



PREVENTING MODERN SLAVERY & HUMAN TRAFFICKING:

An Agenda for Action across the Financial Services Sector

Providing greater insight, knowledge and awareness of human exploitation and highlighting what civil society and private enterprise can do to prevent these crimes.

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Foreword

Dame Sara Thornton, UK Independent Anti-Slavery Commissioner



It was estimated that over 40 million people were held in modern slavery on any day in 2016 and of that total 16 million were victims of labour exploitation in private business. While slavery is illegal in every country in the world, our economic and financial systems appear to tolerate and even promote practices which result in this abuse. Governments bear significant responsibility in this and have made a commitment through the United Nations to eradicate forced labour and to end modern slavery, human trafficking and child labour. However, businesses themselves must focus on preventing harm in their organisations and their supply chains.

Modern slavery is estimated to generate \$150 billion in profits annually and is one of the top three international crimes alongside drug trafficking and trade in counterfeit goods. Financial institutions have a significant role to detect and disrupt this serious organised criminality but this report shows that through their lending and investment decisions they can do so much more. There is a growing recognition that investors and lenders do not want to invest in companies which are harming the environment. But similarly, do they want to invest in businesses that are harming people?

The UK Modern Slavery Act 2015 requires all companies with a turnover of more than £36 million to produce an annual statement on the steps taken to tackle modern slavery and human trafficking in their organisations and supply chains. While this has raised standards in many businesses there is no room for complacency. The government has recently announced that it will legislate to bolster these provisions mandating six areas of disclosure, setting a deadline for completion and requiring the statements to be filed in a new online registry. However I share concerns across civil society that this may not be enough to address the spectrum of abuses, including slavery and trafficking, suffered by the most vulnerable workers in fields, farms and factories across the world.

I am convinced that the only way we will make a step change is if business leaders set the tone from the top and commit to eradicating all forms of coercive labour practices. The UK Government supports the UN Guiding Principles on Business and Human Rights and expects business to respect human rights but human rights due diligence is not currently required by statute. Surely it is better to do the right thing rather than be forced to do so by legislation? The British Academy is clear that, 'the purpose of business is to solve the problems of people and planet profitably and not profit from causing problems'. The profits made from slavery and exploitation in our organisations and supply chains are privatised while the costs are socialised. And the weight of these costs is borne by the most vulnerable workers across the globe.

This report clearly demonstrates how financial institutions should be at the heart of this global effort. I have often heard from companies who deplore the absence of a level playing field. They know that businesses which tolerate modern slavery and human trafficking have lower labour costs and unfair competitive advantage and are able to access capital unfairly. As the Blueprint for Mobilising finance against Slavery published by the Liechtenstein Initiative correctly identifies, the world's bankers, investors and lenders, insurers and financial partners 'have unparalleled influence over global business...and that finance is a lever by which the entire global economy can be moved'.

This excellent report by Themis and The Tribe Freedom Foundation pulls together research, resources and advice. I hope that it serves as both a wake-up call and a useful guide providing information, insight and encouragement to those who lead financial institutions.

I commend it to you.

A handwritten signature in dark ink, appearing to read 'Sara Thornton', written in a cursive style.

Dame Sara Thornton



We are delighted to share this report on Modern Slavery and Human Trafficking and the Financial Services Sector with you. Combating financial crime is at the heart of what we do at Themis. Our purpose is to reduce the global impact of financial crime, and in particular those ‘hidden’ crimes such as modern slavery. The key objectives of this project have been to increase the awareness and understanding within the financial services sector of the scale and nature of Modern Slavery and Human Trafficking in the UK and globally, and to encourage cultural change and action at the most senior levels within the Financial Sector.

Throughout the research for this project one of the overriding responses we have received has been “What has this to do with us?” Our research highlights a clear involvement the financial sector has with Modern Slavery and Human Trafficking. At times this can be one step removed through investments or loans in suspect businesses, and at others more directly, when criminals use financial institutions to launder their money and engage in financial crime. What is clear is that every financial institution should ask themselves the following question:

How can you be sure that your organisation is not directly or indirectly supporting Modern Slavery and Human Trafficking?

For almost the entire duration of this project the world has been battling against the global pandemic of Covid 19. Unfortunately, the pandemic has brought financial insecurity to many and increased their vulnerability to exploitation and trafficking. These people need our support more than ever.

The project is a call to action. We sincerely hope that having heard it and based on the evidence set out in this report, this will be the beginning of financial services taking a long-term interest in tackling the global problem of MSHT.

We are asking boards and CEOs of all financial institutions in the UK to put this on their corporate agenda to stand together against Modern Slavery and Human Trafficking.

Take a stand. Spread the word. Act Now.

Dickon Johnstone, CEO Themis

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1. EXECUTIVE SUMMARY

Modern slavery and human trafficking is all about the money

There are over 40 million people in modern slavery worldwide. Modern slavery exists in every industry, in every country in the world. The financial services industry has a major role to play in combating this violent and abusive business. And yet our polling found that over one third (36%) of financial industry employees thought that their organisation had no influence at all in combating Modern Slavery and Human Trafficking (MSHT). It is no longer acceptable to look the other way. Ignorance is not a line of defence. If companies look hard enough, they will find it in their supply chains, but will they be prepared to respond? Saying you are concerned about MSHT through your MS statement is one thing, but taking responsible action is altogether harder but much more important.

This report is the culmination of a yearlong research and outreach project led by Themis in partnership with The Independent Anti-Slavery Commissioner's Office (IASC), and TRIBE Freedom Foundation. The main objectives of the project are to draw attention to the issue of MSHT, highlight the linkages within the financial services industry, and sound a call to action for the industry as a whole.

We are calling on senior leaders in financial services organisations to take a stand against MSHT in their organisation. We challenge them to answer these questions:

Do you have cases of modern slavery across your own business activities, within your supply chains, your customers or your staff?

Is any of the capital you are lending or investing contributing directly or indirectly to MSHT?

How do you know whether or not you do?
When did you last check?

What are you doing to manage the risk of MSHT in your business?

Key Findings

Despite MSHT links to money laundering and other financial crimes, and the introduction of the Modern Slavery Act in 2015, only a small number of financial services companies are actively managing their risk and engaging with clients and suppliers on issues relating to MSHT.

There are low levels of awareness of the prevalence of MSHT

30%

of financial services employees polled do not believe modern slavery is something which happens in the UK.

43%

of board level managers and director level employees either did not know if their organisation had a modern slavery policy to manage their slavery risks or confirmed they did not have one at all.

Insufficient procedures are in place to monitor MSHT

MSHT is not considered adequately in business decision making

68%

of financial industry employees surveyed did not believe the subject had been raised more than “a few times” by senior management, if at all, in the last 12 months.

Key Risks

Whilst there are some wonderful exceptions of financial institutions championing MSHT across their organisations, many companies seem unwilling or unable to acknowledge the potential risks to their business of not addressing MSHT:



LEGAL RISK

Every company and public body in the UK with a turnover or budget of over £36 million is required by law to publish a Modern Slavery Statement.



REGULATORY RISK

MSHT is also a predicate crime to money laundering and so any financial institution found to be holding the proceeds of MSHT will be liable for money laundering offences.



REPUTATIONAL RISK

Investors and lenders are exposed to reputational damage if the companies they invest in are found to employ poor labour practices or modern slavery.



CUSTOMER RISK

Increasingly customers want to know that the financial institutions that they are dealing with are protecting the most vulnerable in society. Institutions who do not show this commitment may find clients voting with their feet.



FINANCIAL RISK

All the above stated potential risks are likely to have a material impact on the business.



GOVERNANCE RISK

Poor management of MSHT risk may be an indicator of wider poor governance and a lack of controls in other areas.

Key Messages

We are calling on senior leaders to take a stand against MSHT in the following ways:

TONE AT THE TOP

Senior leaders can change attitudes by publicly acknowledging the links between MSHT and their business activities.

DETECT AND DISRUPT

MSHT due diligence can be incorporated into existing financial crime controls and screening processes that identify other types of risk.

MONITOR AND REPORT

Ongoing monitoring will enable companies to detect and manage potential linkages cases of MSHT.

INVEST AND ENGAGE

Investors and lenders have leverage over a wide range of companies. Through regular monitoring and engagement with clients they can influence behaviour.

SUPPORT | COLLABORATE | EDUCATE

Working with others across the industry, in the public and NGO sectors, nationally and worldwide is vital. This is a global issue that requires a global response.

2. INTRODUCTION



“ Forced labourers produced some of the food we eat and the clothes we wear, and they have cleaned the buildings in which many of us live or work.

- International Labour Organisation (ILO)

”

What is Modern Slavery and Human Trafficking?

Modern Slavery and Human Trafficking (MSHT) are complex crimes and may involve multiple forms of exploitation, including human trafficking, slavery, servitude, and forced or compulsory labour. MSHT is calculated as the third most profitable organised crime globally after drugs trafficking and counterfeit goods.¹ In 2012 the ILO estimated that MSHT generated \$150 billion annually in profits. The real figure, nine years on, in an increasingly globalised world, is likely to be much higher.

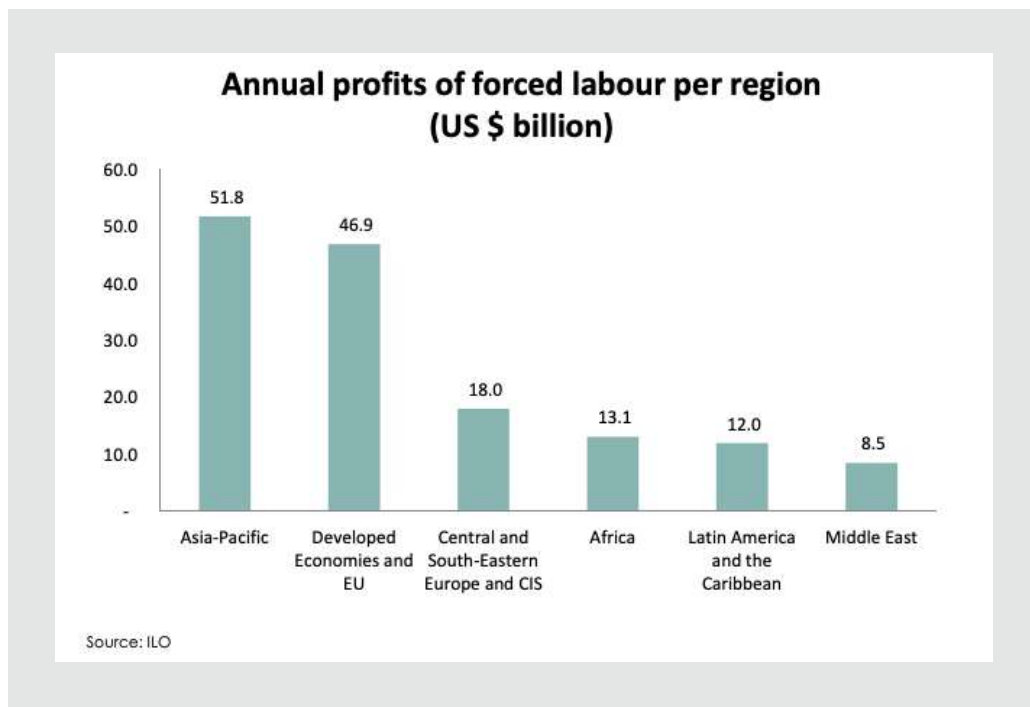
The act of modern slavery is defined in the UK Modern Slavery Act in the following way:

A person commits an offence if:

- a) the person holds another person in slavery or servitude and the circumstances are such that the person knows or ought to know that the other person is held in slavery or servitude, or
- b) the person requires another person to perform forced or compulsory labour and the circumstances are such that the person knows or ought to know that the other person is being required to perform forced or compulsory labour.

Article 1 Modern Slavery Act 2015

Slavery is prohibited under the 1926 Slavery Convention.² It is a violation of a fundamental human right set out in the Universal Declaration of Human Rights. Its eradication is articulated in the UN Sustainable Development Goal 8. And yet, it persists. ILO's figures (figure 1) show that MSHT is prevalent across all societies, in developing and developed economies alike. At \$46.9 billion, annual profits in developed economies and the EU make up nearly a third of the global total. The ILO estimates that there are over 40 million victims of MSHT worldwide underlining the scale and ubiquity of the problem. The actual figure is likely to be much higher. Women and girls are disproportionately vulnerable to modern slavery, accounting for 71 per cent of all victims worldwide.



Source: Profits and Poverty. The Economics of forced labour, ILO, 2014

Polling for this project found that 30% of financial services employees do not believe modern slavery is something which happens in the UK. Contrary to popular perception, MSHT is neither something that stopped 200 years ago, nor something that happens elsewhere in the world.

An estimated 136,000 victims are currently caught up in conditions of modern slavery across the UK, in sexual, labour and criminal exploitation, including children forced to traffic drugs along county lines. The National Referral Mechanism (NRM) is a government led framework for identifying and referring potential victims of modern slavery and ensuring they receive the appropriate support.



If you are a consumer, then without really knowing it, through food, clothing, electronics, there are probably between 40-60 slaves around the world connected to you personally. We can't deny that we are personally impacted by this.



- Andrew Wallis OBE
CEO Unseen



Recent statistics from the NRM highlight the scale of the issue in the UK:

In 2019, 10,627 potential victims of modern slavery were referred to the NRM in the UK

Between July and September 2020, 2,506 potential victims of modern slavery were referred to the NRM

Of the 2,506 potential victims, 65% claimed exploitation in the UK only, whilst 24% claimed the exploitation took place overseas only.

49% of the referrals were for individuals claiming exploitation as adults, with the remainder claiming exploitation as children (46%) or their age at exploitation was unknown (5%).

For adult potential victims, labour exploitation was the most common exploitation type, whilst criminal exploitation was most commonly reported for child potential victims.³

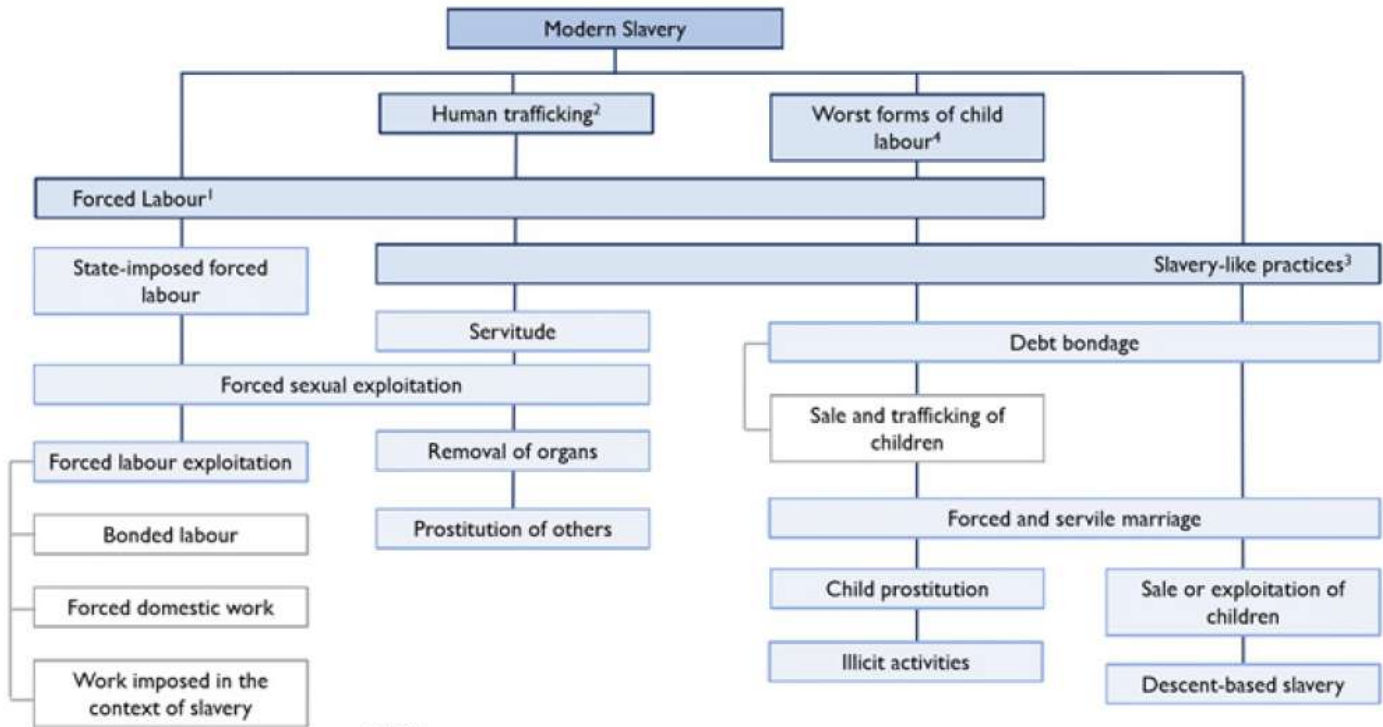
Potential victims from the UK, Albania and Vietnam were the three most common nationalities referred to the NRM.

4

The Covid 19 pandemic has exacerbated an already bleak outlook for MSHT victims across the world. Increased isolation has meant that abuses have continued behind closed doors, with the usual social interaction and opportunities to spot warning signs blocked. Closure of schools has left children, in particular, more vulnerable to exploitation. The economic hardship faced by many people, whether garment factory workers in Bangladesh, construction workers in Dubai, or hospitality staff in the UK, has made many people vulnerable to exploitation.

Terminology

The concept of modern slavery is extremely complex, and a variety of terms may be used to mean similar or slightly different things. Throughout this report, we refer to modern slavery and human trafficking collectively as MSHT. Where we are referring only to modern slavery and not human trafficking, we use the abbreviation MS. For the purposes of this report, MS may include forced labour and bonded labour. Human trafficking does not include smuggling which usually includes the consent of the person involved.



Definitions:

1. International Labor Organization. (2017). *Global Estimates of Modern Slavery*.
2. UN Trafficking in Persons Protocol
3. 1926 Slavery Convention
4. 1999 International Labour Conference Convention No.182

Source: Global Reporting Initiative
globalreporting.org

The Role of Financial Institutions

The concept of modern slavery seems a world away from that of finance. What does an investment bank do with Vietnamese labourers trafficked to the UK to work in cannabis farms? What does an accountancy firm have to do with the Albanian sex trafficking rings controlled by organised crime gangs? The crimes we associate with MSHT are horrific, but how these overlap with the financial services sector is less apparent. Research conducted as part of this project has revealed low levels of understanding of the linkages between MSHT and the financial services sector.

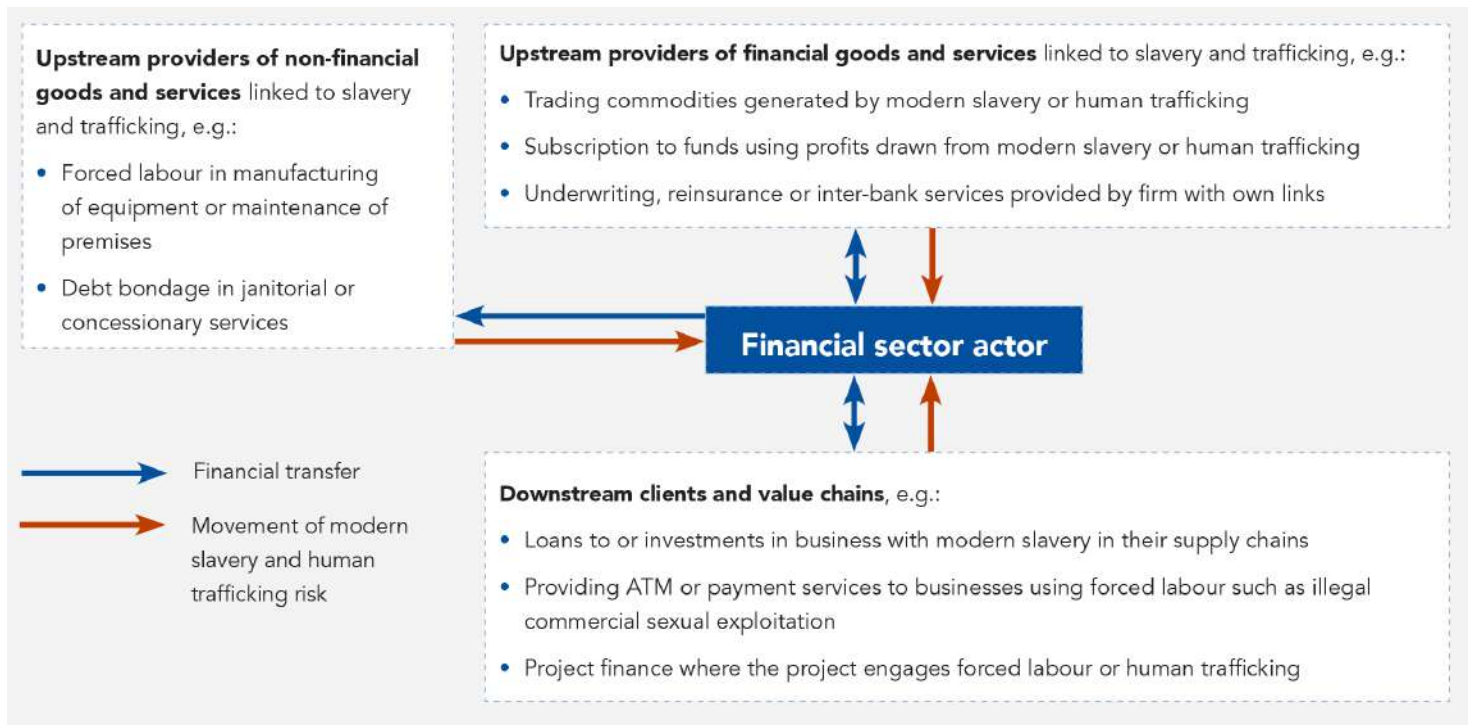
Financial organisations have a critical role to play in combating MSHT.



While governments have a role, and consumers have a role, businesses also have a huge role. And, of course, financial institutions that lend to those businesses, who invest in those businesses, are in such a unique position to help businesses and demand they take the issue of modern slavery much more seriously.

- Dame Sara Thornton, 28th July 2020





Linkages to MSHT

Source: Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking. (United Nations University, 2019)



The research carried out for this report has been centered around five key themes, all exploring the direct and indirect links that financial institutions may have to MSHT.

CULTURE & STRATEGY

Engage and educate senior management and design a strategy that addresses modern slavery risks across our operational functions

MONITOR & REPORT	DETECT & DISRUPT	INVEST & ENGAGE	EMPOWER & SUPPORT
Monitoring your own business and reporting on your control environment	Detecting the proceeds of crime linked to MSHT	Investing and lending responsibly to mitigate MSHT risk	Supporting survivors and engaging your team to support victims of MSHT
<p>Do you have links to modern slavery through your own business? Are you doing the appropriate due diligence on your own customers, staff and supply chains to make sure they are not involved in MSHT?</p> <p>Are you compliant with reporting requirements?</p>	<p>Are illicit proceeds of MSHT flowing through your financial networks? Are your staff equipped to identify and investigate suspicious activity and engage with law enforcement on MSHT?</p>	<p>Do you have any indirect links to MSHT through your lending or investment portfolios? Is your organisation strong enough to withhold funds where suspected links exist?</p> <p>How are modern slavery risks factored into ESG decisions and due-diligence processes?</p>	<p>Can you support financial inclusion and help survivors rebuild their lives? What are you doing to raise awareness and promote staff volunteering?</p>

Driving Change and Attitudes

Our research has identified an underlying assumption that because financial services organisations are not involved in manufacturing or heavy industry, they are not involved in MSHT. Despite these assumptions, attitudes are changing. Legislation addressing this issue is on an upward (albeit slow) trajectory. A small number of pioneering financial institutions are leading the way in undertaking risk assessments up and down their supply chains, and across their business operations. And there is a growing consensus within the financial and wider business community that extending sound management practices to modern slavery issues represents both good corporate citizenship and also business sense. The UN Guiding Principles on Business and Human Rights state that:

“Financial institutions that lend to, invest in or are otherwise linked to businesses whose supply chains are exposed to modern slavery and human trafficking have both due diligence obligations and obligations to use their leverage over their business partners to address these concerns.”

This report discusses in detail the latest regulatory developments including the UK Modern Slavery Act of 2015, and emerging best practice for investors and lenders, and international guidance. MSHT in the financial services sector is an industry wide challenge that requires an industry wide solution. This project builds on and contributes to extensive work being carried out around the world by a range of organisations, most notably the Lichtenstein Initiative discussed below.

“

*Finance is a lever that can
move the entire global
economy*

- FAST Initiative

”

FAST Initiative - A global multi-stakeholder approach

In September 2018 The Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking was launched. The Liechtenstein Initiative or FAST as it is also known, is a public-private partnership between the Governments of Liechtenstein, Australia and the Netherlands, United Nations University Centre for Policy Research and Liechtenstein private sector institutions and foundations.

Its aim is to put the financial services sector at the heart of tackling modern slavery and human trafficking. Over the course of a year the initiative held a wide range of events, stakeholder consultations and workstreams, at the end of which a document was published entitled A Blueprint for Mobilizing Finance Against Slavery and Trafficking.


The Blueprint identifies 5 key goals for the financial services sector:

1. Compliance with laws against modern slavery and human trafficking.
2. Knowing and showing modern slavery and human trafficking risks.
3. Using leverage creatively to mitigate and address modern slavery and human trafficking risks.
4. Providing and enabling effective remedy for modern slavery and human trafficking harms.
5. Investment in innovation for prevention

The Blueprint provides actions and recommendations for future work, a toolkit and resources. The FAST Initiative's outreach work is ongoing.

www.fastinitiative.org

3. KEY POLLING FINDINGS



45% of board level managers and directors agreed with the statement “modern slavery is not something which occurs in the UK”.

An insight into existing attitudes and action

This section presents the findings of the project polling and sets out the current attitudes, policies and practices relating to MSHT prevalent in financial services organisations across the UK. These findings indicate that many senior financial industry employees do not consider modern slavery to be an issue of concern in the UK or a priority for their business. Despite the scale of modern slavery prevalent in the UK today, there remain significantly low levels of awareness, policy implementation, prioritisation and action.

87% of financial services employees rated modern slavery and human trafficking as an important social and/or environmental issue, indicating a degree of personal concern around modern slavery as a global issue, and over three quarters (77%) believed that their organisation could do more to address the risks of modern slavery and human trafficking within the financial services industry.

Awareness and understanding of MSHT

Polling revealed that although respondents were united in their condemnation of MSHT as a widespread crime which they understood ruins lives, they had low levels of awareness of the extent to which MSHT occurs in the UK.

Despite the fact that an estimated 136,000 victims are currently living in conditions of modern slavery across the UK, the polling revealed that 30% of financial services employees do not believe modern slavery is something which happens in the UK. This number increases to 39% amongst those at middle manager level and rises to 45% among board level managers and directors who agreed with the statement “modern slavery is not something which occurs in the UK.”

This finding was reinforced by the project outreach. The research team contacted over 3,000 different financial institutions across the industry. Whilst they received positive responses from a handful of companies who are championing modern slavery across their organisations, many individuals denied that their organisation had any exposure, direct or indirect, to MSHT. This was particularly prevalent in the non-banking sectors of the financial industry, such as crypto currencies, accountancy firms, insurance or brokering.

These findings demonstrate the urgent need for the financial services industry to increase levels of awareness among employees at both senior management and junior levels. If MSHT is not seen as an issue of concern or relevance, there is a risk that people will not be alert to identifying or reporting it.

The polling also identified a clear desire for reporting lines to be streamlined across businesses so that staff could efficiently flag any MSHT concerns to management. If approached correctly therefore, wider education across the sector explaining how firms can be unwittingly complicit in modern slavery and how they can help tackle the problem, is likely to be highly effective.

Internal policies, procedures and communications

The polling highlighted the need for improved internal communications of policies, reporting procedures and ongoing monitoring activities. This is particularly important in order to help identify and prevent modern slavery as employees need to know how to report any concerns they identify.

The polling found that 43% of board level managers and director level employees either did not know if their organisation had a modern slavery policy to manage their slavery risks or they confirmed they did not have one altogether.

These findings are reflected in the understanding of lower level employees indicating that where management leads the wider business tends to follow. A third (33%) were unsure whether their organisation had a policy to manage modern slavery risks and just over a quarter (29%) believed their company did not have one.

Nearly half (45%) of all financial services employees would not know who to report suspected instances of modern slavery or human trafficking to within their organisation, while 76% believe their organisation could do more to improve internal communications and awareness-raising.





78% of respondents felt they needed more training

Training

A lack of engagement on MSHT was further evident in responses relating to how firms train their employees to spot signs of modern slavery.

This lack of training prevents organisations from enabling their employees to identify MSHT risks they might be exposed to. Only 21% financial industry employees felt 'moderately' to 'very confident' in identifying potential signs of MSHT in their day-to-day work, while over half (53%) felt either 'not at all confident' or only 'slightly confident'. Equally, only 27% of those at middle manager level and above felt confident in identifying the potential signs of MSHT.

These findings illustrate a need for wider training programmes across the financial services industry. Over three quarters (78%) of respondents themselves also felt that financial organisations should provide more training on identifying and responding to modern slavery risks.

71% of financial industry employees stated that they had never participated in any form of training with their current employer regarding MSHT.

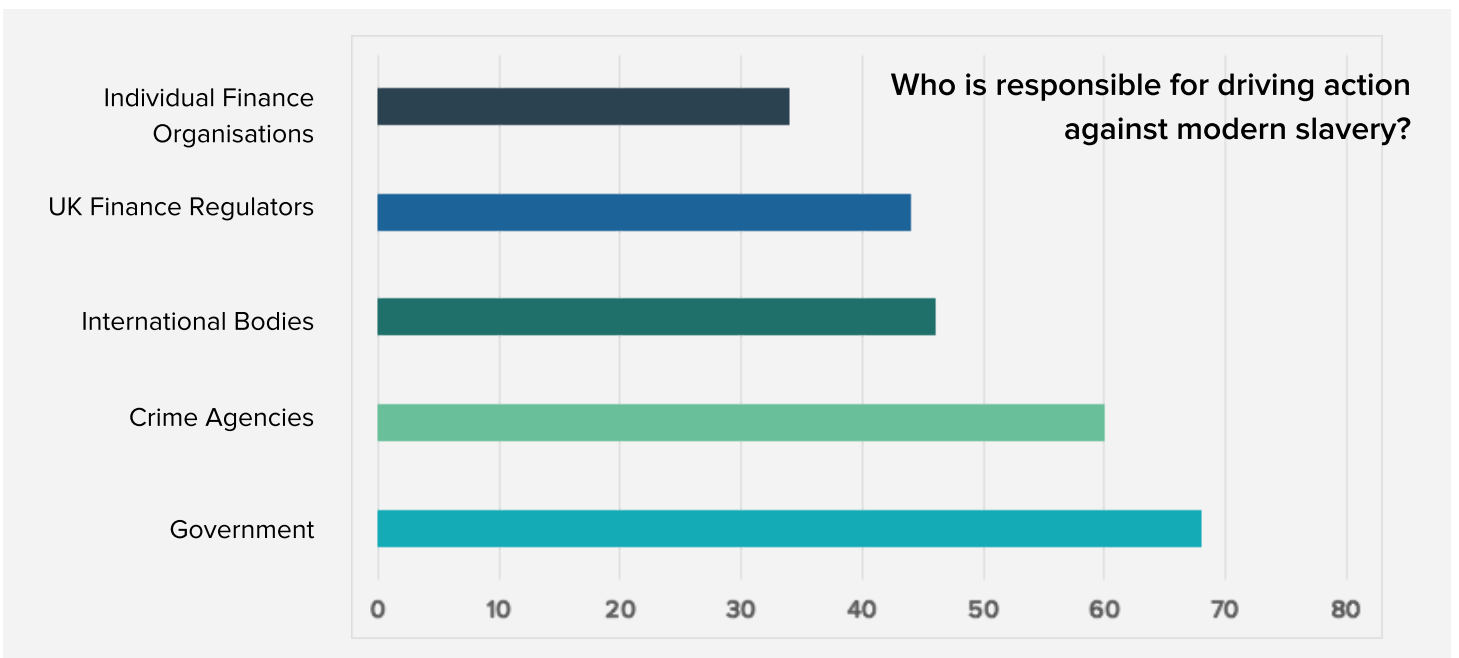


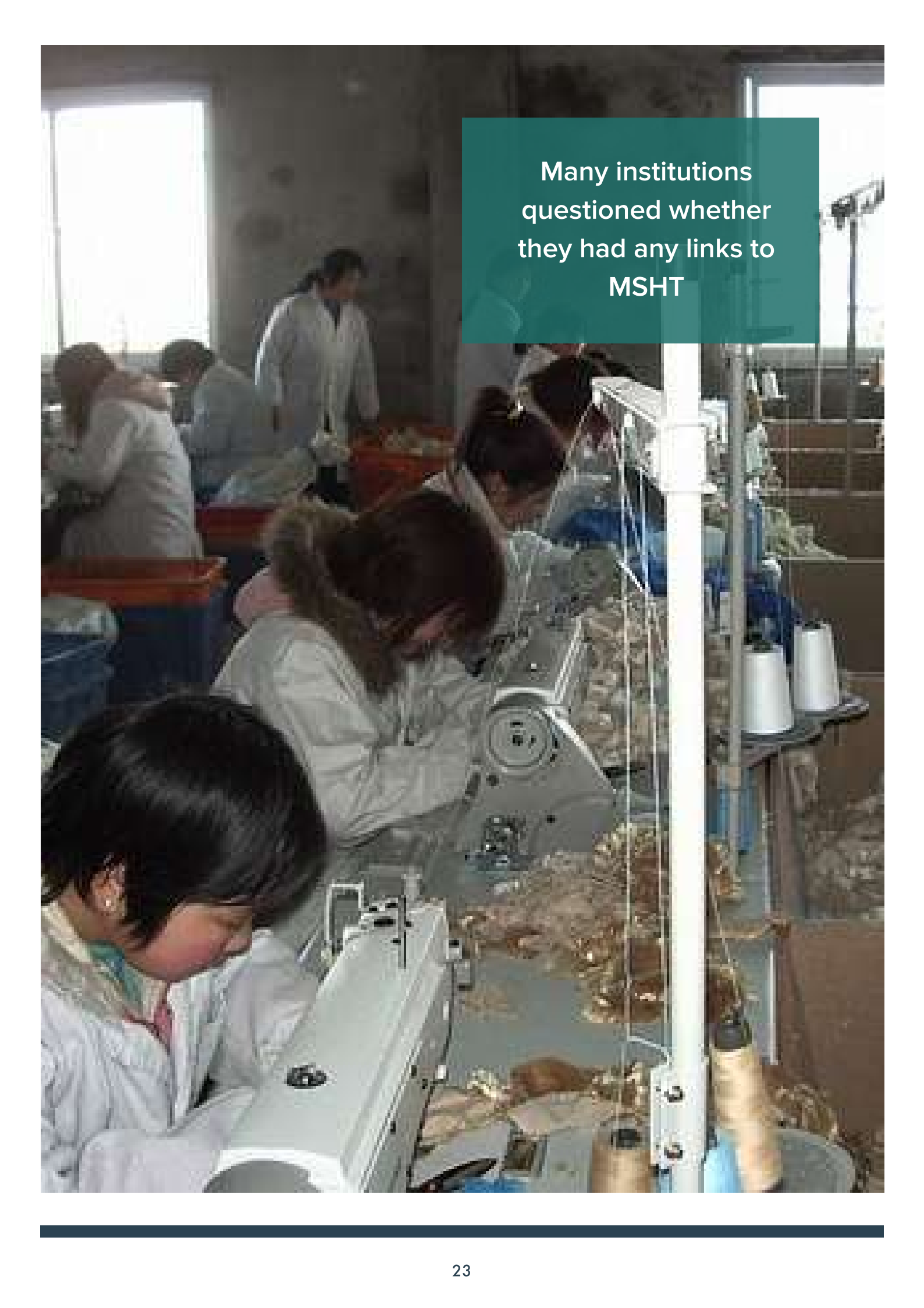
Responsibility for action

When considering which organisations should be driving action towards addressing modern slavery, the majority of financial services employees believed the government carries the greatest responsibility (68%). Other organisations identified as playing an important role were crime agencies (60%), international bodies (46%) and UK finance regulators (44%). Only 34% believed that individual financial organisations should be driving action on addressing MSHT across the financial industry.

22% of respondents did not consider any of the potential areas for action listed as being a focus for their organisation to help fight modern slavery, including improved staff training, robust compliance measures, smarter technology, support for vulnerable customers, improved internal communications and awareness raising.

In order to combat MSHT in the financial services industry collaboration is required not only across the industry itself but also between other sectors including government, law enforcement, and the voluntary sector.



A photograph of a garment factory. In the foreground, a woman with dark hair is focused on operating a sewing machine. Behind her, another woman is also working at a sewing machine. In the background, several other workers are visible, some standing and some seated at workstations. The factory has large windows on the left side, and the overall atmosphere is one of busy industrial production. A teal text box is overlaid on the right side of the image.

Many institutions
questioned whether
they had any links to
MSHT

Organisational priorities

Research findings suggest that modern slavery is not taken into consideration when making wider organisational decisions.

Although the research identified many examples of good practice and industry champions, this expertise and commitment did not always filter down to all levels of financial services businesses. A lack of joined up thinking was cited as a key obstacle within companies. 68% of financial industry employees surveyed did not believe the subject had been raised more than “a few times” by senior management, if at all, in the last 12 months.



Only 28% of respondents surveyed in the project survey believed that their company factors in modern slavery risks when making investment decisions

36% of financial industry employees think that their organisation has no influence at all in combatting MSHT

Whilst many institutions questioned whether they had any links to MSHT, even amongst those institutions that had a strong management of MSHT issues, leading companies often complained that they did not have the budget or full support of their senior management team to carry out their work. A common picture painted was of a lack of an enterprise wide approach, where many heads of procurement, HR, or client business leads were not necessarily aware of the modern slavery policies or procedures in place.

4. MONITOR & REPORT

Do you have links to modern slavery through your business?

Are you doing the appropriate due diligence on your own customers, staff and supply chains to understand potential links to MSHT?

Are you compliant with reporting requirements?

In the UK, companies and public bodies with a turnover or budget of £36 million or more are required by law to publish a statement setting out what they have done to address modern slavery in their supply chain. Compiling a modern slavery statement should provide the impetus for companies to undertake a rigorous risk assessment of their business, and publishing it should provide a level of accountability to the public and company shareholders. However, in many cases our research shows the practice has become a tick box exercise prepared by one part of the organisation with little or no reference to the wider business activities.



The Modern Slavery Act UK, 2015

In the UK, the primary piece of legislation relating to modern slavery is the MSA, which is widely regarded as the minimum a company should be doing to address its MSHT risks, since the MS statement need not say what a company is doing only whether a company is doing anything at all, or not. Modern slavery statements nevertheless can be viewed as more than simply a compliance exercise; and should be viewed as a useful tool for businesses in planning, monitoring and reporting on their modern slavery due diligence.

Companies and public sector bodies with a turnover or budget of more than £36 million are required to publish an annual statement as described in Section 54, point 4 of the MSA. It states that:

A slavery and human trafficking statement for a financial year is -

- a) A statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place -
 - i) in any of its supply chains, and
 - ii) in any part of its own business, or
- b) A statement that the organisation has taken no such steps.

In September 2020 the UK government announced new measures to strengthen MSA reporting including specifying key topics to be included in statements, such as due diligence and risk assessment, an annual reporting deadline, and an online government reporting site, enabling greater accountability.

(<https://www.legislation.gov.uk/ukpga/2015/30/part/6/enacted>
[accessed 18/09/2020](#))

The Modern Slavery Act UK, 2015 applies to the entire private sector, and most private sector companies will report on their potential direct links to MSHT through manufacturing in their supply chains. The financial services sector is one step removed in many ways from such direct linkages found in other sectors. Many modern slavery risks lie beyond the financial services sector's direct supply chains. These organisations therefore need to manage risk across all operational arms, in a holistic, strategic manner.

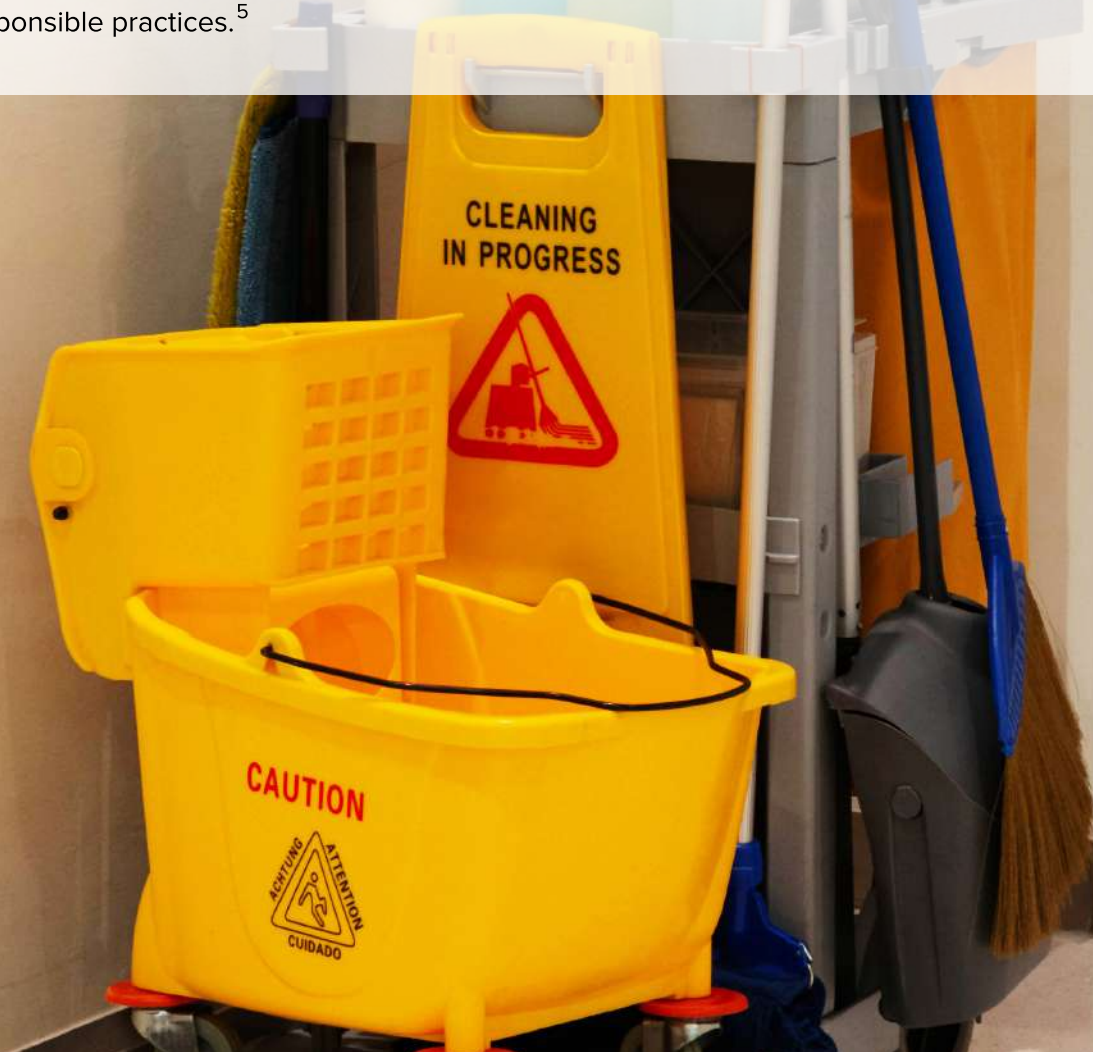
Regulatory efforts to curb MSHT are not limited to the UK. In the five years since the UK Modern Slavery Act 2015 came into force other countries have followed suit. The French Vigilance Act was signed in 2017, Australia's Modern Slavery Act in 2018 and the Dutch government introduced their child labour due diligence law in 2019. Canada, Switzerland, Germany, and Hong Kong all currently have similar initiatives in the pipeline.

Understanding and reporting on modern slavery risks

For financial services companies, direct links to MSHT might be present through employment of low skilled contract workers such as cleaning or catering workers. Until recently, media attention relating to labour exploitation has fallen on manufacturers and industries that are directly exposed to more visible risks of labour exploitation in their direct supply chains such as construction, apparel or agriculture. But increasing interest is being taken in how the financial sector can use its leverage to instigate change, and financial organisations are expected to make more detailed assessments of their exposure to such risks. The investments in the fast fashion business Boohoo is one recent example of such media attention.

When compiling a modern slavery statement financial services companies should consider their direct and indirect impact and influence up and down the supply chain. This includes monitoring their own supply chains (IT, employment services, office supplies, construction etc.) but also, monitoring activity across all operations. This will involve coordinating financial crime teams looking at money laundering, but also investors and lenders undertaking due diligence on potential partners and clients.

In September 2020 the UK government announced new measures to strengthen reporting in line with the MSA. The new measures will specify topics that modern slavery statements must cover, from due diligence to risk assessment, to encourage organisations to be transparent about the work they are doing to ensure responsible practices.⁵



CASE STUDY

Passport retention in the Arabian Gulf

Retention of passports of migrant workers by employers is widespread across the Arabian Gulf states. Coca Cola identified that suppliers in the Gulf were confiscating worker passports, which is prohibited by law in many countries and denies those workers their rights to freedom of movement.

The practice was aggressively defended claiming this was legal. Coca Cola refuted this by engaging with local law firms who confirmed that Saudi Arabia alone was the only country in the region which required workers to submit their passports. With the help of international stakeholders including the ILO and US State Department to convene supplier forums. These forums combined with one-on-one dialogue with suppliers resulted in a step change in the supplier's behaviour.

Source:

http://www.stopslaverynetwork.org/wp-content/uploads/2017/07/032.-IHRB_Fees-and-IDs-Report1.pdf



Recruitment of low skilled workers

Recruitment agencies that supply low skilled workers to carry out low paid work have been identified by a range of NGOs (Anti-Slavery International, Amnesty International) as being linked to poor working conditions and potentially modern slavery.

A key area when assessing a potential business partner's MSHT risk is a focus on a company's recruitment processes. Migrant workers can be particularly vulnerable to exploitation at the stage of recruitment, including exorbitant recruitment fees, exploitative debt schemes, and contract substitution, but also at the stage of employment through long hours, low wages, and restricted rest time.

Many low paid contract jobs are by their nature invisible, which can heighten human rights and labour risks as it reduces the visibility of poor practices.

Below are some key considerations financial institutions should take into account when they are assessing whether a client or subcontractor presents a modern slavery risk through their recruitment process.

- **Prohibit recruitment fees:** The employer, not the worker, should bear any recruitment costs. High recruitment fees can make workers vulnerable to debt bondage and modern slavery. Businesses should have a policy in place that details how to respond if fees are found to have been paid by workers in their supply chain.
- **Provide transparent and accurate job information:** Provide detailed information on wages and working conditions that is consistent from the vacancy right through to contract signing and employment. Ensure all suppliers, agents and intermediaries do the same.
- **Provide clear, voluntarily signed contracts:** Ensure all workers are provided with a written contract of employment in a language they can understand in advance of starting work. There must be no contract substitution or use of supplemental agreements with less favourable provisions.
- **Allow fair and free termination of employment:** Ensure contracts stipulate that workers can terminate employment without notice and penalty in the event of employer misconduct, including any change in the conditions originally agreed upon in the signed contract or in the case of serious illness.
- **Do not restrict access to identity documents and movement:** Ensure that workers, especially migrant workers, retain control of their identity and travel documents throughout the employment process, and have freedom of movement during the recruitment process and outside of working hours.
- **Work with compliant labour brokers:** Engage workers through compliant labour recruiters (Recruitment Advisor, Clearview and IRIS run accreditation schemes for labour brokers). Where it is not feasible to directly verify all parties involved in recruitment there should be a contractual obligation requiring all tiers of recruiters to operate in accordance with legal requirements and ILO guidelines.
- **Vetting staff:** Traffickers may try to bribe or pay a member of staff to get access to or bypass an organisation's control environment. Staff in financial difficulties are particularly vulnerable and traffickers will often target these individuals. It is recommended that firms conduct due diligence on all of their staff before they join and then do periodic testing and monitoring to ensure that firms are looking at their insider risk as well.

Source: Themis

Recommendations and Guidance

The financial sector needs to be able to navigate, anticipate and respond to the uptick in modern slavery and human rights legislation both to maintain regulatory compliance and to avoid the reputational damage from an association with business partners engaged in modern slavery. Companies stuck in a mindset of ‘what’s the minimum I need to do’ are not only putting human lives at risk but are also putting their business at risk. To avoid these dangers financial services companies should initiate the following:

Recommendations

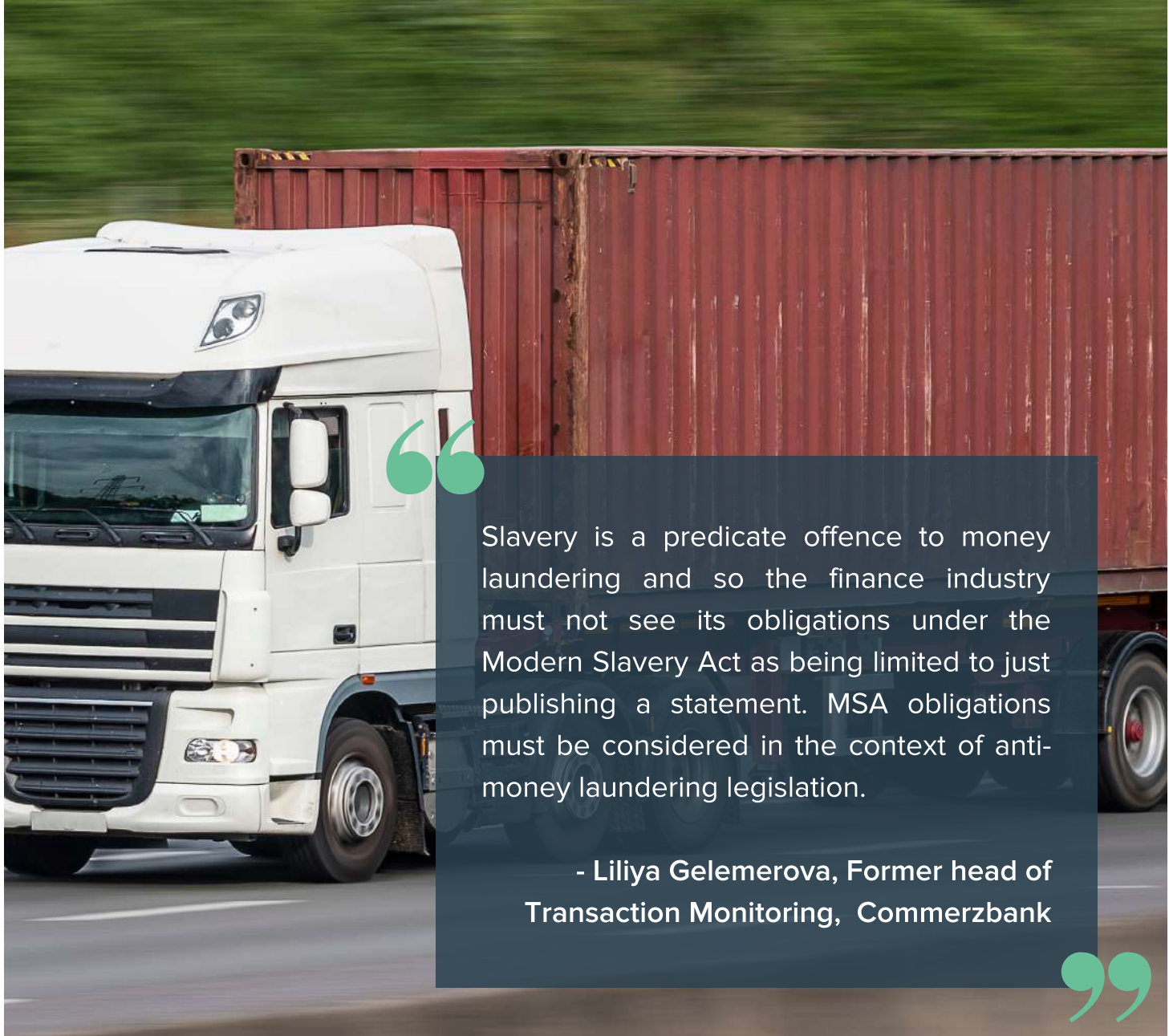
- Assess the direct risks of modern slavery risks to your own business by performing a risk assessment of your own staff, suppliers, business partners and clients based on their jurisdiction and sector of the economy
- Incorporate modern slavery concerns into your due diligence processes at the beginning of any new business, staff and supplier relationships and on an ongoing basis
- Investigate the recruitment processes of your suppliers and ensure the same is carried out across the supply lines of partner firms
- Measure the effectiveness of your modern slavery controls by providing detailed information to your Senior Management and Board, and publish any findings (positive and negative) in your annual impact reports.

Guidance

Based on the risks outlined above, companies engaged in a due diligence process to identify risks of modern slavery should determine the precise steps they can apply when seeking to work with a new business partner. These frameworks should also be adapted with a firm’s existing client and staff base to spot modern slavery risks which were not identified in an initial due diligence process.

- The UK government provides guidance for businesses on how to ensure that MSHT is not taking place in their business or supply chains
<https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide>
- The Ethical Trading Initiative (ETI) Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice
<https://www.ethicaltrade.org/eti-base-code>
- The ETI has also developed a simple but comprehensive four-step process to show how a due diligence framework can be applied to address modern slavery. www.ethicaltrade.org
- The Minderoo Foundation provides guidance on assessing and reporting on MSHT including its [Walk Free ‘risk screening tool’](#)
- Shift is the leading centre for expertise on the UN Guiding Principles on Business and Human Rights [Shift, Using Leverage in Business Relationships to Reduce Human Rights Risks](#)
- Themis helps firms undertake an end to end risk assessment of financial crime exposure, including MSHT, through the [Themis AFC Rating](#).

5. DETECT AND DISRUPT



“ Slavery is a predicate offence to money laundering and so the finance industry must not see its obligations under the Modern Slavery Act as being limited to just publishing a statement. MSA obligations must be considered in the context of anti-money laundering legislation.

- Liliya Gelemerova, Former head of Transaction Monitoring, Commerzbank

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Are illicit proceeds of MSHT flowing through your financial networks?

Are your staff equipped to identify and investigate suspicious activity and engage with law enforcement on MSHT?

Is MSHT integrated into other screening and monitoring processes?

Banking services are used by both the perpetrators and victims of MSHT. Any proceeds generated by MSHT and channelled through banking systems, will fall into the category of criminal property and are classed as money laundering.

The Proceeds of Crime Act 2002 is the principal legislation that covers the offence of money laundering in the UK and the explanatory notes provide a useful definition:



The UK is an 'all crimes jurisdiction' meaning that under the Proceeds of Crime Act (POCA) any firm found to be advertently or inadvertently concealing, arranging or processing the proceeds of MSHT is liable and can be prosecuted as a money laundering offence.

In the UK, the board and senior managers are also directly held to account by the Financial Conduct Authority (FCA) under the Senior Managers & Certification Regime (SM&CR). This means that where any companies are shown to have inadequate systems and controls to detect and disrupt instances of MSHT, senior managers can be held personally liable and accountable by the regulators.

However, the project research indicates that some financial institutions deal with MSHT as a separate concern outside of their AML/CFT frameworks. In interviews with representatives of financial organisations, our team heard that in some cases modern slavery was the responsibility of the ESG department or in some cases, the sole purview of the marketing team that writes the company's modern slavery statement. This indicates that MSHT is regarded by some as merely a tick box issue, rather than a potential legal, reputational, and material risk to the business, and it reinforces the assertion that publishing a Modern Slavery statement represents the bare minimum a company can do in managing its MSHT risks.

All financial institutions have processes in place to ensure they comply with the law and are not complicit in any financial crimes. Nevertheless, examples of money laundering penalties are not uncommon. Westpac, the second biggest bank in Australia, has agreed to pay the largest fine in Australian corporate history: a A\$1.3 billion civil penalty for more than 23 million breaches of anti-money laundering laws, including failure to properly vet thousands of transactions linked to child exploitation in the Philippines.⁷ Similarly, the global payments business Western Union was fined \$60 million by US regulators⁸ for its involvement in a human trafficking operation in China. Our research also shows clear links between MSHT and other financial crimes, most notably terrorist financing, sanctions, and corruption.

Terrorist Financing

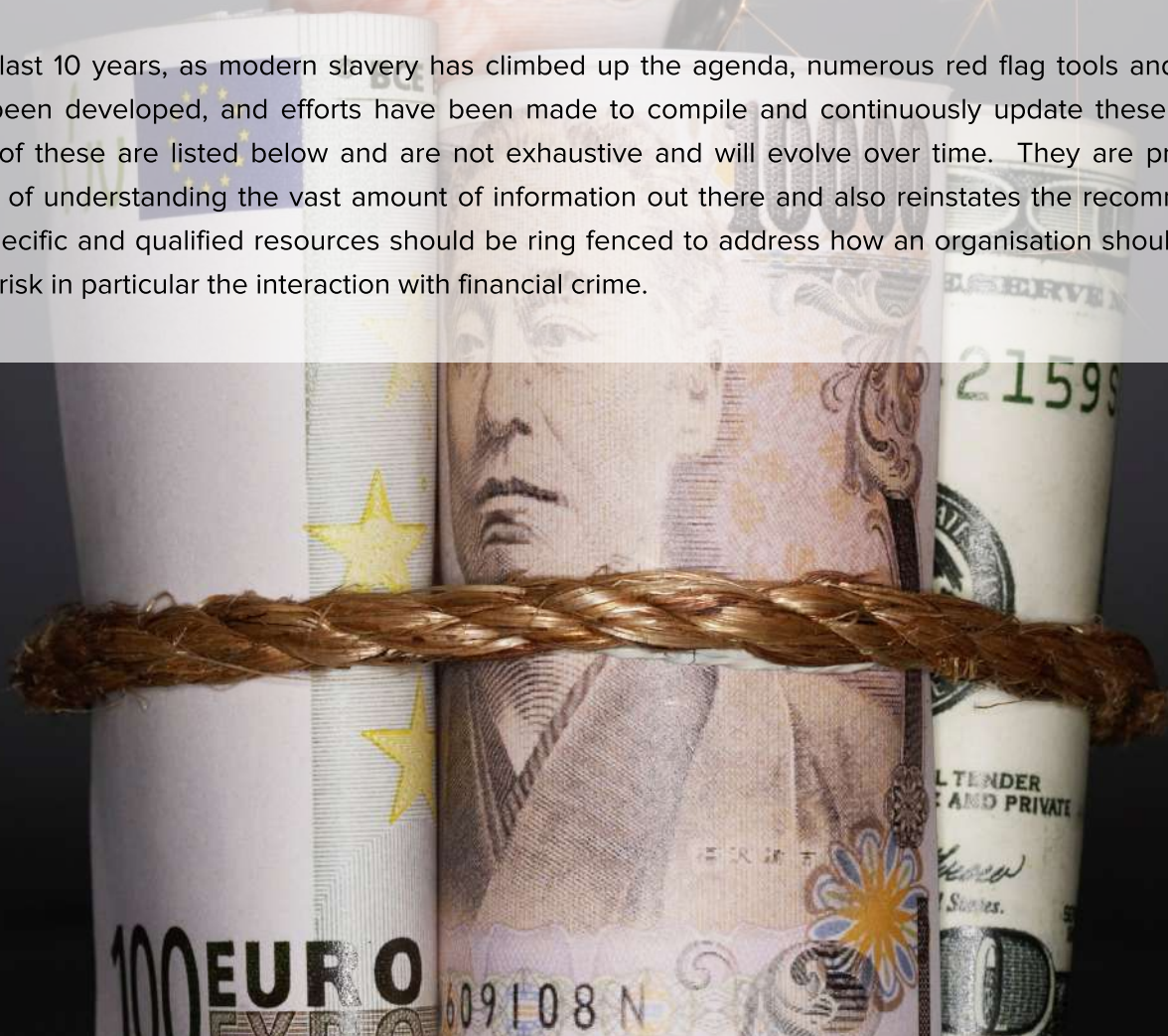
The United Nations Security Council Resolution 2331 (2016) references the trafficking of women and girls as a component of financial inflows for terrorist groups. Extremist groups use human trafficking to expand their capabilities and workforce as well as to raise revenue for their activities.

For example, ISIS was estimated to have raised up to US\$35-45 million in ransom payments for enslaved captives. Other examples of terrorists raising money through MSHT include Boko Haram's use of child beggars to raise funds.

Due Diligence

Whilst financial institutions comply with the law both from the perspective of the Modern Slavery Act 2015 and Proceeds of Crime Act 2002 requirements, it is not clear whether financial institutions are conducting enterprise wide risk assessments of their MSHT risks. It is recommended that MSHT is included in the financial crime remit of financial institutions' and thus will also attract the attention of internal audits to include alongside the AML/CFT, Sanctions, Fraud, and ABC for their testing programmes. The requirements under the money laundering and financing of terrorism requirements are comprehensive. The financial crime risk rating methodology for firms should include specific red flags related to MSHT.

In the last 10 years, as modern slavery has climbed up the agenda, numerous red flag tools and methods have been developed, and efforts have been made to compile and continuously update these red flags. Some of these are listed below and are not exhaustive and will evolve over time. They are provided as means of understanding the vast amount of information out there and also reinstates the recommendation that specific and qualified resources should be ring fenced to address how an organisation should manage MSHT risk in particular the interaction with financial crime.



For a small number of banks, like money laundering, identifying and managing the MSHT risk has become business as usual. For example, ABN AMRO bank conducts human rights due diligence on its corporate clients and the bank monitors and tracks unusual transactions. However, research conducted in this area suggests that a different approach is needed. For money laundering offences, a predicate crime is required, in other words a criminal offence, normally a serious one. For the offence of money laundering to be established there is a prerequisite that a criminal offence has occurred in order to generate the proceeds of crime that are being laundered. This is known as a predicate offence, that enables money laundering or terrorist finance activity. Predicate crimes for money laundering include fraud, bribery and corruption, drug trafficking, and MSHT.

However, research by van Dijk et al, has shown that MSHT is not 'binary' and gathering evidence in MSHT cases has an unusual arithmetic: $0 + 0 + 0 + 0 = 1$. For MSHT cases, single pieces of information or evidence may not be sufficient on their own to bring a successful court case, but the sum of the individual pieces of evidence could provide evidence that could be used to convict perpetrators.

Therefore, collaboration of banks with law enforcement is key to enable investigators to see the bigger picture. Banks need to understand which pieces of information law enforcement authorities may need, and law enforcement authorities need to understand which pieces of information banks can offer. This is especially true when victims may not be able to report criminal activity and police rely on evidence to build a case.

Maria van Dijk explains, 'This enables the prosecution of perpetrators and effective remedy for victims. ABN AMRO thus learns from the police and the Dutch Public Prosecution Service to determine which zeros to look for, and where to find them.'

The method ABN AMRO has implemented focuses on human rights due diligence. The notion that MSHT occurs in distant supply chains is rejected. Small and medium sized businesses in high risk sectors like agriculture or construction are covered by their policies and procedures. The Compliance, Crime and Integrity function at ABN AMRO has a strong emphasis on human rights and through analysis of data and qualitative information from the vast amount of data the bank has, the focus is much more aligned and focused to bring MSHT into the heart of the compliance function.

Source:

Maria Anne Van Dijk, DE Marijn and Ruben Zandvliet, 'Banks and Human Trafficking: Rethinking Human Rights Due Diligence' (2018) 3 Business and Human Rights Journal 105.

Sanctions

Financial sanctions orders prohibit a company from carrying out transactions with a person, organisation, government or country, which may include prohibiting the provision of financial services such as banking services to that particular entity.

On 14 June 2018, the Council of the European Union transposed into EU law sanctions adopted by the United Nations (UN), imposing a travel ban and asset freeze on six human traffickers and smugglers operating in Libya. CNN's shocking report on the case showed pictures of migrants being auctioned off in a modern-day slave market, in the suburbs of the Libyan capital.

Corruption

MSHT is a complex process and for it to operate will require pervasive bribery and corruption. One of the reasons for highlighting the link and dependency of MSHT on financial crime is to bring evidence to the attention of financial institutions to enable action.

Corruption facilitates MSHT through key trafficking processes, including the provision of documentation (identity papers, visas, permits); the transport of victims, which may include border-crossing; their exploitation, as well as the laundering of the proceeds of the crime will all have aspects of bribery and corruption to facilitate MSHT.

The United Nations Office of Drugs and Crime (UNDOC) states that corruption is central to the success of traffickers and therefore criminals consider it a necessary investment; corruption is possibly the main cost factor for traffickers.¹⁰ For financial institutions, the link lies in their anti-money laundering responsibility.

Whilst it is acceptable that FIs can do little to impact or influence the actual bribery and corruption discussions that are happening at the planning stage of a MSHT operation, the fact that any proceeds from that crime may flow through their systems is where they need to focus their attention and disrupt it.



Lessons learned by Western Union

"Don't judge a company on whether or not they find modern slavery in their supply chain, judge them on how they respond to it." Shayne Tyler, Fresca Group

In 2018 Western Union, a leader in cross border, cross currency money movement, was fined \$60m by the New York State Department of Financial Services for breaches of anti-money laundering laws connected to human trafficking. Western Union maintained business relationships with agents who were engaging in suspicious activity, in addition to circumventing their own rules to allow profitable business to flow through various offices in New York and other parts of the world.

The money laundering tactics were not particularly sophisticated and correct financial reporting methods should have flagged these anomalies much earlier. Even though Western Union had knowledge of illegal and improper activity by its agent, Western Union did not file a Suspicious Activity Report about the agent's suspicious conduct.

As part of a deferred prosecution agreement with the US Justice Department announced in January 2017, Western Union admitted it violated U.S. laws. In January 2017 the company also agreed to pay \$5 million to various state attorneys general to reimburse investigative, enforcement and other costs in connection with related investigations. Western Union must now submit a written plan to the Department of Financial Services demonstrating the adequacy of its anti-money laundering and anti-fraud programmes, and it will be required to submit progress reports on the implementation of these programmes. Western Union said in a statement it had previously set aside \$49 million to resolve the investigation, and that it had made substantial improvements aimed at enhancing its compliance programmes.

During our research, we spoke to a number of senior executives at Western Union and it is clear that MSHT now form a central part of their financial crime and due diligence framework and culture.

In 2018 Western Union was one of a coalition of financial institutions instrumental in the launch of an Anti-Human Trafficking Toolkit designed by the Thomson Reuters Foundation (TRF) and U.S. Banks Alliance, and they continue to support a number of initiatives designed to raise awareness across the global financial networks of this very important issue.

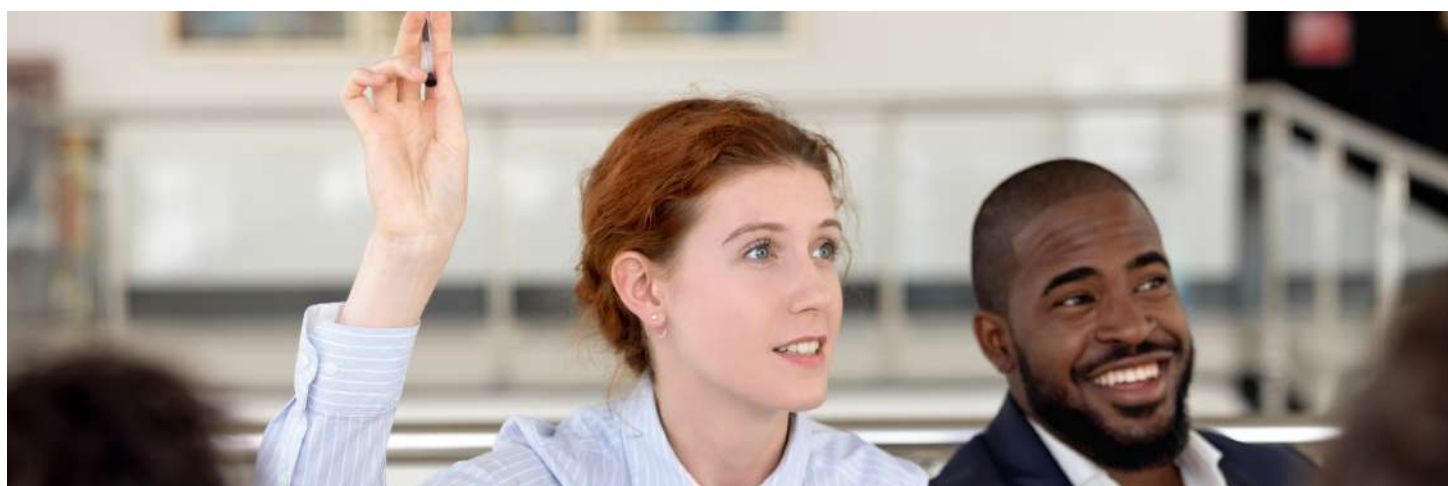
Sources:

- <https://uk.reuters.com/article/us-usa-western-union-settlement/western-union-settles-new-york-money-laundering-probe-for-60-million-idUKKBN1ET24Y'NYDFS>
- Enforcement Action - January 4, 2018 - Consent Order to Western Union Financial Services, Inc' (New York State Department of Financial Services, 2018)
https://www.dfs.ny.gov/system/files/documents/2020/03/ea180104_western_union.pdf
- Thomson Reuters Foundation www.trust.org
- www.westernunion.com

Identifying the threats

Given the links to financial crime, anti-MSHT strategies should fit neatly into existing financial crime reporting protocols which vary dependent on sectors and jurisdictions. In some cases, MSHT will be flagged when traffickers engage in suspicious activity which would ordinarily be identified as money laundering or fraud. For example, a retail bank might identify MSHT indicators including bank accounts which present no lifestyle expenses while wages are promptly withdrawn in cash. A money service business might identify high risk countries from which large numbers of migrants are known to be trafficked and focus more closely on transactions involving these countries. Often it is the patterns which help to identify MSHT rather than individual pieces of evidence themselves. An individual arriving at a bank with a rude and aggressive translator does not necessarily indicate a victim of trafficking, but it could be the first indicator that staff should monitor subsequent transactions more closely.

Communications, Training and Awareness



The UK's Money Laundering Regulations 2017 stipulate that anyone working in the regulated sector, should be made aware by their employers of the law relating to money laundering and terrorist financing and regularly given training in how to recognise and deal with transactions and other activities or situations which may be related to money laundering or terrorist financing.

One of the key findings from our polling of the financial sector was that 71% of professionals have never participated in any form of training with their current employer regarding modern slavery and human trafficking. This indicates that if people are undertaking training on money laundering as required by law, the links are not being made to MSHT. It would be relatively straightforward to incorporate MSHT guidance into mandatory training programmes. As a financial crime, MSHT should form a key module that is required within a firm's training needs analysis (TNA) and strategy. This way the connection with other examples of financial crime such as fraud or money laundering can be clearly established and integrated into a firm's internal audit scope and testing schedule.

Key MSHT typologies and red flags are known and available across various sources, including the private and public sector, with several offering MSHT training. To cater for a variety of different needs, a number of initiatives provide training courses for financial services firms on how to improve the identification of MSHT activities in their organisations.

Operation Fort, the UK's largest ever modern slavery investigation which identified nearly 400 victims who had been trafficked from Poland, presents a useful case study into the nexus between modern slavery and money laundering. The investigation also illustrates the significant information some financial institutions have at their disposal to identify instances of MSHT and equally how these are currently being missed.

According to the police investigation into this trafficking ring, the victims were placed into different employment, usually through employment agencies, in low-skilled work in various industries, and wages were paid into bank accounts, ostensibly set up by the victims, but in reality in the control of the traffickers. The gang would withdraw the victims' wages from their employment in cash from ATMs every Friday, giving the victims as little as £20 for a weeks' work. The investigation identified 275 bank accounts from seven high street banks, with thousands of transactions.

There were several features of these bank accounts that were indications of the customers being victims of trafficking and which together presented obvious warning signs. Often, the accounts were opened with an interpreter present. Often this interpreter was rude and aggressive to bank staff as he wanted to speed the transaction up. When opened, there would be very few typical lifestyle payments on the bank account. Instead wages and benefits payments would be paid in and cash taken out. Multiple bank accounts were registered at the same addresses while different people's wages were sometimes paid into the victim's bank account. One victim had five bank accounts in his name, four of which he was unaware of.

Another indicator was a lot of withdrawals from the victims were made very closely together. The gang's leader would withdraw cash at an ATM with a handful of their bank cards. There was also evidence to suggest that some of the bank accounts were sold on to other crime groups as a commodity in their own right, to be used as 'mule' accounts for fraud offences.

Despite these red flags the majority of Suspicious Activity Reports were only sent to law enforcement after the investigation had begun and the police began to make requests of the banks used by the traffickers. In one case a SAR was raised in relation to a defendant (who also had victims' money moving through his bank account) when the convictions were publicised in the press.

"During the investigation of Operation Fort what struck me, at the time was the amount of information held by the police agencies and financial institutions including banks that could help understand the picture of modern slavery. It strikes me that the use of bank data, as well as police and other data, would be a very powerful thing." Superintendent Nick Dale, Chief investigator Operation Fort

Source:

Case study supplied by Superintendent Nick Dale, Chief Investigator for Operation Fort.

Engaging with Law Enforcement

When instances of MSHT are suspected the next phase is to notify law enforcement via the raising of Suspicious Activity Reports (SAR). Financial institutions have a vital role in this process as the coercive nature of MSHT makes it difficult for witnesses to come forward and often the financial data will be the best available evidence for breaking up a trafficking organisation.

As noted above, it is the pattern of data which typically identifies modern slavery hence the importance of financial institutions raising their concerns where identified. It is important to note that a typical trafficking organization will leave a variety of data points across financial services for instance by using onshore and offshore banks, trust and service agents to set up special purpose vehicles, or money services businesses to transfer sums abroad. This underlines the importance of the financial sector taking a unified approach to tackling modern slavery given the intermittent datasets and the difficulties faced by law enforcement in prosecuting the crime.

Suspicious Activity Reports (SARs)



*We as an institution [HSBC] would always err on the side of reporting rather than not, that brings challenges as well as benefits.*¹¹

- Colin Bell, Group Chief Compliance Officer, HSBC



It was clear to us that we were not social workers. We could not provide victim services. We were not legislators. We could not pass laws. We were not the police. We could not arrest the bad guys. But, we worked at a bank and that's where all the money was. And we thought that if we could find the money that the trafficking rings were moving and keeping on deposit, that we could help law enforcement take that money away from them. And we could disrupt the networks and we could hurt the networks and that's how we could fight back. Because human trafficking is all about the money.

- Barry Koch, a former JP Morgan Managing Director and Associate General Counsel



MSHT prosecution rates worldwide are alarmingly low. This is largely due to an over-reliance on victim co-operation and testimony and insufficient evidence around coercion. In addition, the quality of SARs is unpredictable and defensive SAR reporting is usually the norm.

The National Crime Agency (NCA) receives over 400,000 SARs every year, 80% from banks. The Economic Crime Command then has the task of identifying criminals' money flowing through the financial system and 90% of banks SARs are entirely innocent.

What are SARS and why are they relevant to MSHT?

Financial institutions have procedures in place to report an 'internal suspicious activity'. The labelling of such will differ from organisation to organisation. For example it may be referred to as an internal SAR. The regulatory requirement to report suspicions applies to anything that may arise in the course of business that will relate to money laundering and terrorist financing. To this end, MSHT is covered by a regulatory requirement to report internally and to the NCA, upon consideration internally by the MLRO or the Nominated Officer. Faced with prospects of large fines, banks have increasingly operated on the side of caution flagging anything suspicious.



Under-researched SARs are problematic, because for effective enforcement action to have validity, requires enough information for enforcement agents to see there is a case to answer, so that they can begin the process of investigation and amassing evidence. A plan is being developed to encourage the filing of 'Super SARs'; a mechanism enabled by the Criminal Finances Act 2017 which allows sharing of information between regulated entities in relation to suspected money laundering. This is vitally important for MSHT as to build a case will take many different types of information. However, this joint pooling of suspicious activity should not just be reserved for the filing of SARs, it can also be exercised before this. An example of good practice is highlighted by the Dutch banks ABN Amro, ING and Rabobank which have¹² stated that they intend to launch an agency to monitor all their transactions to help identify suspicious activity.

To ensure that all relevant information is captured and to facilitate any subsequent review or investigation the appropriate internal process must be followed in order to trigger the external process of reporting a SAR to law enforcement.

In the UK, the regulatory requirement to file a SAR applies to anything that may arise in the course of business that will relate to money laundering and terrorist financing and it is an offence to fail to disclose when one knows or suspects money laundering.

It is also an offence to fail to report if you might have reasonable grounds to suspect money laundering. This offence penalises those who “should have known” that activity was unusual or suspicious. Given the money laundering risks inherent in MSHT as well as the requirements under the Modern Slavery Act it is vital that MSHT concerns are included in this reporting.

Intelligence Sharing



Intelligence sharing between law enforcement and financial institutions is improving and having a positive impact in the fight against MSHT since the 2015, when the Slavery Act was introduced. But the question of whether legislative change is necessary to enable greater sharing of information is still frequently raised. In the UK the Joint Money Laundering Intelligence Task Force (JMLIT) which was set up as a pilot in 2015, and now is a full operating model.

Peter Barnes, Head of Financial Crime Investigations at Standard Chartered Bank, and Chair of the of JMLIT MSHT working group, describes it as ‘a public private partnership between UK law enforcement headed by the National Crime Agency. There is an operational model where we actively support law enforcement on ongoing investigations, but there's also a strategic part which is learning the lessons of the cases similar to those like Operation Fort and seeing how we start to apply those lessons.’

Recommendations and Guidance

While criminals will always seek to benefit from their proceeds of crime, financial institutions have the means to make this harder for the groups engaged in MSHT by tailoring their financial crime reporting protocols to detect and ultimately disrupt the practice by cutting off access to the financial networks for the perpetrators of MSHT. Not only does this have the benefit of helping institutions avoid the large fines being issued to businesses which allow MSHT to continue unchecked throughout their systems, but given the difficulties in law enforcement there is the practical effect of helping to tackle modern slavery and tip the balance of this currently low risk high reward crime out of the criminals’ favour.

Based on our findings throughout this report we recommend that financial institutions implement the following protocols to lessen their risk of exposure to modern slavery and human trafficking.

Recommendations

- Departments working on financial crime should ensure that MSHT considerations are built in as an integral part of any anti-money laundering and terrorism financing control framework
- MSHT should be brought into the scope of financial or economic crime agendas for policy formation.
- MSHT should be an integral part of mandatory company training and in addition it should feature on AML/CFT and Bribery and Corruption mandatory training that should highlight MSHT risks.
- There should be a companywide MSHT risk assessment focusing on financial crime risk, and then be brought into the internal audit testing plan.
- All financial institutions should conduct ongoing monitoring of their customers, suppliers and staff on a risk based approach. Best practice would be where customers, suppliers and staff are all screened against MSHT typologies on a regular and automated basis.
- There should be wider collaboration with JMLIT, and other public- private partnerships (law enforcement and banks) on trends/redflags and interpreting data.

Guidance

- Traffik Analysis Hub is joint initiative between 'Stop the Traffik' and IBM which provides a global data hub to facilitate the sharing of information about human trafficking across all industries and sectors. <https://www.traffikanalysis.org/>
- The Banks Alliance Against Trafficking group raises the profile of the role that financial institutions play in the fight against MSHT. It facilitates discussions and relationships between financial institutions who are new to the issue of managing MSHT and law enforcement agencies to help understand their responsibilities. <http://www.trust.org/banks-alliance/>
- Organization for Security and Co-operation in Europe - Compendium of Resources and Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings. The Compendium reviews and amalgamates 23 key publications related to financial investigations and MSHT. There is also a step-by-step guide that can be used to assist in the formation of an investigatory framework specifically targeted at breaking up criminal enterprises engaged in MSHT. <https://www.osce.org/secretariat/438323>
- Additional information on Suspicious Activity Reports (SARs) can be found on the National Crime Agency website: <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/suspicious-activity-reports>
- BAE Systems has recently completed a pilot of their new approach to identifying modern slavery in financial systems. <https://baesystemsai.podbean.com/e/fincrime-testing-service/>
- United Nations Office on Drugs and Crime provides a comprehensive list of MSHT indicators (unodc.org)
- Home Office provides A typology of modern slavery offences in the UK - GOV.UK (www.gov.uk)
- Unseen UK – Spot the signs of modern slavery Spot the Signs of Modern Slavery and Exploitation | Unseen (unseenuk.org)
- The RedFlag Accelerator provides a unique repository of enhanced and decoded MSHT indicators <https://redflagaccelerator.com/>
- Themis provides both audit services to help companies review their MSHT and financial crime systems and controls, as well as specific and tailored training programmes to help firms spot potential exposure to Modern Slavery and Human Trafficking. www.crime.financial

RedCompass RedFlag Accelerator

Just because you cannot see it, does not mean it is not there

The Power of Technology

Many industry experts are aware of the huge amount of money used to buy and sell people flowing in their systems, accounts and ecosystem. But with the evidence hidden in terabytes of data, isolated in different systems, just planning to surface it would cost an enormous amount of money and time. This is where the technology can help.

The RedFlag Accelerator provides a unique repository of enhanced and decoded MSHT indicators that condense the findings and guidelines of the latest reports from relevant authorities and global institutions, such as the Thomson Reuters Foundation, the Banks Alliance Against Trafficking, UN, FATF, OSCE, FAST, academia, governments, FIUs, NGOs etc. The RedFlag Accelerator MSHT Typologies, coupled with RedCompass' expertise in data science, helps financial institutions (FIs) to accelerate the search for MSHT traces in their organisations that can be adapted to the relevant business and national context.

The RedFlag Accelerator is available to banks and other financial services firms who have signed up via the RedFlag Accelerator website: www.redflagaccelerator.com

Indicators ready to use

The most recent version of the RedFlag Accelerator MSHT Typologies compendium contains 184 unique red flags that are specifically tailored and adapted for banks and other financial services firms to reveal MSHT patterns in their data. To ease the navigation, all indicators are classified by the underlying activity type and actor, as well as by the origin and type of data. Each indicator is further broken down into data fields and enriched with aggravating factors, attributes and criteria.

To enable financial services professionals to apply relevant MSHT red flags and improve the detection in the most efficient way for their organisation, the RedFlag Accelerator provides the implementation guidance, recommendations and training.

Flags reveal patterns. Patterns reveal stories.

In addition to indicators, the RedFlag Accelerator provides 20 key MSHT scenarios that FIs can adapt to their business models and geographies. Each scenario is a combination of the red flags revealing specific patterns in data, that together strongly increases the likelihood of uncovering MSHT activities. All scenarios are classified following the common MSHT typologies such as sexual or labour exploitation, trafficking networks and others.

MSHT proceeds can take various forms and individual cases may often involve a combination of different types of trafficking and exploitation. This means that the associated profits can be laundered in different ways. The RedFlag Accelerator scenarios can help identify the victim's financial patterns, which, in turn, can lead to the perpetrators and, eventually, to wider criminal networks.

In practice

The range of activities covered in the RedFlag Accelerator is extensive, including customer expenditure, money flows in and out of accounts, suspicious behaviours observed in bank branches and many more. The RedFlag Accelerator can be used across different business lines, including retail, commercial and corporate banking, with end users ranging from compliance, financial investigations, and data teams to front office staff.

The RedFlag Accelerator Sample file is available to any party who registers their interest via the RedFlag Accelerator website. The sample features two MSHT typologies: labour exploitation ('Operation Fort' case scenario) and sex trafficking network ('Epstein' case scenario).



6. INVEST & ENGAGE

“ We are trying to change the conversation from a blame game to engaging people by saying, there are 40.3 million people in slavery worldwide. The assumption we have is that there is forced labour in your supply chain somewhere, and it's up to you to disprove that presumption.

- Matt Crossman, Rathbones”

Do you have any indirect links to MSHT through your lending or investment portfolios?

Is your organisation prepared to withhold funds if suspected links are detected?

How are modern slavery risks factored into ESG decisions and due-diligence processes?

Billions of dollars are lent or invested in companies across the world every day enabling those companies to operate. The primary responsibility of the investors is to maximise returns on their investments. How often are these investment decisions swayed by modern slavery or human rights considerations? Until recently socially responsible investment has been seen as a niche market, but increasingly, investors and lenders are recognising the value in companies that manage all long-term risks, whether financial, technical or ESG, across their entire business. A company that can map and manage its risk is likely to be successful in the long term.

Investors and lenders, through the financing and credibility they can give to companies, have significant leverage they can use to help tackle modern slavery. This at least is the view of the UN's Guiding Principles on Business and Human Rights, which states, “Financial institutions that lend to, invest in or are otherwise linked to businesses whose supply chains are exposed to modern slavery and human trafficking have both due diligence obligations and obligations to use their leverage over their business partners to address these concerns.”

‘I have reached the conclusion that the true reason that Boohoo did not become more involved in monitoring conditions in Leicester was that it saw it as being a lower priority than matters which directly affected the company.’

- Alison Levitt, QC

In July 2020 fast-fashion brand Boohoo was found to have used suppliers in Leicester in the UK who housed their staff in unsafe working conditions and paid them very low wages. Following the revelations Boohoo’s share price initially dropped by half, but three months on, and the company announced that profits had risen 51% in the first half of the year.

In response to the allegations of Modern Slavery in its supply chain Boohoo commissioned Alison Levitt QC to conduct an independent inquiry. Her report, published in September 2020, found that although the company had not broken the law, it had failed to respond to repeated concerns raised over several years.

It is clear that the company’s major investors had severely underestimated the modern slavery risks inherent in the company’s business model. Notably Aberdeen Standard Investments, one of Boohoo’s largest investors, had included Boohoo in its sustainable funds since 2014, despite misgivings over poor labour practices in the Leicester garment business being voiced repeatedly by the Parliamentary Environmental Audit Committee from as early as 2017.

A number of other sustainable funds held Boohoo shares, including funds offered by Legal and General Investment Management, Man Group, JPMorgan, Premier Miton and DWS. The modern slavery statements of both Jupiter Asset Management and Premier Miton, also among Boohoo’s largest shareholders, only focused on their own direct supply chain with no mention of due diligence of the companies in which they invested. As a result, they deemed themselves of having a low risk of exposure to MSHT. Boohoo had also received good scores from Environmental Social and Government (ESG) ratings providers such as MSCI. This highlights the limitations of current ESG data sources and the need for greater scrutiny, which is also being driven by calls for mandatory human rights due diligence across Europe.

The discovery of poor working practices within the supply chain may have had a temporary material impact on Boohoo's share price but results have shown that it is unlikely to have a long-lasting material impact on the company or the wider apparel sector. Consumers of brands like Boohoo are driven by cost, meaning that ethical considerations are not likely to influence their purchasing decisions. Boohoo is by no means the only company promoting profit above all else and while consumers will not hold the companies to account it is more important than ever that investors and lenders use their influence to push for higher standards. Where consumers are not exerting adequate pressure on companies, investors, lenders and government need to take a stand against abusive practices that ultimately indicate poor governance practices.



Sources:

Interim Report on the Sustainability of the Fashion Industry, Environmental Audit Committee, House of Commons, 31 January 2019

<https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1148/114806.htm>

Citywire.co.uk 6th July 2020 <https://citywire.co.uk/funds-insider/news/ethical-funds-review-boohoo-stakes-amid-slavery-claims/a1376885>

Ft.com 10th July 2020 <https://www.ft.com/content/b6173433-853f-4b86-a50d-5f4933bc90c2>

Investment Week, 30th July 2020 <https://www.investmentweek.co.uk/feature/4018408/boohoo-fallout-poor-sustainability-haunt-investors>

The Guardian, 25th September 2020 <https://www.theguardian.com/business/2020/sep/25/boohoo-report-reveals-factory-fire-risk-among-supply-chain-failings>

BBC News 30th September 2020 <https://www.bbc.co.uk/news/business-54352818>

“

ESG factors are increasingly being priced in, and investors can't ignore information they are getting just because it doesn't fit the historic narrative of how financial markets should work. They need to look beyond the balance sheet to come up with a full assessment value and risk.

- Victoria Sant, Investor Forum

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“

Supply chains or companies that are built on forced labour are ultimately built on unsustainable earnings, and there needs to be some kind of switch there.

- Katharine Bryant, Walk Free

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Direct vs Indirect Impacts

For investors and lenders, the greatest area of impact on MSHT is likely to lie not in their direct supply chain, such as their contract cleaning staff, or caterers, although this should also be monitored, but rather in the companies they invest in, as illustrated by the case study of Boohoo.

It would be unfair to suggest that Aberdeen Standard Investments, Jupiter and Premier Miton, highlighted in the Boohoo case study, are outliers in regard to their modern slavery statements. Our research into other UK leading institutional investors shows that even those which have worked closely with anti-slavery charities focus far more on their often lower-risk supply chains than their wider investment portfolio and business activities. Notably, the UK's largest institutional investor, Legal & General, has a lengthy Modern Slavery statement signed off by the company's CEO, but has yet to begin conducting due diligence on its investments for modern slavery.¹³

Although an estimated 795 financial organisations now publish a modern slavery statement, only between 30 and 40% of these meet all minimum requirements set out in the Modern Slavery Act.¹⁴ Many financial institutions that do publish a modern slavery statement, focus only on the direct impacts of their business such as cleaning or catering staff, or construction of office buildings, without acknowledging the far larger impact their business has through its investment, lending and client relationships. For example, assets under management (AUM) at the world's 500 largest asset managers exceeded \$100trn (£76.8trn) for the first-time last year.

In several funds' modern slavery statements, we also identified variations of similar wording that as, "the company does not provide goods or services in the normal course of business" it was not required to make a statement under the Modern Slavery Act. Many businesses were using exactly the same statement suggesting a cut and paste approach to their modern slavery responsibilities. Funds with this approach have included Janus Henderson's City of London Investment Trust,¹⁵ Montanaro,¹⁶ and Allianz Global Investors' The Merchants Trust¹⁷ and the Brunner Investment Trust.¹⁸

While government guidelines on completing a Modern Slavery statement have until now been interpreted as focusing primarily on supply chains, it is clear that many companies have taken the logical next step and applied these criteria to their investments as well. Schrodgers' most recent statement confirms that: "Modern slavery and companies' management of their workers and suppliers more broadly are becoming increasingly important to our analysis of the companies in which we invest in."¹⁹ Similarly, Baillie Gifford states: "We consider it our responsibility to take all reasonable steps to ensure that any Baillie Gifford employee or individuals working within any of our Supply Chains (Suppliers) and Operations (Investee Entities) are not being exploited."²⁰

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues in investment practice. The collective AUM represented by PRI signatories increased by 20% last year from US\$86.3 trillion to US\$103.4 trillion as of March 2020, representing 3,038 signatories.

- UNPRI

Company reporting on ESG risk is an important first point of reference for investors looking to understand the potential impacts of their investments. Investors and lenders are in a strong position to demand greater reporting and drive up standards. By asking the right questions and demanding quality reporting investors and lenders can dramatically increase both the quality and quantity of data on modern slavery risks.

Issuers' ESG performance on subjects such as resource use, human rights, health and safety, corruption and transparency is increasingly used to draw conclusions about the quality of their management, identify exposure to business risks and assess their ability to leverage business opportunities.

**- London Stock Exchange Group,
Your Guide to ESG Reporting 2018**

Although the increased focus on Environmental, Social and Governance (ESG) when looking at investment portfolios indicates that modern slavery is a very real risk to financial services companies' investments, the obligations for companies to report on their efforts to manage modern slavery risks are relatively new and the quality of reporting is uneven and often insufficient for an investor to analyse a company's modern slavery risk.

Organisations in Australia and the UK are now establishing central repositories to store and collate modern slavery statements making comparative analysis on compliance much easier. Benchmarks and company analysis provided by organisations such as the Business & Human Rights Resource Centre, The Corporate Human Rights Benchmark and KnowTheChain can also help investors determine to what extent companies are addressing modern slavery risks.

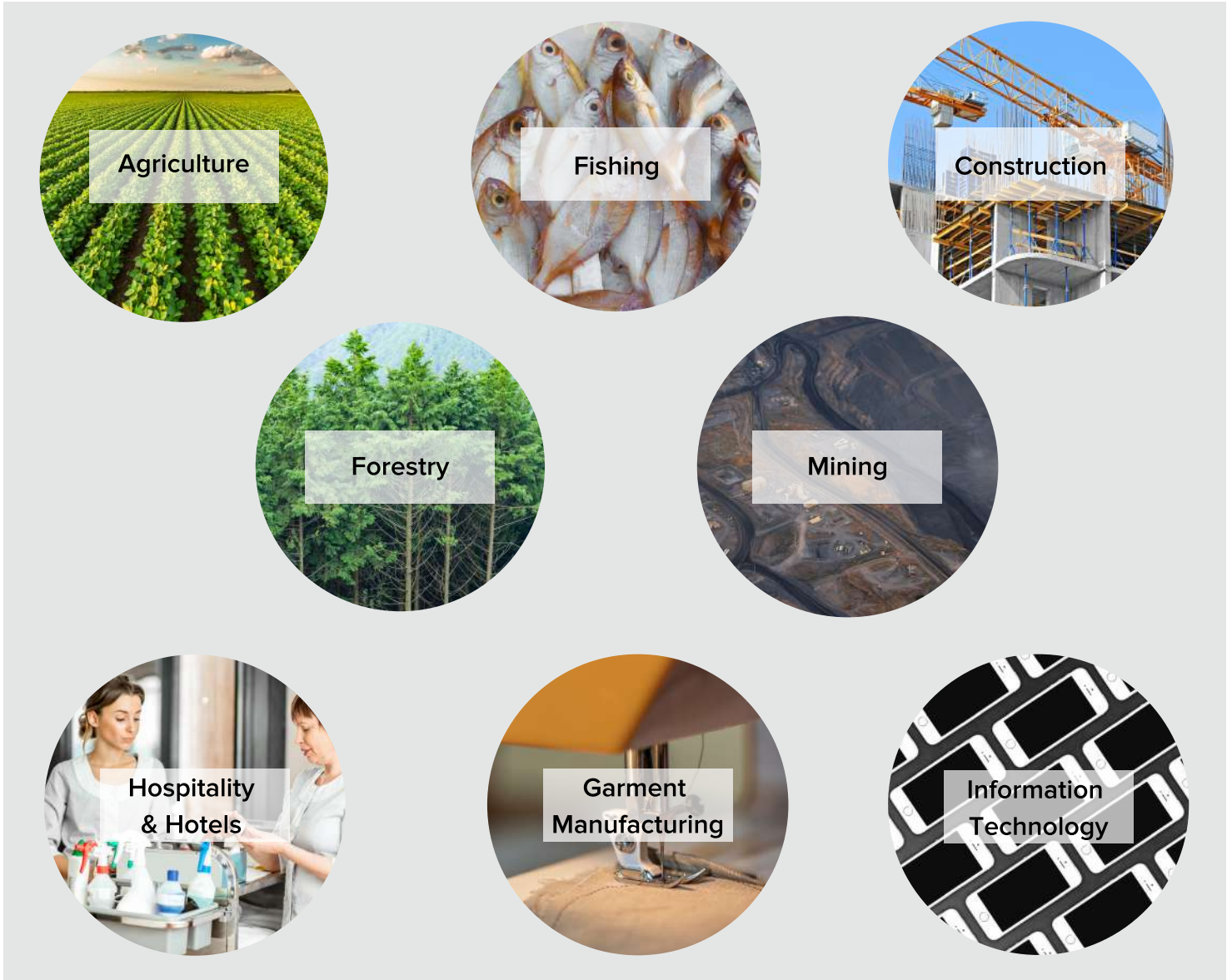
The UN Guiding Principles on Business and Human Rights state that all corporations have a responsibility to carry out human rights due diligence but research by the Corporate Human Rights Benchmark and by Backtrack suggests that very few companies are living up to this responsibility. Recognizing that a voluntary approach is not proving effective, calls for mandatory human rights due diligence are gaining momentum.

In April 2020 a group of 105 investors, representing US \$5 trillion in assets and under the umbrella of the Investor Alliance for Human Rights called on governments to develop, implement and enforce mandatory human rights and due diligence requirements for companies operating within their jurisdictions.

The Investor Alliance maintains that companies have always undertaken investigative processes to identify financial risks associated with business transactions, and that human rights due diligence is a continuation of that risk management processes that takes the lens of risk to people, 'recognizing that where there are the most severe risks to human rights, there are material risks to business, including reputational harm, financial loss, and legal liabilities' ²¹

High Risk Sectors and Regions

An essential part of due diligence is understanding where modern slavery risks are highest within a companies' client base, staff and supply chains. Potential risks can be divided into jurisdictional and sector specific risks. For instance, a commercial bank might need to review the types of businesses it lends to and assess them for their MSHT risk, or a fund manager may need to look at their investment portfolio based on the risk profiles of the companies involved. Examples of potentially high-risk sectors include:



Although MHST can and does occur all over the world, certain regions may present more favourable conditions for exploitation than others. When carrying out due diligence the following indicators should also be considered.

- Corruption and rule of law - are criminals able to act with impunity in the region/ country?
- Civil war or conflict - is conflict making people more vulnerable to exploitation?
- Poverty - are people vulnerable to exploitation through lack of livelihood alternatives?
- Migration and refugee status - are people fleeing this country and therefore vulnerable to exploitation by traffickers?

Understanding and Maximising Leverage

Through their business relationships, investors and lenders, have significant leverage that they can use, to prevent or modern slavery. Where leverage is limited, investors and lenders can play a role in raising awareness of modern slavery and the risks of failing to take action, including the prospect of divestment. The FAST Initiative has identified six forms of leverage set out in the box below.

BILATERAL LEVERAGE	COLLABORATIVE LEVERAGE	SYSTEMS-LEVEL LEVERAGE
<ul style="list-style-type: none">• traditional commercial leverage: contract audits, bidding criteria, loan conditions, commercial incentives, questionnaires and financial incentives• broader business leverage: such as capacity-building, awareness-raising and bilateral advocacy	<ul style="list-style-type: none">• working with business partners: E.g. creating shared industry supplier requirements• working with non-commercial partners: E.g. involving government, international organizations, trade unions or civil society	<ul style="list-style-type: none">• multi-stakeholder cooperation to create 'ecosystem' change,• platform leverage embedding anti-slavery in the business operating systems on which other market actors rely (such as payment systems, or industry-wide codes or contracting templates)

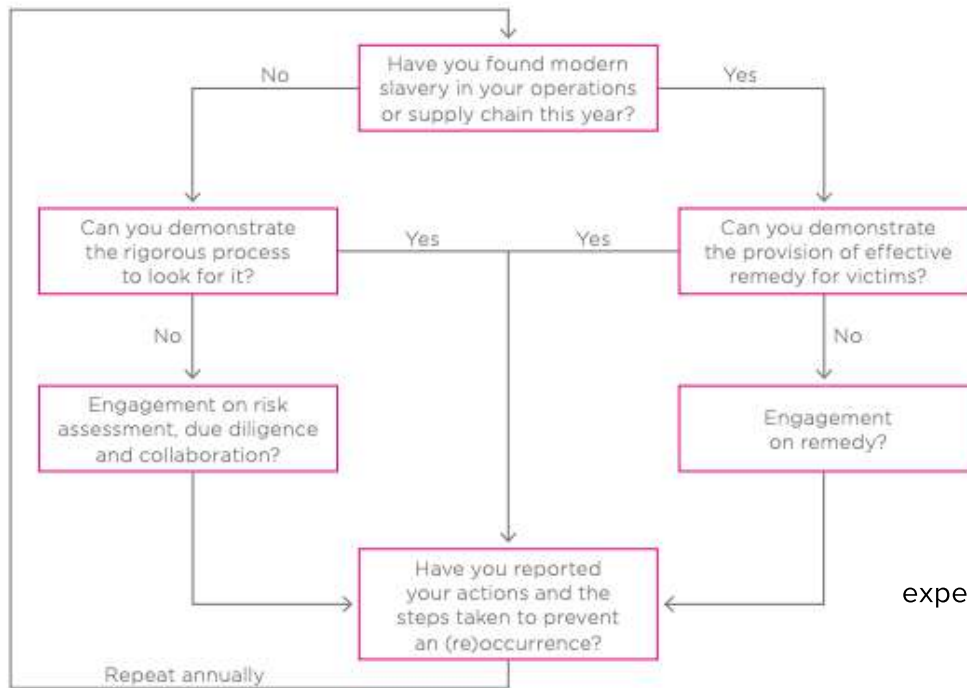
Active Engagement

Whereas twenty years ago ethical investors adopted policies of excluding industries considered to be unethical including gambling, tobacco, pornography and arms, today investors are taking a much more proactive approach of engaging directly with companies, and forming coalitions to highlight particular ESG issues. This has been most visible in the fight against climate change with the establishment of the Transition Pathway Initiative (TPI), a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.

Although MSHT has not yet galvanised a movement on this scale, initiatives are being established. In 2014, a group of 21 investors coordinated by Rathbone Greenbank Investments, with a combined total of £940 billion in assets under management co-signed a statement in support of the inclusion of a 'Transparency in Supply Chains' which was eventually included in the UK Modern Slavery Act.

In the UK, the CCLA, the UK's largest charity and public sector fund manager, is convening the 'Find It, Fix It, Prevent It' programme that aims to mobilise the UK investment community to work against modern slavery.

The CCLA 'Find it, Fix it, Prevent it' framework



Source: Engagement expectations, Find It, Fix It, Prevent It, CCLA

Expectations can be set out from the beginning of any business relationship and incorporated into contractual clauses. The CCLA's 'Find it, Fix It, Prevent It' initiative provides a comprehensive engagement plan for investors to follow that is centred around the following four questions:

- Have you found modern slavery in your operations or supply chain?
- If not, can you demonstrate that you have rigorous processes in place to look for it?
- If so, can you demonstrate the steps you have taken to improve the lives of victims?
- Have you effectively reported your actions and the steps taken to prevent a re-occurrence?

The answer to these questions sets the direction for further activity. Further questions are then detailed under the respective headings to understand how companies are making sure they are 'finding' modern slavery, 'fixing it' and 'preventing it'. The same protocols can be applied by pension funds to their asset managers for instance with the questions tailored to their investment approach.

Sample questions may include:

- What proportion of the investment portfolio is invested in industries that are at high risk for forced labour?
- What is your approach to engaging with companies on the issue of forced labour?
- Do you monitor companies' compliance with current legislation on forced labour?
- Do you engage with policy makers on the issue of forced labour?



All of us can play a role, go out and find out where your money is going.

- Marte Borhaug, Aviva Investors



Identifying geographical risk - Investing in Xinjiang Province

During the course of 2020 the systematic persecution and human rights abuses by the Chinese government of the Uyghur people of Xinjiang province hit the headlines of western media outlets, although these abuses had been taking place for much longer.

In February 2020, the Australian Strategic Policy Institute (ASPI) published “Uyghurs for sale” its investigation into Chinese firms benefiting from the forced labour of Uyghurs. As part of their “re-education,” Uyghurs were dispersed to factories across China where they made components which were later sold to leading firms such as Apple, Nike and Volkswagen. These Chinese companies include O-Film Technology Co. Ltd., a company which makes the camera component for iPhones and which according to ASPI employed over 1,000 Uyghur captive workers.

A number of Chinese firms were benefiting from Western investment by fund managers including Blackrock, Schroders and the Vanguard Group. Research of the Shenzhen Stock Exchange shows that among the institutional shareholders invested in O-Film are Schroders, through their joint venture partnership with China’s Bank of Communications; HSBC through its partnership with JinTrust Fund Management Co. Ltd.; and the Vanguard Group and BlackRock’s Institutional Trust Company fund.

Further analysis of ASPI’s findings identified additional firms benefiting from forced labour receiving similar investment. These include BOE Technology Group Co. Ltd. a manufacturer of electronic screens which was identified as a leading customer of factories using forced labour. BOE Technology’s investors include the Vanguard Group, Inc. and BlackRock Institutional Trust Company as well as JPMorgan and Invesco.

The exposure of these institutions is linked to their index-linked investment products which offer exposure to the Chinese market by tracking stock markets through a selection of their listed companies. O-Film features in the CSI 300 index, which tracks the 300 top companies from the Shenzhen and Shanghai stock exchanges. Clearly the tracking systems in place are designed only to track financial performance and do not take into consideration any other factors such as exposure to MSHT risk.

Many of the fund managers identified have supposedly comprehensive ESG and Modern Slavery policies. Blackrock for instance stated that, “We consider that given the nature of the services that we offer that the risk of involvement in modern slavery and human trafficking is low.”

CASE STUDY

Identifying geographical risk - Investing in Xinjiang Province

In July 2020 the U.S. State Department cautioned businesses and investors about the reputational, legal, and economic risks of business links to entities that engage in human rights abuses in the Uyghur Region. The Investor Alliance for Human Rights, whose membership includes over 170 financial institutions, issued practical guidance for investors on how to identify, prevent and mitigate risks associated with businesses operating in Xinjiang. The guidance is divided into three sections: Human Rights Due Diligence, Assessing Exposure and Engaging with Portfolio Companies, and The Power of Collective Action.



Sources:

Australian Strategic Policy Institute <https://www.aspi.org.au/report/uyghurs-sale>

The Guardian 31st August 2020

Investor Alliance for Human Rights www.investorsforhumanrights.org

Black Rock Modern Slavery Statement

<https://www.blackrock.com/uk/individual/literature/policies/modern-slavery-statement.pdf>

Ongoing Engagement

One of the most influential aspects of both an investor's and a lender's role is in its engagement with individual companies. When potential or actual risks of MSHT have been identified in the operations of an investee or client, the investor has the opportunity to engage on the issue to encourage change.

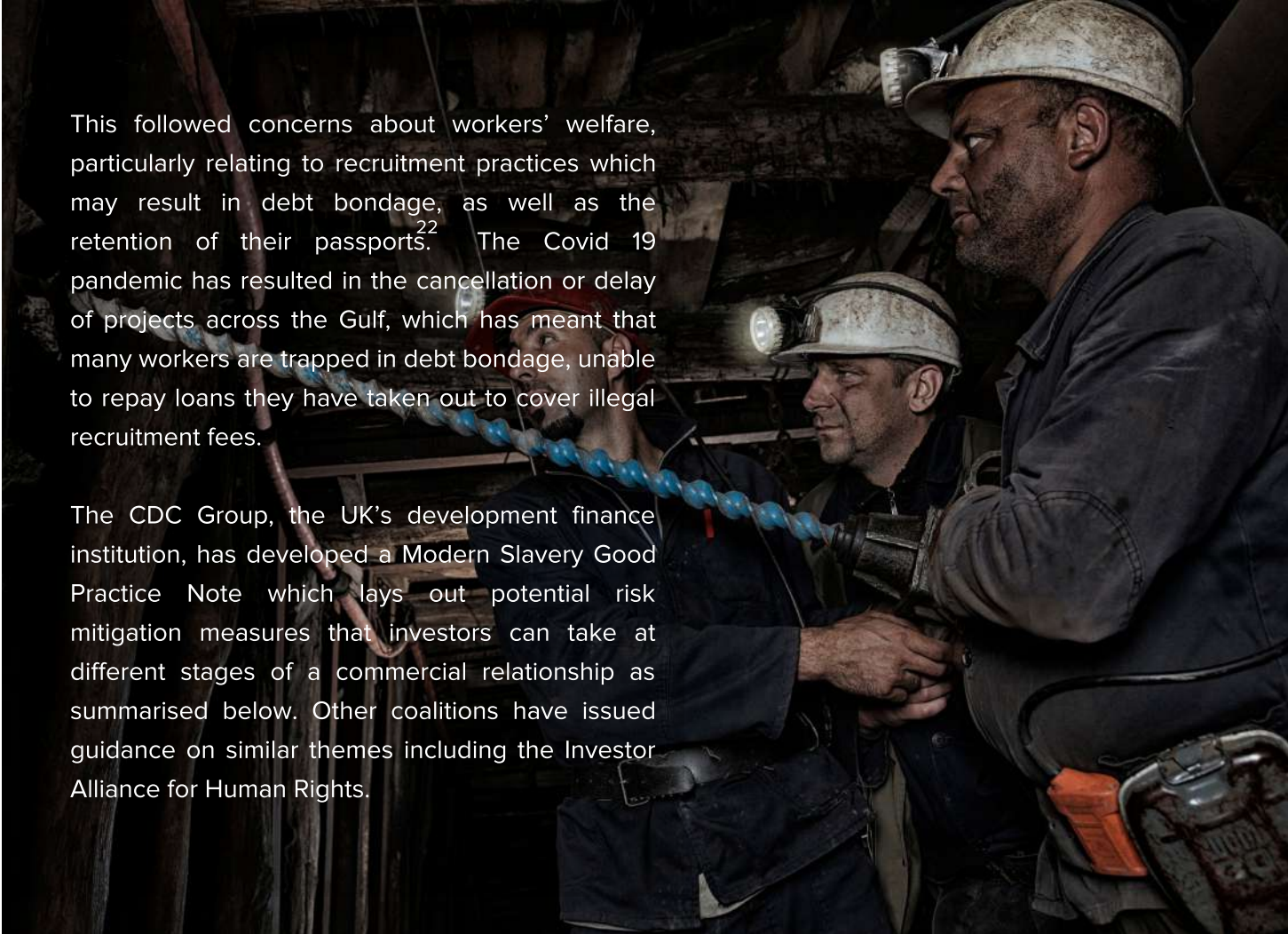
This engagement may take the form of one investor asking pertinent questions of one company, or it may take the form of a coalition of investors addressing the issue on a broader scale, for example, in August 2020, a group of institutional investors with over \$3 trillion of assets under management, led by CCLA wrote to 54 companies, including leading multinational brands with business operations in the Arabian Gulf States, to request details about their approach to safeguarding migrant workers.

“

I truly believe in the value of engagement. I think we should do it more. It is resource intensive to engage well, but if more investors did it well, I think we would have a lot more impact.

- Marte Borhaug, Aviva Investors

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This followed concerns about workers' welfare, particularly relating to recruitment practices which may result in debt bondage, as well as the retention of their passports.²² The Covid 19 pandemic has resulted in the cancellation or delay of projects across the Gulf, which has meant that many workers are trapped in debt bondage, unable to repay loans they have taken out to cover illegal recruitment fees.

The CDC Group, the UK's development finance institution, has developed a Modern Slavery Good Practice Note which lays out potential risk mitigation measures that investors can take at different stages of a commercial relationship as summarised below. Other coalitions have issued guidance on similar themes including the Investor Alliance for Human Rights.

Terminating Engagement: To divest or not divest?

When a modern slavery risk is identified within a company an investor or lender faces a dilemma as to whether the investment or loan agreement should be withdrawn or engagement undertaken. By remaining engaged with the affected company, investors and lenders have the opportunity to drive up standards in the business and help end any poor business practices associated with MSHT. Instantly divesting from a company is unlikely to have a positive effect on the company's behaviour and may lead to negative consequences for the company's workforce.

“

Engagement needs to have consequences. So if you ask me, is it engagement or divestment? I say, yes! Both.

- Matt Crossman, Rathbones

”

Sometimes active engagement may not be possible or monitoring may indicate that no realistic steps have been taken to tackle the problem meaning divestment might be the last but only available option.

The very best companies don't just cut them off at the first sign of trouble. They think about how you cascade ethical standards down the supply chain, how you work with them. Because if, as soon as there is a problem, a retailer cuts them off, the people who are often hurt the most are the poorly paid, abused workers.

- Dame Sara Thornton, UK Independent Anti-Slavery Commissioner

One of the most active investment funds in addressing ESG issues is the Norwegian Pension Fund (Government Pension Fund Global). Norges Bank Investment Management managing the fund takes decisions on 'closer observations or exclusions' based on recommendations from its Council on Ethics.

For example, in 2019, the Council on Ethics recommended that the British company G4S be excluded from the pension fund on human rights grounds relating to the company's management of labour camps housing migrant workers in the UAE and Qatar.²³ The ILO had, between 2014 -2017 been pursuing a complaint against Qatar's alleged non-compliance with the Forced Labour Convention.²⁴

CDC's Modern Slavery Good Practice Note



Appraisals

Investors and lenders should identify strengths and gaps in a company's practices through open source research and, where MSHT risks are elevated, consult with specialists. Investors and lenders should ensure a consistent set of expectations are being represented to the company from co-investors and engage with company management about any deficiencies identified.



Investment Agreements and Controls

Declarations and requirements for mandatory reporting on labour and working conditions should be incorporated into any investment or loan agreements. Legal terms should include standard provisions aimed at preventing and monitoring emerging risks, even if no risks have been identified during E&S DD.



Capacity building, awareness and dialogue

Investors and lenders should consider building capacity to assess and manage risks across internal resources and/or raising awareness of risks and expected practices in a company's contractors and supply chains.



Ongoing dialogue

investors and lenders should maintain regular engagement to ensure clients uphold a focus on modern slavery commitments throughout the investment period.



Grievance mechanisms, monitoring and remediation

investors and lenders should ensure that all portfolio companies have effective accessible grievance mechanisms available to all employees and contractors and appropriate remediation systems are in place should MSHT be identified. Add remedy / grievance mechanism resources.

www.cdcgroup.com

Recommendations and Guidance

Financial institutions may be connected to several thousand companies directly through their corporate lending or investment portfolios, and those businesses in turn will be connected to exponentially more. Too often the market is rewarding firms that are reducing their costs by relying on forced labour. With each investment, investors and lenders are exposing themselves to modern slavery risks. With each investment, investors and lenders have an opportunity to stop modern slavery occurring.

Recommendations

- Lenders and investors should challenge their clients / targets and demand modern slavery assurances as a pre-condition of any investment or lending terms. Firms should define a risk tolerance map, outlining their risk appetite and developing a scenario-based set of action protocols. This should include clear examples of when to accept / withhold funds and should be signed off by the Board.
- Firms should maintain a consistent dialogue from the very beginning of an investor or lender relationship and on an ongoing basis. When modern slavery concerns are identified investors and lenders should work with the affected firm to eliminate the risk rather than immediately divest from the company
- Lenders and investors should assess their clients / targets MSHT scores on an ongoing basis and publish these results in an annual impact statement

Guidance

- [The Responsible Sourcing Tool](#) provides information and analysis of how modern slavery manifests itself within different industries and geographical areas enabling companies to understand and visualise supply chain risks.
- [Respect International](#) is another resource bank that collates research on slavery in supply chains by industry type, region and risk & governance type. The NGO has also created a directory for businesses of anti-human trafficking organisations working across the world.
- Equator Principles Guidance note on Human Rights Assessments <https://equator-principles.com/documents-resources/>
- CCLA - Find it, Fix it, Prevent it <https://www.modernslaveryccla.co.uk/>
- Financial Reporting Council (FRC) Stewardship code <https://www.frc.org.uk/investors/uk-stewardship-code>
- Share Action Good Work Promoting Good Work <https://shareaction.org/what-we-do/>
- Investor Alliance for Human Rights has published an Investor Toolkit on Human Rights <https://investorsforhumanrights.org/investor-toolkit-human-rights>
- Investors and lenders should challenge their clients / targets to complete an end to end assessment to showcase their MSHT controls. [The Themis Rating](#) is one example that can be used to apply pressure on clients / targets.

7. EMPOWER & SUPPORT



Financial insecurity leaves people vulnerable to exploitation.

- TRIBE Freedom Foundation



Does your company support financial inclusion and help victims of MSHT rebuild their lives?

Does your company raise awareness of the issue and promote staff volunteering?

Does your company partner with organizations that support victims and prevent further exploitation?

Financial Exclusion

Financial institutions must manage their business activities in order to identify, remedy and prevent the risk of exploitation of human life. They also have the ability to support survivors, identify victims and, reduce individual vulnerability to modern slavery through partnerships and philanthropic support.

Individuals become increasingly vulnerable to modern slavery when they are financially insecure and have limited access to services and knowledge about the transactions they are entering into. These situations are exacerbated under extreme circumstances such as fleeing war, destitution, illness, homelessness, addiction and other life changing events which prevent individuals from continuing alternative income generating opportunities.

The current pandemic, for example, has had wide-ranging impacts on health, homelessness and poverty. The economic slowdown across the world has increased unemployment and heightened financial insecurity, putting more vulnerable people at risk of exploitation.

Without financial independence, victims of MSHT are unable to fulfil basic daily tasks such as paying for housing, food, receiving welfare benefits or other income that is owed to them, including compensation which may have been awarded following a criminal prosecution. Yet, many survivors are barred from accessing conventional banking products or services due to insufficient identity documentation, proof of address history, language barriers and limited financial literacy.

As part of the ‘Survivor Inclusion Initiative’, the first UK survivor bank account programmes have been implemented by HSBC and Barclays. These have resulted in extremely positive customer stories and testimonials from over two hundred survivor account holders.

The initiative helps to overcome challenges raised by the banks’ Know Your Customer (KYC) standards for survivors who are often unable to produce the requested documents needed to pass these identification and verification checks. This is particularly common among survivors for whom any suitable documents may have been confiscated during exploitation or who may have had previous bank accounts hijacked by their traffickers.



HSBC UK provides support for survivors of human trafficking

HSBC UK is working in partnership with frontline charities including The Salvation Army, Kalayaan and Migrant Help, among others, to provide Basic Bank Accounts for survivors of human trafficking and modern slavery. These partnerships enable HSBC to support survivors with financial guidance and access to financial independence.

Across the UK, 77 branches are currently set up to accommodate survivors and support them to open an account. To date, 672 survivor bank accounts have been opened. This forms an important step in a survivor's recovery, and compliments the holistic support delivered by charity partners.

To overcome the challenges around the KYC standards and victim identification, HSBC works closely with partner charities, operating within the National Referral Mechanism (NRM) victim care contact, a scheme which identifies and supports victims of slavery and trafficking in the UK. Survivors are referred by the charity which supports them and a representative from charity attends the branch appointments with the survivor.

HSBC are also developing the channels to support survivors from charities who operate outside the NRM by making use of the 'No fixed Address' service. This inclusive approach to vulnerability is key to help make sure that no survivor is barred from support.

Sources:

- HSBC Modern Slavery and Human Trafficking Statement 2019: <https://www.hsbc.com/our-approach/risk-and-responsibility/modern-slavery-act>
- HSBC UK: https://www.about.hsbc.co.uk/news-and-media/hsbc-uk-provides-support-for-survivors-of-human-trafficking__
- Reuters: <https://uk.reuters.com/article/us-britain-slavery-banking-trfn/banks-globally-eye-uk-scheme-giving-accounts-to-trafficking-survivors-idUSKBN20R0J1>



“

Vulnerabilities don't exist in isolation. If you're vulnerable in one way, that doesn't mean, you're not vulnerable in another and often there's a huge degree of overlap with [potential modern slavery risks] as well,

- Kathryn Townsend, Barclays,
Head of Customer & Client
Accessibility (Vulnerability)

”



Access to financial services makes a massive difference to survivors. It gives them the independence and the opportunity to help rebuild their lives. The long-term goal is that they don't need support anymore, that they totally live independently, and that the risk of re-exploitation is so small.

- Lara Bundock, CEO, The Snowdrop Project



Financial Inclusion for Remedy and Prevention

Empowering survivors through financial inclusion is vital in remedying MSHT and in preventing re-exploitation. The importance of frontline banking branch staff who are able to provide these financial facilities has been identified across our focus groups and research as a key factor for success when supporting survivors of MSHT.

The responsibility for financial institutions to protect vulnerable customers is recognised across the industry and the guidance provided in the recent FCA consultation, 'Guidance for firms on the fair treatment of vulnerable customers' addresses some of the key areas for improvement in this area. Throughout the discussions facilitated by our research, we found that the FCA guidance echoed the recommendations of frontline staff and industry leaders.

In order for institutions to build on the existing work and help prevent modern slavery across their communities, it is important, however for organisations to recognise:

- Anyone can become a victim of trafficking and modern slavery through changes to their circumstances and so it is important to support vulnerable communities across the board.
- Not all survivors of modern slavery will present themselves in the same way, or through dedicated channels, so it is important to factor this into your approaches.

It is also possible to learn from positive examples of work already being conducted in this area which include initiatives to provide access to financial services for people without fixed addresses, and financial literacy training for survivors of domestic abuse as well as young people.

Increased access to regular and safe finance has the potential to help prevent modern slavery and human trafficking. When individuals, families and firms are able to save and move money safely and have access to affordable credit and insurance services they are better positioned to protect themselves from economic shocks.

- FAST Blueprint on Modern Slavery and Human Trafficking

Supporting Long Term Financial Health

Throughout our focus groups and wider research, the need for a long-term approach to survivor financial inclusion was highlighted by frontline practitioners. Currently, follow-up support opportunities are provided by banks and charities. However, this is delivered on an “as-needed basis” and does not provide a comprehensive structure for empowering survivors and promoting long-term financial health.

Without suitable support for survivors to manage their finances, access to financial services can, in some cases, be detrimental to survivor recovery. This is particularly true in situations when survivors receive large sums of money such as compensation. It is often the first time that they have had access to such large sums of money, and it is difficult to know what to do with it. In some instances, difficulties with managing their money has led survivors back into financial exploitation when they do not have the right people to turn to for advice.



Further follow-up sessions would be helpful for those clients who have opened a survivor bank account... to address budgeting, what to do once they find a job, what the bank can do to assist them in setting up direct debits ... this should be scheduled when it's actually relevant to them ... because at the initial point when they first set it up, it's quite overwhelming.

Sometimes survivors don't fully understand everything that the bank account can do.

- Sam Lakesmith, Migrant Help



Employee volunteering

Employee volunteering programmes provide an opportunity for financial institutions to play an impactful role in empowering UK survivors of modern slavery with long term approaches to financial health.

With 1.1 million employees in the financial services sector in the UK, leveraging a proportion of employee volunteering hours has huge potential for positive impact. Through working in partnership with frontline anti-slavery charities, employee volunteering hours could help directly empower survivors by supporting partner charities, helping to up-skill caseworkers and staff in financial literacy training for survivors or, where appropriate, working alongside survivors to provide follow-up financial education support.

Across the financial services industry, some activities are already being implemented including entrepreneurship and business mentoring, and practical volunteering opportunities. However, more work needs to be done to develop formal financial education programmes which focus on the challenges faced by survivors of modern slavery.



Employee awareness raising

The results of the project polling indicate low levels of awareness of the links between modern slavery and financial services organisations among employees. After a record 10,627 potential modern slavery victims were supported in the National Referral Mechanism in 2019, raising public awareness is one of the key areas of focus for the Independent Anti-Slavery Commissioner who detailed it as an important step in the prevention of the crime, as part of her Strategic Plan 2019-2021.

Across the UK, a number of financial institutions have already played an important role in bringing the issue of modern slavery to light, amongst the general public, as well as their customers and their employees. However, 71% financial industry employees surveyed in our recent financial industry poll had never participated in any form of training with their current employer regarding modern slavery and only 21% financial industry employees feel “moderately” to “very confident” identifying potential signs of modern slavery and human trafficking in their day-to-day work.

It is clear from our research that financial organisations across the sector should provide more training on identifying and responding to modern slavery risks, in order to help increase awareness and empower employees to help prevent modern slavery. A number of organisations are raising awareness of the issue as the examples highlighted below indicate.

Areas for development and opportunity

Examples*

Creative Technologies

Utilising technology to deliver the message, with in branch video campaigns, podcasts and social media to increase awareness of the signs of modern slavery, key risk areas, case studies, industry news and investigation outcomes.

Nationwide
Barclays
HSBC
Standard
Chartered
NatWest Group

Partnering with national charities

Working in partnership with national charities such as the Unseen Modern Slavery Helpline to increase awareness and highlight where to report suspicious activities.

Nationwide
Barclays
HSBC
The Co-operative Bank
NatWest Group

Training for branch colleagues

Staff at high street retail banks are ideally located to spot signs that customers may be being exploited. Increasing awareness through training on how to identify and respond to potential instances of MSHT is therefore a key area to engage employees in prevention.

Santander
Barclays
The Co-operative Bank
NatWest Group
HSBC

* This is not an exhaustive list.

Frontline training with retail branch networks to increase awareness on modern slavery

Extensive branch networks provide an opportunity for financial institutions to raise awareness amongst their communities and for frontline colleagues to play an important role in increasing victim identification across the UK, protecting customers who may be at risk.

As a result, Barclays provide tailored modern slavery training to all UK staff in prime roles in the retail bank who may have touch points with traffickers and their victims, focusing in particular on known UK 'hotspot areas' such as locations in Wisbech, Cambridgeshire and in Croydon.

Over the last three years, Barclays has partnered with Stop the Traffik, the Home Office and local police for a series of community awareness events, focused on educating branch staff, customers, and the local community members about the potential indicators of modern slavery and what to do if modern slavery is suspected.

Training is typically split into two parts. The first part involves colleague training by the Barclays Intelligence Development and Investigations team, representatives from the local police force and local charity partners to raise awareness on the issue and how to identify potential signs. The second part consists of branch colleagues engaging in outreach activities with customers and businesses in the local community, these are supported by charities in specific locations.

Target locations are selected based on the vulnerability of the local communities and all awareness raising activities and materials are delivered in multiple languages, appropriate to the communities at risk.

Sources:

Barclays Group Modern Slavery Statement 2020: <https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/policy-positions/Barclays-Group-Statement-on-Modern-Slavery-FY2019.pdf>

Evening Standard: <https://www.standard.co.uk/tech/stop-the-traffik-barclays-tech-to-stop-human-trafficking-a4000261.html>

Case study: National Crime Agency (NCA): “Invisible People” Exhibition

Launched in January 2018, the NCA Invisible People photography exhibition was specifically created to expose the reality of modern slavery, highlight the potential signs of exploitation and to raise awareness across the UK.

The exhibition has been hosted at city centres and key locations across the UK, with major banks, including Nationwide, Standard Chartered and Barclays also hosting the exhibition at their offices to increase awareness of modern slavery amongst employees.

Together, the campaign has had a huge media impact with 74 pieces of national news coverage, to date, and sparked a clear response from the general public with calls to local police forces more than doubling in exhibition areas. The exhibition also gave two victims of slavery the opportunity to make themselves known and come forward for help.

Sources:

- The Guardian: <https://www.theguardian.com/uk-news/gallery/2018/jan/17/the-invisible-people-modern-slavery-in-pictures>
- Kindred: <https://kindredagency.com/our-work/modern-slavery/>
- Standard Chartered Modern Slavery Statement 2019: <https://av.sc.com/corp-en/content/docs/modern-slavery-statement-2019.pdf>



Supporting Frontline Charities

The financial services industry is one of the most active and engaged in corporate community investment. A number of financial institutions have chosen to support charities and NGOs working on modern slavery because of the links to their core business. This issue is linked to all of their operational areas and therefore a logical philanthropic cause to support. As with employee volunteering programmes which leverage employee skill to empower survivors, corporate philanthropy and wider community investment programmes offer employees the means to engage directly with the cause, to increase their understanding and awareness of modern slavery and human trafficking.

Community funding and sustainability programmes can complement the implementation of modern slavery prevention strategies across the organisation and promote internal communications. Well communicated and effectively delivered corporate giving programmes can help financial industry employees to feel empowered and motivated by the cause. This is especially true when it comes to employee fundraising as it helps employees to feel directly connected to the cause which ultimately helps to increase awareness and the impact of wider prevention activities.

Employee fundraising schemes can be further enhanced via employer match giving. NatWest Group have done valuable work with the Charities Trust, investigating how match-funding incentivises charitable giving in the UK and unites funders and donors in tackling social issues. They found that more people give, and many people give more to employee fundraising campaigns when match funded.

Lloyds Bank Foundation: Funding for grassroots anti-slavery projects

The Lloyds Bank Foundation works in partnership with small and local charities, providing multi-year funding and development support. Through partnership, the Foundation helps charities to address a range of complex social issues, including trafficking and modern slavery, sexual exploitation, homelessness and a variety of other vulnerabilities, each of which contribute to an individual's modern slavery risk. To date, they have been working with 31 small charity partners, supporting people who have been trafficked or exploited. Together, they have helped to increase the ability of these charities to create a significant impact, to support survivors and help prevent modern slavery.

“A funder who gets what we do as a grassroots charity is really refreshing. It's not about education or employment from day one, it's about keeping those women surviving life – and I don't know how we'd do it without Lloyds Bank Foundation.” Suzi Heybourne, Chief Executive, The Magdalene Group

At the Magdalene Group, a Lloyds grant of £75,000 (over three years) funds a programme of specialist, holistic support to survivors of sexual exploitation. In just 12 months, 107 women have accessed support, helping to rebuild their independence and reduce the risk of re-exploitation. In addition to funding, the Lloyds Bank Foundation helps to increase the long-term impact of their charity partners through development funding and support, strengthening charities so they become more sustainable and effective. This facilitates long term systemic change.



Source: Lloyds Bank Foundation:
lloydsbankfoundation.org.uk

Recommendations

- Retail bank staff should be trained to look for wider patterns of suspicious activity as well as looking at individual accounts.
- Banks should ensure that staff are trained to identify the specific MSHT risks faced by their business and have an appropriate reporting mechanism in place when suspicious transactions are identified
- Retail banks should provide access to bank accounts and ongoing support services to survivors of modern slavery
- Where banks wish to support philanthropic causes, they should consider supporting charities that work on MSHT issues that relate to their core business.

Guidance

Financial education programmes

Without suitable follow-on support for survivors to manage their finances, access to financial services can sometimes be detrimental to survivor recovery. Financial sector employees can support financial education programmes, in partnership with frontline charities. Money management workshops can help to upskill staff and volunteers with the tools to better support their beneficiaries.

- Financial Capability, What Works Programme: https://www.fincap.org.uk/en/what_works/what-works-programme
- Refuge and The Co-operative Bank, My Money, My Life: <https://www.refuge.org.uk/get-help-now/support-for-women/financial-abuse/>
- Young Money: <https://www.young-enterprise.org.uk/teachers-hub/financial-education/>
- CAP Money Course: capmoneycourse.org
- Money Heroes: moneyheroes.org.uk

Entrepreneurship and Business Mentoring

HERA (Her Equality Rights and Autonomy) is a charity which mobilises business expertise, creativity, and resources to prevent and redress the social and financial costs of human trafficking and re-trafficking. HERA works with female survivors of trafficking and with young women vulnerable to trafficking or exploitation to pursue their aspirations and ambitions for a better life. A wide range of private sector firms and banks, including Salesforce, PWC, World First, EBRD and Sanofi have engaged with the programme, sponsoring HERA meetings and events. Speakers from law and investment firms, banks, IT, consulting, media, and manufacturing firms and universities have given their time and volunteered at HERA seminars and training sessions.

- <https://hera.international/>

Practical volunteering opportunities

Practical employee volunteering days provide a key opportunity for employees to increase their understanding and awareness of modern slavery and human trafficking, whilst also leveraging practical skills and resources to help support survivors and prevent re-exploitation. Across the UK, there are numerous charities providing safe accommodation for survivors, the majority of which run multiple houses.

The Snowdrop Project housing renovation programme relies on volunteers to help when survivors move into independent housing. They ensure that survivors are happy, safe and comfortable in their new housing. This is vitally important for survivor health and well-being as, without a stable home, survivors can struggle to feel safe, creating multiple barriers to recovery.

- <https://snowdropproject.co.uk/>


TRIBE Hike for Freedom: Fitness and Wellness programme is a structured six-month programme of fitness and outdoor activities for survivors of modern slavery and human trafficking. The goal is for survivors to improve their wellbeing, regain their independence and freedom through fitness and nature. The programme relies on a team of active volunteers to support monthly training walks and fitness activities.

- <http://tribefreedomfoundation.com/>



8. RECOMMENDED ACTIONS

CALL TO ACTION



We are calling on leaders in the industry to take a stand, lead by example and collaborate to combat this crime

CULTURE AND STRATEGY

- We are asking CEOs of all financial institutions in the UK to stand together against MSHT, by putting MSHT firmly on their Board or Senior Management agenda.
- Business leaders should set the tone across the organisation by signalling that MSHT is an important risk to be integrated into all decision making.
- Board members should be fully cognisant of the commitments they have made towards the UK Modern Slavery Act 2015 and understand the contents of the statements they sign off to comply with this.
- Wherever possible, MSHT elements should be incorporated into existing risk assessments and due diligence processes across the business. At every significant decision point or gateway, MSHT issues should be considered alongside other business critical factors.
- Leaders should encourage a culture of transparency with regards to the identification of cases of MSHT within the organisation, its supply chain and business relationships. Publicly identifying such risks demonstrates that monitoring systems are effective and encourages greater awareness of and engagement with the issue.

MONITOR AND REPORT

- Companies should map and monitor the direct risks of modern slavery in their day to day activities by performing a risk assessment of staff, suppliers, and business partners.
- Procurement departments should review recruitment processes of manpower suppliers and ensure the same is carried out across the supply lines of partner organisations.
- Companies should prioritise areas of geographical and sector risk across their supply chains for particular monitoring.
- Companies should report publicly any cases or suspected cases of MSHT identified in the supply chain, and their intended remedy.

INVEST AND ENGAGE

- Investment companies should incorporate MSHT elements into any enterprise wide Human Rights Due Diligence framework, to ensure a joined-up approach across all functions and levels of the organisation.
- Lenders and investors should engage with companies and demand proof that modern slavery is not present in their supply chains as a pre-condition of any investment or lending terms.
- Investors should define a risk tolerance map, outlining their risk appetite and developing a set of action protocols. This should include clear examples of when to withhold funds and should be signed off by the Board.
- investors and lenders should maintain regular engagement with companies and when modern slavery concerns are identified they should work with the affected business to manage the risk rather than immediately divest from the company.

DETECT AND DISRUPT

- Departments working on financial crime should ensure that MSHT considerations are built in as an integral part of any anti-money laundering and terrorism financing control (AML/CFT) framework.
- MSHT should be brought into the scope of financial or economic crime agendas for policy formation.
- MSHT should be an integral part of mandatory company training and in addition it should feature on AML/CFT and Bribery and Corruption mandatory training that should highlight MSHT risks.
- There should be a companywide MSHT risk assessment focusing on financial crime risk, and then be brought into the internal audit testing plan.

EMPOWER AND SUPPORT

- Retail bank staff should be trained to look for wider patterns of suspicious activity as well as looking at individual accounts.
- Retail banks should facilitate access to bank accounts and ongoing support services to survivors of modern slavery.
- Where banks wish to support philanthropic causes, they should consider supporting charities that work on MSHT issues that relate to their core business.

9. RESEARCH METHODOLOGY



Our research has found that levels of awareness and understanding of MSHT both in terms of its prevalence and its relevance to financial services organisations are very low across the industry. The main objectives of the project are to draw attention to this issue, highlight the linkages within the industry, and to sound a call to action for the industry as a whole.

Project Objectives

1. To increase the awareness and understanding within the financial services sector of the scale and nature of MSHT in the UK and globally
2. To increase the awareness of the direct and indirect linkage (through causation, contribution and linkage) of FIs with MSHT
3. To encourage cultural change and action at the most senior levels within the Financial Sector
4. To improve capabilities within FIs to manage and address their linkages with MSHT
5. To encourage businesses to adopt best practice in relation to MSHT
6. To contribute to advancing national legislation and national policy
7. To measure change in awareness and understanding through the establishment of a benchmark

In compiling this report the project team has undertaken desk research, polling, interviews and public consultation. The scope of the research and methods used to develop this report are described below.

Industry Scope

The financial services sector encompasses a wide range of businesses, including retail banks, private banks, corporate banks, investment banks, building societies, investment and fund managers, insurance providers, money services and exchange houses and tax and accounting services among others. The Financial Conduct Authority is the regulator for nearly 60,000 financial services companies and financial markets in the UK alone. Although each of these sectors is exposed to MSHT in a different way, this report seeks to address the issue of MSHT across the whole sector and makes recommendations for action relevant to the specific sub-sector.

Geographical Scope

This project focuses on the activities of financial services organisations based in the UK, and the UK specific legislation and guidance that applies to them. Inevitably most of these organisations have an international remit, and it is often difficult to separate UK activities from international activities. Decisions made in a UK office are likely to have far reaching impacts around the world. Nevertheless, the focus of this report and its recommendations is on organisations with headquarters based in the UK.

Polling

Two separate polls were commissioned for this project. One, conducted by Opinium, a polling service, in May 2020, surveyed 1001 financial services employees, 521 of which were in middle management positions or above. This asked key questions including:

- How aware are financial services employees about modern slavery in the UK?
- Are the existing policies and internal training or awareness-raising activities having the intended impact?
- What do financial industry employees think about the importance of modern slavery risks within their organisation?

The second survey was a more detailed industry survey conducted as part of the project outreach programme between April and December 2020. This survey was open to the general public, although it targeted financial services professionals. Over 140 participants completed this survey.

Interviews and Roundtables

Industry outreach has formed an important part of this project. Not only in gathering valuable insights and information, but also in engaging the industry in this important topic. At its inception, the project intended to host a series of roundtable discussions focusing on specific themes and sectors. The restrictions associated with the Covid 19 pandemic meant that the project team adapted the research programme to a series of virtual roundtable discussions, interviews and focus groups.

The project is a collaboration between the financial sector and law enforcement as well as specialist NGOs and charities. The team sought to engage with a range of individuals from the financial services industry, government, NGOs, and international bodies.



The outreach programme continues through into 2021 and we would love you to join in the debate to hear your views. As part of the wider engagement and outreach element of the project, all discussions are publicly available through published podcasts and webinars which can be found here <https://themisservices.co.uk/msht>. For information about upcoming events, please visit <https://themisservices.co.uk/events>.

In total the project has reached out to over 4,000 individuals and organisations through a combination of direct mailing and telephone calls, online surveys, webinars and podcasts, social media, and special interest groups.

The following outreach events took place as part of this research project, recordings/podcasts are available [here](#).

Date	Event	Format	Panellists
16/06/20	Modern Slavery and Human Trafficking - Survivor Financial Inclusion	Podcast	Kathryn Townsend, Barclays Lou Walker, HSBC Lara Bundock, Snowdrop Project Avril Sharp, Kalayaan Sam Lakesmith, Migrant Help Laragh O'Malley, TRIBE Freedom Foundation
29/06/20	Detect and Disrupt Modern Slavery and Human Trafficking	Podcast	Peter Barnes, Standard Chartered Nick Dale, West Midlands Police Barry Koch, SME / Consultant Henry Williams, Themis
15/07/20	Fighting Modern Slavery and Human Trafficking in Financial Institutions	Podcast	Tom Hewson, RedCompass Jonathan Bell, RedCompass Viri Chauhan, Themis
28/07/20	Preventing Modern Slavery & Human Trafficking in Financial Institutions	Webinar	Dame Sara Thornton, UK Independent Anti-Slavery Commissioner Tom Stancliffe, TRIBE Freedom Foundation Jonathan Bell, RedCompass Dickon Johnstone, Themis
20/08/20	Is there a gap in the MSHT-related regulatory framework?	Podcast	Graham Hansford, Barclays UK Meeta Rughani, Barclays Silvija Krupena, RedCompass Ed Longridge, Bates Group Viri Chauhan, Themis
20/08/20	Mythbusting about MSHT	Podcast	Andrew Wallis, Unseen Henry Williams, Themis
09/10/20	MSHT and the Accountancy Profession	Podcast	Sophie Wales, ICAEW Dr Katherine Christ, University of South Australia Latifa Kapadia, PwC Nadia O'Shaughnessy, Themis
14/10/20	Modern Slavery in a Digital Age	Webinar	Leanne Melnyk, Diginex Florian Ostmann, Alan Turing Institute Nick Dale, West Midlands Police Henry Williams, Themis

Date	Event	Format	Panellists
13/11/20	Detect and Disrupt Chapter review	Focus group (closed discussion)	John Gibson, TSB Judi Revett, NatWest George Xinaris, NatWest Liliya Gelemerova, Commerzbank Rinita Saker Laragh O'Malley, TRIBE Freedom Foundation Viri Chauhan, Themis
16/11/20	Monitoring Modern Slavery in Investment Portfolios	Webinar	Matt Crossman, Rathbones Marte Borhaug, Aviva Victoria Sant, The Investor Forum Katharine Bryant, Walk Free Hope Sherwin, Themis
28/07/20	Detect and Disrupt: Intelligence sharing to tackle MSHT	Podcast	Nick Mays, Western Union George Xinaris, NatWest Henry Williams, Themis
18/11/20	Support and Empower chapter review	Focus group (closed)	Lou Walker, HSBC Laragh O'Malley, TRIBE Freedom Foundation
20/11/20	Support and Empower chapter review	Focus group (closed)	Lara Bundock, Snowdrop Laragh O'Malley, TRIBE Freedom Foundation
January 2021	Report launch - A Call to Action	Webinar	Dame Sara Thornton, Independent Anti-Slavery Commissioner Dickon Johnstone, Themis The Rt Hon. Lord Deben Tom Stancliffe, TRIBE Freedom Foundation
January 2021	Combating MSHT: A European Perspective	Podcast	Nenad Naca, Europol Eric van der Schild, Europol
February 2021	MSHT and Development Finance	Podcast	TBC
March 2021	MSHT: Tone from the Top	CEO roundtable	TBC
March 2021	MSHT and Procurement	Podcast	TBC

10. FURTHER READING / RESOURCES

A full list of resources and website links can be found at <https://themisservices.co.uk/msht>

AAFA	Apparel & Footwear Industry Commitment to Responsible Recruitment	2018
Australian Strategic Policy Institute	Uyghurs for Sale	2020
BankTrack	The BankTrack Human Rights Benchmark 2019	2019
Barclays	Barclays Group Statement on Modern Slavery	2020
Benefacto	The Employee Volunteering Business Case	2020
BIICL	BIICL and PRI: Human Rights in Private Equity Investment	2017
Business & Human Rights Resource Centre	Modern Slavery Reporting: Case Studies of Leading Practice	2017
Boohoo plc	Independent Review into the Boohoo Group PLC's Leicester supply chain	2020
CECP	Measuring the Value of Corporate Philanthropy: Social Impact, business benefits, and investor returns	2010
Centre for Financial Inclusion	Scarcity: Why Having Too Little Means So Much	2013
City of London	Corporate community investment: four routes to impact	2018
City of London	Volunteering - The Business Case: The benefits of corporate volunteering programmes in education	2010
CIPD	On the brink of a game-changer? Building sustainable partnerships between companies and voluntary organisations	2015
The co-operative bank & Refuge	Money Matters: Research into the extent and nature of financial abuse within intimate relationships in the UK	2018
CCLA	Find it, Fix it, Prevent it	
CDC Group	Modern Slavery Good Practice Note	
Cooperative Bank	My Money, My Life	
Doorway Women's Services	Doorway Women's Services	
Ethical Trading Initiative	Corporate Leadership on Modern Slavery: How have companies responded to the UK Modern Slavery Act one year on?	2016
Ethical Trading Initiative	ETI Base Code	
Ergon	Ethical, Fair, Responsible, Dignified... recruitment	2019
Equator Principles	Guidance note on implementation of human rights assessment under Equator Principles	2020

FATF	Financial Flows from Human Trafficking	2018
FAST Initiative	Vulnerable Populations Initiative	2019
FAST Initiative	Financial Investigations Tool	2019
FAST Initiative	Final Report of the Liechtenstein Initiative's Financial Sector Commission on Modern Slavery & Human Trafficking	2019
FAST Initiative	Secretariat Briefing Paper 2: Tackling Modern Slavery And Human Trafficking At Scale Through Financial Sector Leverage	2019
Financial Capability	What Works Programme	
Financial Reporting Council	UK Stewardship Code	2020
FCA	The Financial Lives of Consumers across the UK	2017
GRI	Advancing modern slavery reporting to meet stakeholder expectations	2019
GRI	G4 Financial Services Sector Disclosures	2013
HERA	Her Economic Rights and Autonomy	
HM Government	2018 UK Annual Report on Modern Slavery	2018
HM Government	Independent Review of the Modern Slavery Act 2015: Final Report	2019
HM Government	National Referral Mechanism Statistics UK, End of Year Summary, 2019	2020
HM Government	Slavery and human trafficking in supply chains: guidance for businesses	2020
HM Government	Modern Slavery Act 2015	2015
HSBC	HSBC Modern Slavery & Human Trafficking Statement 2018	2019
HSBC	No Fixed Address Programme	2018
IFC	Good Practice Note: Managing Risks Associated with Modern Slavery	2018
IHRB	Fees and IDs: Tackling recruitment fees and confiscation of workers' passports	2017
ILO	Business responsibility on preventing and addressing forced labour in Malaysia	2019
ILO	Profits and Poverty: The Economics of Forced Labour, ILO, 2014	2014
Independent Anti-Slavery Commissioner	Independent Anti-Slavery Commissioner Strategic Plan 2019-2021	2019
Investor Alliance for Human Rights	The Investor Case for Mandatory Human Rights Due Diligence	2020
Investor Forum	Stewardship 360	2020
Just Security	When Human Trafficking and Terrorism Connect: Dangers and Dilemmas	

Kalyaan Kindred	http://www.kalayaan.org.uk/ Modern Slavery	
Lloyds Banking Group Lloyds Banking Group	Banking for Homeless People Lloyds Bank Foundation	
Migrant Help Modern Slavery Registry Monzo	https://www.modernslaveryregistry.org/ Banking For All: Let's Remove the Barriers to Banking	
NCA	National Strategic Assessment of Serious and Organised Crime	2019
NCA	Suspicious Activity Reports	
NYU Stern Center for Business and Human Rights	Putting the "S" in ESG: Measuring Human Rights Performance for Investors	2017
OECD	Due Diligence for Responsible Corporate Lending and Securities Underwriting: Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises	2019
OSCE	Following the Money: Compendium of Resources and Step- by-Step Guide to Financial Investigations Related to Trafficking in Human Beings	2019
People Management	The power of corporate volunteering	2019
Rathbones	Engage with FTSE 350 companies failing to comply with section 54 of the Modern Slavery Act 2015	2020
RBS	How match-funding incentivises charitable giving in the UK and unites funders and donors in tackling social issues	2016
RedFlag Accelerator	RedFlag Accelerator home page https://redflagaccelerator.com/	
Research CSR	The Secret Power of CSR	
Resources for Responsible Recruitment	Resources for Responsible Recruitment home page	
Respect International		
Responsible Sourcing Tool	Explore risk	2020
Reuters Events	Moving ESG Into the Mainstream: Drivers and Actions	2018
RRT	Achieving Responsible Recruitment in Global Supply Chains	

RUSI	Leaning In: Advancing the Role of Finance Against Modern Slavery	2018
RUSI	Disrupting Human Trafficking: The Role of Financial Institutions	2017
Statista	Number of employees in financial services sector in the UK from 2001 to 2019	2020
Shift	Using Leverage in Business Relationships to Reduce Human Rights Risks	
Share Action	Promoting Good Work	
Snowdrop Project	Survivor empowerment	
The Danish Institute for Human Rights	Handbook on Human Rights Impact Assessment	2019
Themis	Themis Briefing Note: Modern Slavery and Human Trafficking Banks Alliance Against Trafficking	2019
Themis	Themis Briefing Note: Preventing Modern Slavery and Human Trafficking in Financial Services	2020
Themis	Themis Briefing Note: Dirty Money - Source of Wealth and Source of Funds	2020
Themis	Themis Briefing Note: We won't look the other way - the UK's new Human Rights Sanctions Regime	2020
Themis	Themis Briefing Note: No firm is an island - the importance of supply chain due diligence	2020
Themis	Themis Anti Bribery and Corruption e-Learning Module	2020
Thomson Reuters Foundation	The Stop Slavery Award	2017
Thomson Reuters Foundation	Traffik Analysis Hub home page	
Traffik Analysis Hub		
TRIBE Freedom Foundation	www.tribefreedomfoundation.com	
UN Principles for Responsible Investment	Human Rights and Labour Standards	2020
UK Independent Anti-Slavery Commissioner	Annual Report 2019-2020	2020
Volunteering Matters	Why does Employee volunteering matter to our corporate and community partners?	2016
Walk Free	Tool 3: Risk Screening Tool	2016
World Bank	Understanding Poverty: Financial Inclusion	2018
Young Enterprise	Financial Education	

11. END NOTES

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4. www.globalslaveryindex.org/2018/findings/country-studies/united-kingdom/
5. www.gov.uk
6. Proceeds of Crime Act 2002 - Explanatory Notes - 6 - Money Laundering.
7. www.abc.net.au
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9. Jayne Huckerby, 'When Human Trafficking and Terrorism Connect: Dangers and Dilemmas' , Just Security, www.justsecurity.org/62658/human-trafficking-terrorism-connect-dangers-dilemmas/ accessed 10 July 2020.
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14. <https://www.modernslaveryregistry.org/>
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17. www.merchantstrust.co.uk/srp/lit/mWQaVk/Annual-Financial-Report_The-Merchants-Trust-PLC_31-01-2020.pdf
18. www.brunner.co.uk/srp/lit/XG2PxJ/Annual-Financial-Report_The-Brunner-Investment-Trust-PLC_30-11-2019.pdf
19. <https://www.schroders.com/en/about-us/corporate-responsibility/slavery-and-human-trafficking-statement/>
20. www.bailliegifford.com/en/uk/about-us/literature-library/legal/baillie-gifford-modern-slavery-statement/
21. www.investorsforhumanrights.org/news/investor-case-for-mhrdd
22. CCLA, 5th August 2020 www.ccla.org.uk
23. www.Nbim.no
24. www.ILO.org

12. FURTHER HELP

If you have further questions on anything in this report or how to take action to detect and prevent direct or indirect ties to MSHT, you can also continue the conversation on the [Themis Senate](#) and/or visit the project site here www.crime.financial/msht.

The image displays two screenshots from the Themis website. The top screenshot is the 'THEMIS SENATE' landing page, featuring a dark blue background with a scale of justice and a sword. It asks 'Do you have a financial crime related question?' and provides a 'SIGN IN' link and buttons for 'ASK A QUESTION' and 'ALL QUESTIONS'. The bottom screenshot shows a video player with a play button and a progress bar at 01:00. To the right of the video player is a text block about the UK's Independent Anti-Slavery Commissioner's research, followed by a 'TAKE SURVEY' button. Below the video player are several smaller video thumbnails with titles like 'THEMIS: Monitoring Modern Slavery in Investment Portfolios', 'PICKETT Policy Roundtable: Modern slavery and the accounting profession', 'THEMIS: Modern Slavery in a Digital Age', 'PICKETT: The Missing in Modern Slavery', and 'THEMIS: Preventing Service Users & Patients Trafficking in the Healthcare Sector'.

Or contact us:



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Spread the word.

Act Now.