Financial Crime team attends regular meetings of the Joint Money Laundering Intelligence Taskforce's Human Trafficking and Organised Immigration Crime working group. We've continued to enhance our transaction monitoring capabilities, based on indicators and intelligence shared at these meetings. This has resulted in more valuable customer monitoring based on transactional behaviour, which could indicate involvement in activities linked to modern slavery. We also improved guidance for the Partners who work with our customers. We developed a modern slavery aide memoire for branch Partners. This gives them guidance and advice on spotting the potential signs of modern slavery and how to provide support. We shared it throughout the branch network and other relevant business units as part of our Financial Crime training'.

➔ Balfour Beatty

'We have updated our modern slavery contract clauses and 'Modern Slavery and Labour Exploitation Guidance' for buyers and suppliers to better reflect the specific requirements for providers of labour and for suppliers of products and materials... We have engaged our major trade union partners to seek their support in the prevention of modern slavery'.

➔ Rio Tinto

'In 2017, we made changes to our incident reporting procedure at the site level so that employees will now be asked if a health, safety, environment, communities or security (HSECS) incident had human rights implications. It includes a specific prompt relating to modern slavery'. Rio Tinto also provides a case study of how it dealt with four suppliers that were identified as high risk for modern slavery related issues including alleged use of trafficked and illegal migrants, poor living and working conditions, and delayed payment of wages. They describe how internal staff conducted enhanced research on the alleged issues as well as dialogue with the supplier. The outcome was the inclusion of safeguards such as contractual entitlements to interview the supplier's personnel, perform pre-audits of the supplier's working practices and to monitor and audit the supplier's performance through the life of the contract'.

➔ British American Tobacco

'Our business in Bangladesh conducted a review at the end of 2017 to assess the potential risks of forced labour and other issues relating to 250 tobacco farms situated close to the Cox's Bazar camp for Rohingya refugees fleeing Myanmar. An action plan has been developed to mitigate these risks, including additional farmer training and awareness raising, interviews with farm labourers and more frequent monitoring and spot checks'.

 Standard Chartered

'During 2017, we:

- Implemented new contract language in our standard terms and conditions to impose explicit obligations for our suppliers to address modern slavery in their supply chains
- Reviewed contractual provisions for UK suppliers of non-employed workers to ensure these specifically reference the Modern Slavery Act. We are introducing appropriate changes when signing new contracts
- Updated our request for proposal template to include revised questions relating to modern slavery, including how suppliers' approaches are implemented within their supply chain'.



Examples: taking action – remediation

 Apple

Apple's report describes the risks associated with migrant workers such as excessive recruitment fees, and debt bondage. According to the report, suppliers are required to provide workers with employment contracts in a language they can understand and are prohibited from confiscating or withholding workers' identification or travel documents. Apple suppliers are also prohibited from charging recruitment fees, and auditing processes are in place to ensure these requirements are met. Workers found to have paid fees are reimbursed, and in 2017, reimbursements totalling over USD 19M were provided to more than 1500 foreign contract workers.

 Aldi

Aldi includes a case study relating to a fresh produce supplier that identified a case of modern slavery in its own supply chain. The supplier was able to identify the practice, involving vulnerable workers being exploited by a third party, following modern slavery training that had strengthened related checks and processes. The supplier immediately informed the GLAA and the local police, who subsequently brought a successful prosecution against the third party for human trafficking and forced labour. Aldi explains that it worked collaboratively with the supplier and the authorities, and offered support to the supplier to prevent issues from happening again.

 Tesco

'One issue we monitor particularly closely in key sourcing countries is that salaries are paid on time and in full. We do this because we know how important it is for workers, and also because ensuring workers are not in debt means they are less vulnerable to any risk of forced labour... In 2017/18 we identified 142 cases of concern involving 116 sites. 7,506 workers received a total of US\$760,332 as a result of Tesco's intervention'.

 Primark

Primark disclose that there was compensation paid to Romanian workers who exhibited numerous indicators of forced labour.

Measuring effectiveness: key performance indicators

Across all the reporting areas, disclosure of KPIs continues to be the weakest aspect of most statements – 86% of statements did not include any detail on KPIs, and of the 14% of companies that provided some information, no company within the 2018 sample described KPIs in detail. A lack of reporting on KPIs (or the lack of development of modern slavery KPIs) has been a consistent finding across our analyses conducted over the years.

Undoubtedly one problem is developing measurable indicators that demonstrate impact (e.g. reduction in risk or instances of forced labour) given the hidden and nebulous nature of the issue, rather than indicators of effort (e.g. training hours, audits conducted). As Eoghan Griffin from John Lewis put it ‘Companies are not good at reporting on effectiveness. We need more reporting on progress and impacts rather than just activities’.

A second issue may be a reticence to publish indicators in the form of targets where the outcome is unpredictable.

It would seem this is an area ripe for further guidance. One global food company we spoke to commented that since the initial publication of the Act and Guidelines ‘It has been relatively quiet and there is somewhat a lack of guidance from legislators on the next steps. The government could therefore be more proactive when it comes to clarifying some of the outstanding issues’. This comment could certainly apply to a greater focus on KPIs.

‘Not all internal KPIs and information are reportable. Companies in general are hesitant about reporting things they are less certain about’. Simon Connell, Standard Chartered



Example: KPIs

← Sainsbury’s

‘Monitoring and evaluation frameworks for individual projects such as the Issara Institute measure impact by calls to hotlines and the number of victims supported. This data provides a general indication of the effectiveness of our projects, but does not necessarily identify which workers are directly involved in our own supply chain. Over the last three years, 100,000 migrant workers have been linked into Issara’s Inclusive Labour Monitoring System empowering them with a voice and channels for information, assistance and remediation. Over 6,000 of these workers were in forced labour and human trafficking situations, but no longer are due to Issara’s intervention’

Training

As in previous modern slavery analyses, training is generally well covered by statements. Approximately 48% of statements offered moderate or detailed information on company training efforts, including details on which staff received training as well as training content. Although generally well covered, information on the evaluation of training tends to be lacking.



Examples: training and training evaluation

← Tesco

'We require all Tesco's UK suppliers, including service providers such as labour agencies, to attend Stronger Together training. This year we expanded our requirement to include the 2nd tier suppliers of our key UK food suppliers. Tesco have also supported the expansion of Stronger Together in South Africa by encouraging all our fruit and wine producers to attend training in the coming year. From the 2017 impact assessment 96% of business respondents said that Stronger Together had increased their understanding of what modern slavery is and 87% stated that it has helped them to prepare and manage potential situations of forced labour.'

← Oxfam

With respect to training evaluation, Oxfam's modern slavery statement for the financial year 2016/17 is an exception. The statement provides detail on who received training as well as the issues covered. Surveys were conducted in order to gauge impact, the results of which were included in the statement. Although training was generally thought to be impactful, participants did not necessarily feel more confident in finding ways to address modern slavery within the organisation and supply chains. As a result, Oxfam committed to addressing this gap in future trainings.

Collaboration and stakeholder engagement

Approximately a quarter reported in some detail on relevant stakeholder collaborations. The most common initiatives which were identified by name were Sedex (15%), Stronger Together (11%) and the Ethical Trading Initiative (ETI) (11%).

Collaborations were evident in respect of risk assessment processes, specific remediation activities, in-company training or in terms of general learning platforms. Several companies we spoke to also emphasised the galvanising effect of the Act on sectoral or peer-to-peer collaboration, with a higher degree of information sharing about risks and approaches to the issue.

'The Act has been a driver for collaboration, as a wider group of companies are now involved in conversations. It has created the opportunity and space for conversations that would not have happened before, including semi-formal industry networks to look at risks.' Global media company



Example: collaboration

→ Intercontinental Hotels

'Modern slavery is a complex issue and we believe strongly that working together with others to identify risks and best practice will be the most effective way to bring change in this area. In line with this, we are part of a number of industry forums and working groups including the Business for Social Responsibility (BSR) Cross Industry Working Group on Human Rights as well as the International Tourism Partnership's Human Rights Working Group. IHG helped develop the International Tourism Partnership's industry statement on Human Trafficking, aimed at ensuring an industry wide position on trafficking. In 2017 we showed our continued support via an updated industry statement on Respecting Human Rights.'

Conclusions and overarching observations

Although the Guidelines suggest that modern slavery statements should at the latest be published within six months of the financial year's end, many companies in our 2018 sample did not appear to follow this recommendation. This may be due to a lack of clarity in the legislation along with the non-binding nature of the Guidelines, or a downward shift in momentum three years after the Act's inception. Where new statements have been issued, a lack of change in overall quality (measured through our benchmarking) might suggest that new or innovative reporting is not viewed as necessary. For smaller businesses and those out of the public eye, there is a danger that reporting under the UK Act may become stale, repetitive or even absent.

In terms of reporting being a driver for change, it is clear that, certainly initially, the board-sign-off requirement sparked internal policy reviews and risk assessments as directors required assurance and information. In many larger companies these processes have become embedded and have extended to broader business areas, producing data on the risks that were previously unconsidered or hidden. This is positive for developing strategies to combat modern slavery and protect potential victims. Fair recruitment would be one example of an emerging issue that would not have received such attention without the passage of the Act.

But this enhanced level of activity is not necessarily observable across the board, and many of the leading companies with expansive reports that we interviewed suggested that more effort should be focused on ensuring that all companies produce more detailed and transparent reporting, particularly in an effort to raise the bar among companies who are not in compliance or who produce relatively weak reports.

While larger companies continue to update their reports and innovate in their activities, our findings suggest that the essentially voluntary approach to reporting encapsulated in the MSA, with recommended rather than mandated content and with monitoring and scrutiny left to civil society and shareholders, may have reached its limit for many companies. It will be interesting to see if the government's review of the operation of the MSA comes to the same conclusion about the need for better enforcement or a registry of companies required to report, along the lines of Australia's proposed modern slavery law.

This report was researched and written by Macduy Ngo, Mattias Carlson, Estefania Murray and Stuart Bell, with assistance from Brett Dodge.

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Disclaimer

This report was prepared using publicly available sources and Ergon Associates does not vouch for the accuracy or completeness of third-party sources. The aim of this report is to provide information and informed analysis, but nothing in this report should be taken as legal advice and Ergon Associates assumes no responsibility or liability for the impact of any decision taken on the basis of information contained in this report.

Annex: Legislative developments

Companies, particularly large multi-nationals, are increasingly required to navigate modern slavery or human rights requirements in different jurisdictions. Tracking how these regimes converge or diverge is challenging when considering the range of possible subject matter (modern slavery, child labour or broader human rights), company obligations (disclosure or more concrete actions), areas of focus (business structure, risk assessment, due diligence etc.), and variable penalties for non-compliance.

The following table maps some of the basic requirements established by a few notable modern slavery / human rights laws. Further legislation is being proposed or pending in jurisdictions including Australia, New South Wales, Switzerland and Hong Kong.

Areas covered	UK Modern Slavery Act	Modern Slavery Bill 2018 (Australia)	California Transparency in Supply Chains Act	Duty of Vigilance Law (France)	Child Labour Due Diligence Law (Netherlands)
Involvement of stakeholders during development process				■	
Approved by senior management	■	■			
Public disclosure of report or plan	■	■	■	■	■
Identification of the organisation / reporting entity		■	■		
Information on internal consultation processes		■			
Organisation's structure, business and supply chains	■	■			
Relevant policies	■				
Due diligence processes	■	■		■	■
Audit processes, e.g. are they independent or unannounced			■		
Risk assessment processes, e.g. how risks are evaluated / prioritised	■	■	■	■	
Risk mapping, e.g. identifying nature of risks or where risks reside	■	■		■	
Actions to mitigate or prevent risks (general)	■	■		■	■
Requirement that contracting parties comply with relevant nat'l laws			■		
Effectiveness of processes and procedures, incl. monitoring and KPIs	■	■		■	
Details on relevant training	■		■		
Information on relevant enforcement or accountability mechanisms			■		

- = Law mandates reporting or disclosure only
- = Recommended
- = Process requirements
- = Law mandates policies or actions
- = Mandatory
- = Substance and content