Ethical Trading Initiative

Respect for workers worldwide

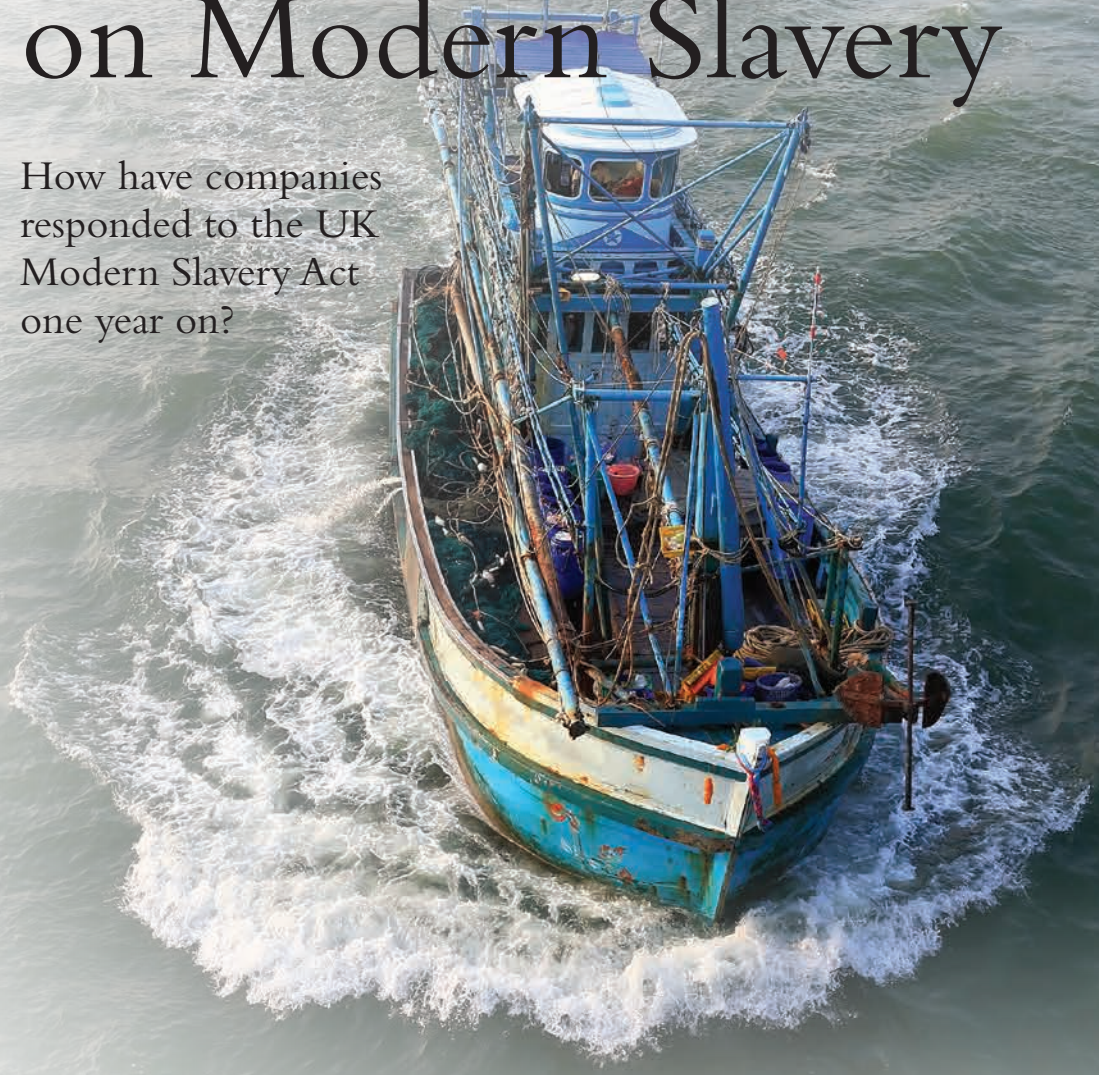
ASHRIDGE EXECUTIVE EDUCATION

HULT

HULT RESEARCH IN PARTNERSHIP WITH THE ETHICAL TRADING INITIATIVE

Corporate Leadership on Modern Slavery

How have companies responded to the UK Modern Slavery Act one year on?



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Full Report and Case Studies - November 2016

Summary report

A summary version of this report is available from www.ashridge.org.uk/modernslavery and www.ethicaltrade.org

Authors

Hult International Business School is the world's most global business school. Our research is focused on the issues that are uppermost in global business leaders' minds.

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Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe.

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Acknowledgements

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

The research was a real team effort, and thank you to all of the people involved in the planning, analysis and writing of this research: Klara Skrivankova, Sean Roberts, Viktor Nilsson, Rebecca Coatswith, Bekki Tomkins, Tina Johnson and Angela Lake.

Thank you also to the British Retail Consortium, BSR, APRES, CIPS, BHRRC, Sedex, ThomsonReuters, Stronger Together and Corporate Citizenship for their support with this project.

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ISBN: 978-1-910025-20-8

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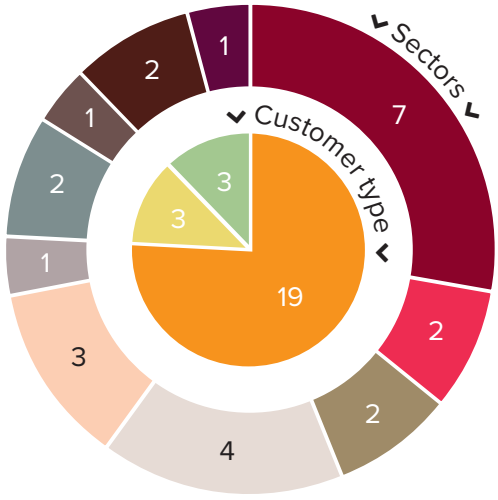
November 2016

Participants in the research

25 leading brands and retailers were interviewed, with a further 46 brands participating in an in-depth survey.



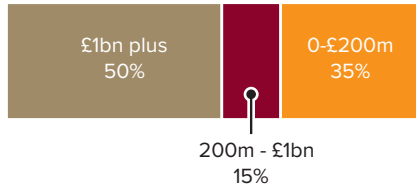
Which sectors were involved?

- Apparel & Textile
- FMCG
- Food & Drink
- Both Food & Drink / Retail
- Retail
- Hardgoods & Household
- Travel & Hospitality
- Building and Construction
- Technology
- Entertainment

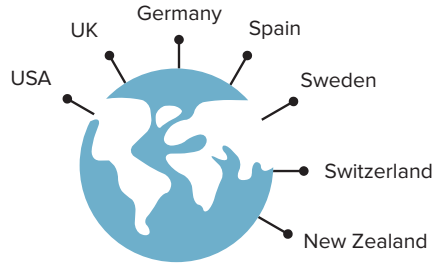
Customer type

- Consumer Facing
- Both B2B / Consumer Facing
- B2B

What size of company? (Annual turnover)



Where were they headquartered?



Who did we speak to?

About the research

This research is the result of a partnership between the Ethical Trading Initiative and Hult International Business School. It focuses on the role of corporate leadership in addressing modern slavery, and highlights examples of what companies are doing, what they are learning, and what they regard as leadership in addressing this problem in complex global supply chains.

The report provides the **first in-depth analysis of corporate perspectives on tackling modern slavery one year on from the introduction of the UK Modern Slavery Act.**

Our specific aims were to:

- **Understand the perceptions of the prevalence of modern slavery, and how this is changing over time.**
- **Identify learning on how to address modern slavery.** What are companies doing? How are they organizing themselves? What is driving their engagement with modern slavery, and what factors are supporting this engagement?
- **Provide insight on how the UK Modern Slavery Act has shaped corporate activities** during the first year of its operation. How significant is the Act in helping organizations address modern slavery?
- **Understand what companies believe constitutes corporate leadership** on tackling modern slavery, such as how they identify the core components of an effective response and define corporate leadership on this issue.
- **Outline case studies of good practice in addressing modern slavery in supply chains.**

The companies that took part in in-depth interviews were selected because of their reputation as leaders on ethical trade and/or that have been public about their commitment to address modern slavery. They all had established policies and strategic commitments to ethical trade before the Act was passed.

The findings presented in this report reflect the insights and practices of this group of companies that are more advanced in their approach, and not the practices of all companies required to report under the Modern Slavery Act.

The report focuses primarily on what companies are doing and learning, in order to help those who are just starting to look at the issues. The intention is that sharing good practice may enable more companies to do better work faster, inspire further innovation, and help to identify where more can be done.

What is modern slavery and why is it an issue for companies?

Although slavery is almost universally outlawed, modern slavery is still widespread.

The International Labour Organization (ILO) estimates that at least 21 million men, women and children around the world are in some form of slavery.[1] Slavery thrives at the intersection of poor rule of law and economic justice, worker vulnerability and social exclusion.[2]

Business operations and corporate practices driven by a constant search for low input prices and high profits contribute to the problem. By driving down prices and giving shorter lead times, companies can increase the risk of exploitation of workers and even slavery. The nature of global supply chains is increasingly complex, and this means that slavery can be found in any part of the chain and in any country. But the risk tends to be highest at lower tiers, where there is little transparency and the most vulnerable and socially excluded workforce. The growth in migration is also increasing the risks at both the local and global level.

In addition to legal profits made in supply chains in which slavery may exist, modern slavery in the private economy generates annually an estimated US$150 billion in illegal profits.[3]

What is modern slavery?

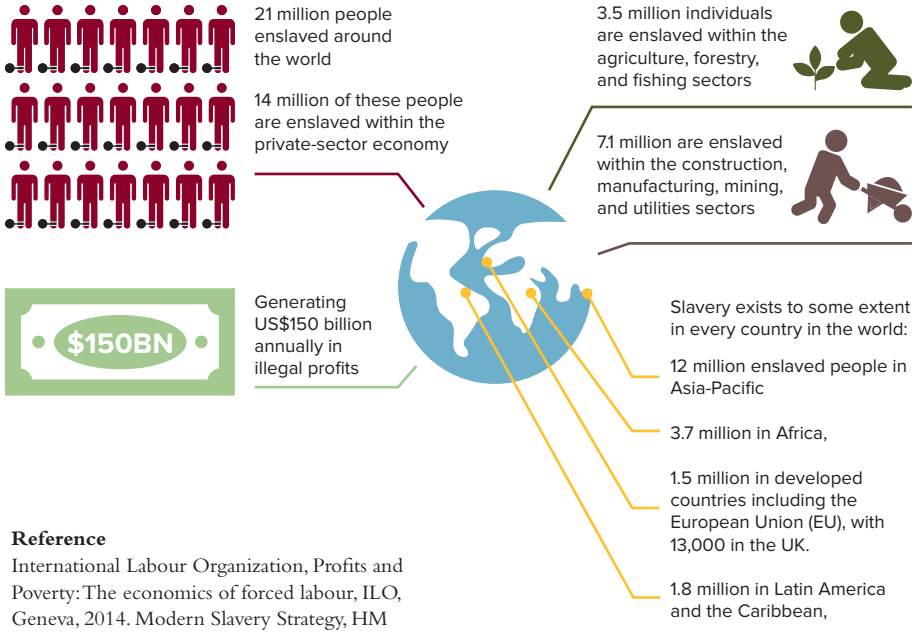
Modern slavery is an overarching term that encompasses various forms, including:

- **Human trafficking** – a process of bringing a person into a situation of exploitation through a series of actions, including deceptive recruitment and coercion.
- **Forced labor** – any work or services that people are not doing voluntarily and that is exacted under a threat of some form of punishment.
- **Bonded labor** – work demanded as a means of repayment of a debt or a loan.
- **Slavery** – a situation where a person exercises (perceived) power of ownership over another person.

International conventions and national legislation make modern slavery illegal, but we are still a long way from its final eradication. Businesses can play an important role in addressing modern slavery.

What is modern slavery and why is it an issue for companies?

About modern slavery



Reference
International Labour Organization, Profits and Poverty: The economics of forced labour, ILO, Geneva, 2014. Modern Slavery Strategy, HM Government, 2015.

What can business do to address the risk of slavery in supply chains?

Modern slavery is found at the extreme edge of a continuum in which decent work and workers' inability to claim their rights lie at opposite ends.[4] It is found at many workplaces – on farms and in factories, private homes, and ancillary services. While most people in slavery are found in Asia, even in Europe hundreds of thousands are suspected to be victims every year. In the UK alone, it is estimated that 10–13,000 people are in modern slavery at any one time.[5]

In the context of complex supply chains that stretch over continents, every business can be affected by slavery. Research we have previously conducted found that 71 per cent of companies believe there is a likelihood of modern slavery occurring in their supply chains.[6]

There are four key ways that businesses can reduce the likelihood or incidence of modern slavery:

- **Recognizing workers' rights**
  The single biggest factor that can contribute to ending extreme labor exploitation is recognizing workers' right to organize, to collectively negotiate terms and conditions of work, and to have the freedom to leave abusive employers. The risk of modern slavery dramatically decreases at workplaces where trade unions are encouraged to operate. Laws and regulations that protect workers' rights are also important in ensuring that workers can claim their rights, and that the most vulnerable ones are identified and given the protection they need.

- **Improving human rights due diligence systems and practices**
  Human rights due diligence is the action taken by a company to both identify and act upon actual and potential risks for workers in its operations, supply chains and the services it uses. Companies need to review and put in place appropriate due diligence processes that are fit for purpose and which track reports of forced labor and trafficking that alert them about key risk areas. Traditional audits have been deemed ineffective in detecting slavery within supply chains. As it is a criminal activity, perpetrators will make every effort to conceal it.
- **Working with others to address risks of slavery in their supply chains**
  Resolving complex issues such as slavery requires sophisticated solutions, and no one company can do this alone. Linking up with multisector initiatives and non-governmental organizations (NGOs) can help identify likely risks or actual cases of slavery, trafficking, or forced labor, and can work with companies on strategies to tackle it. For example, ETI provides advisory support, training and guidance, as well as a unique platform for collaboration its members where they can work together with other businesses, their suppliers, trades unions and NGOs.
- **Calling for improved enforcement and regulation**
  Improved regulation and transparency helps to create a level playing field and root out businesses that derive competitive advantage from modern slavery. ETI and its members and allies fought hard to include and strengthen the 'Transparency in supply chains' clause in the UK Modern Slavery Act 2015 and the Immigration Act of 2016.[7] Policy advocacy with governments is critical where there is inadequate labor rights protection or enforcement.

[2] McQuade, Aidan, 'We Can't Ignore Slavery in the Bid to Lift Millions out of Poverty', The Guardian, 3 April 2013, https://www.theguardian.com/global-development/poverty-matters/2013/apr/03/we-cannot-ignore-slavery-poverty

[3] International Labour Organization, 'ILO Says Forced Labour Generates Annual Profits of US$ 150 Billion', ILO News, 20 May 2014, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_243201/lang--en/index.htm

[4] Skrivankova, Klara, 'Between Decent Work and Forced Labour: Examining the continuum of exploitation', Joseph Rowntree Foundation, November 2010, https://www.jrf.org.uk/report/between-decent-work-and-forced-labour-examining-continuum-exploitation

[5] UK Home Office and Karen Bradley MP, 'True Scale of Modern Slavery in UK Revealed as Strategy to Tackle it Published', Gov.uk, 10 December 2014, https://www.gov.uk/government/news/true-scale-of-modern-slavery-in-uk-revealed-as-strategy-to-tackle-it-published

[6] Lake, Q., MacAlister, J., Berman, C., Gitsham, M., Page, N., 2015. Corporate approaches to addressing modern slavery in supply chains.

[7] See: http://www.legislation.gov.uk/ukpga/2015/30/section/54/enacted

What we found – 6 key messages

This report highlights the findings of our research in each of the following six key areas, and includes reflections from a range of stakeholders to further understand what these findings mean for companies addressing modern slavery.

1. The Modern Slavery Act has been a game-changer

The Act has already had a significant impact on companies. The engagement of chief executive officers (CEOs) with modern slavery has doubled, and the responsibility for ethical trade within companies has escalated. Communication between companies and their suppliers has increased by 58%, and companies are collaborating 50% more with peers, NGOs and multi-stakeholder initiatives (MSIs). In addition, 50% more companies are seeking external advice and expertise since the Act was passed.

2. Addressing modern slavery is becoming a business-critical issue – for credibility with customers, investors, NGOs, and the general public

Addressing modern slavery is becoming essential for the credibility and legitimacy of a business in the eyes of all its stakeholders. The perception that modern slavery is widespread is more common, with 77% of companies thinking there is a likelihood of it occurring in their supply chains. The biggest driver for company action is reputational risk (97%), but the human rights case (86%), customer engagement (85%), and investor concerns (25%) are also cited as important.

3. Companies are making significant progress in addressing modern slavery

Among companies with more experience in tackling labor exploitation, a high degree of consensus has emerged about the critical elements of an effective response to the risks and realities of modern slavery. These include: long-term, partnership-based relationships with suppliers (93%); corrective action and remediation (93%); involving due diligence (90%); addressing fundamental business models and sector-specific challenges (82%); workers in finding solutions; and KPIs focused on impact rather than activity.

What we found – 6 key messages

4. Companies face numerous barriers, challenges and dilemmas in addressing modern slavery

Respondents highlighted the need for new skills to grapple with the barriers and challenges in addressing modern slavery. Issues include a lack of sufficient resources to conduct due diligence and support supplier improvements; the length and complexity of supply chains; how to work with suppliers to improve working conditions; insufficient leverage with suppliers to gain their engagement; dealing with commercial partners that deny the possibility of modern slavery existing in their sector; and the risk of greater transparency leading campaigning NGOs and the media to exploit this to 'name and shame' the company publicly.

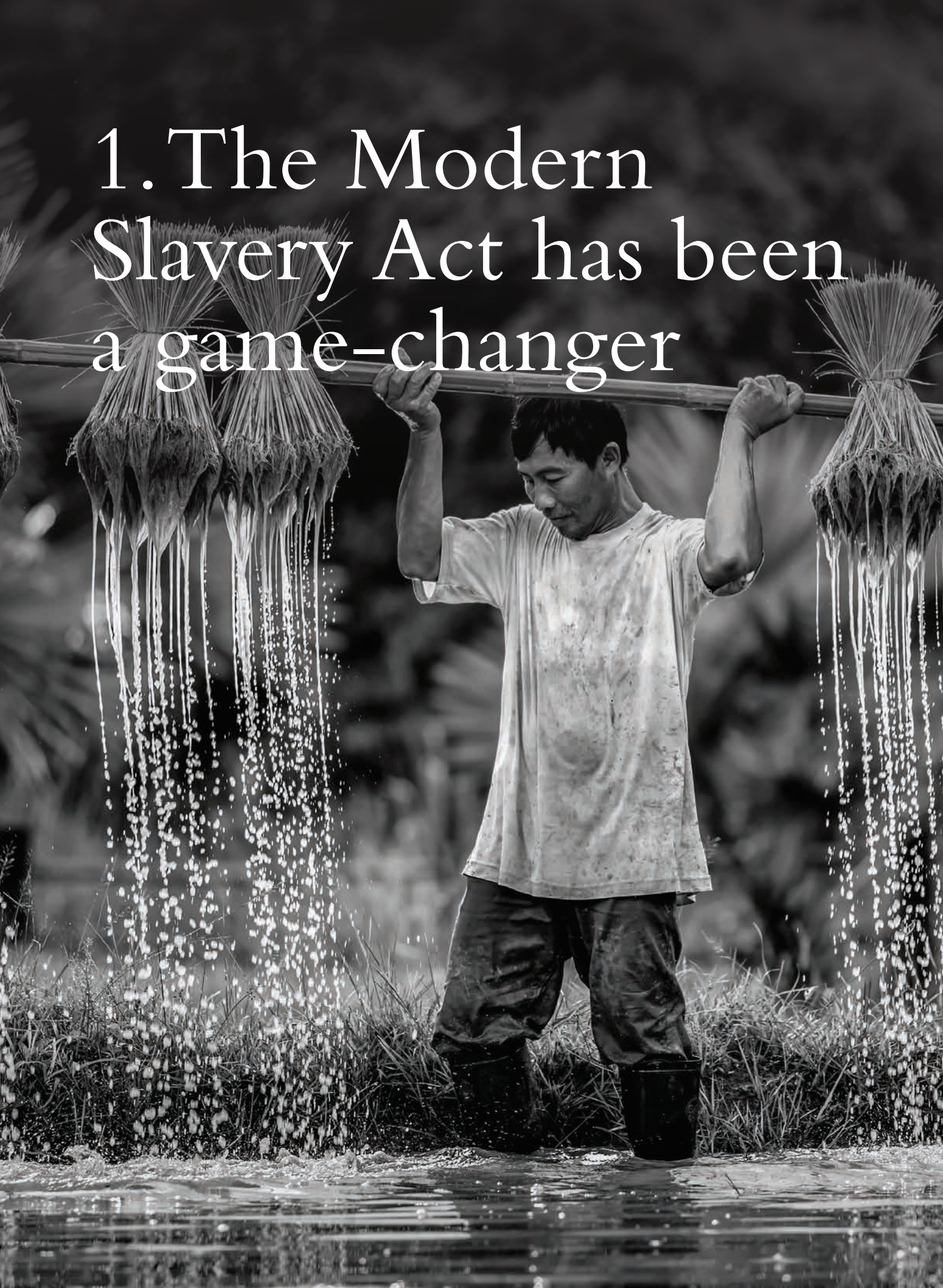
5. Senior leadership engagement is crucial

The engagement of senior leaders is seen by all companies as crucial in driving effective responses and overcoming critical challenges, and most companies have made training and awareness-raising for senior leaders a priority. Senior leaders were most engaged – and allocated more resources – when they encountered an issue for themselves. Culture change in companies was cited as extremely important also. This involves communicating and clarifying the values, attitudes, and understanding of modern slavery to help embed policies and make them effective.

6. Collaboration and partnerships are the way forward

Companies report greater levels of collaboration since the Act was passed: 83% are collaborating with other companies (which may include their direct competitors) as key partners and their most significant source of advice and support; and almost three quarters identified MSIs such as the Ethical Trading Initiative as their primary source of collaboration. CEOs or other senior figures have a key role to play in engaging with external stakeholders to communicate what the company is doing, seek policy or other change with governments (which companies identified as being a crucial part of their strategy), or garner greater industry-level engagement.

1. The Modern Slavery Act has been a game-changer



1. The Modern Slavery Act has been a game-changer

On the first anniversary of the passing of the Modern Slavery Act, with its Transparency in Supply Chains clause, our research demonstrates that the Act has already had a significant impact on companies.

CEO engagement with modern slavery has doubled

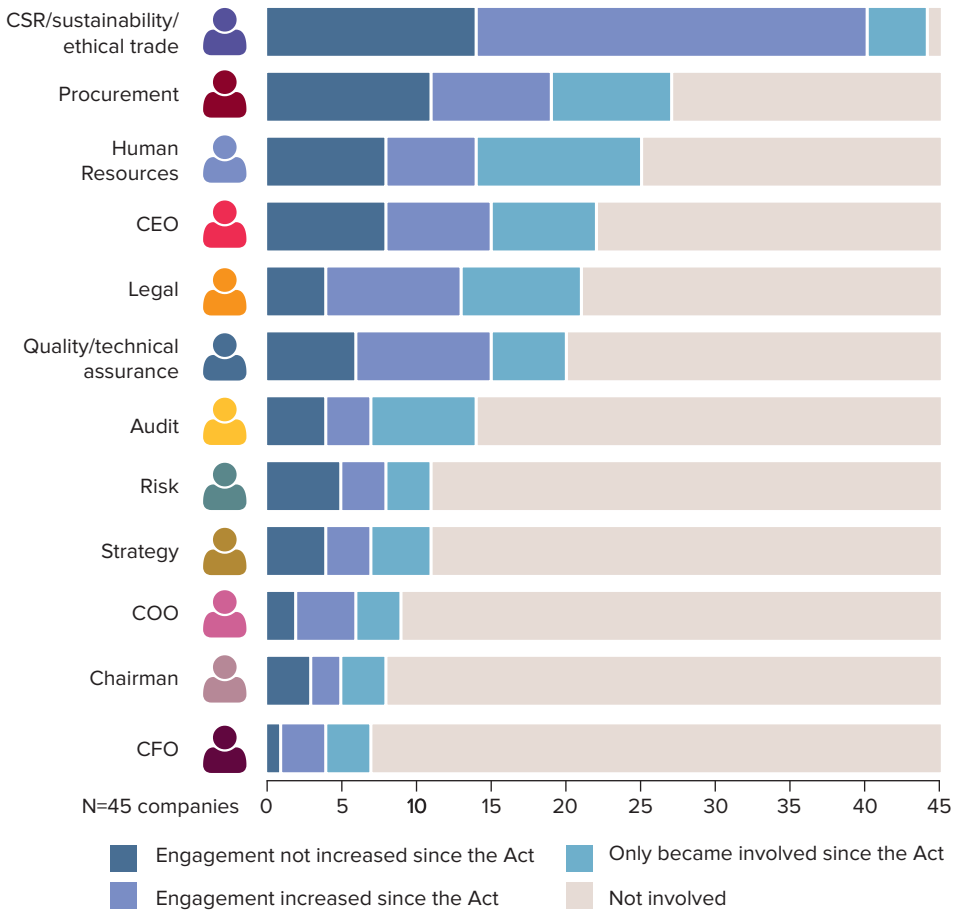
Twice as many CEOs and other senior executives (COO, CFO, Chairman) are actively involved in addressing modern slavery since the Act came into force. In fact, engagement of most roles across the business has doubled. Increased senior engagement has resulted in the increased drive for cross-functional engagement and the involvement of all key roles across the business. Interviewees highlighted the need for this engagement to be for the long term, not just a short-term reaction to the Act itself.

It is significant to see procurement and human resources as two of the most engaged roles in organizations. Alongside quality/technical assurance, they have a key role to play in addressing modern slavery.

"When we were raising awareness and getting excited about the potential of the Act, a senior individual was trying to throw a bit of cold water on it, saying 'It's a small piece of legislation. It's just about reporting.' But in order to be able to report and follow all of the recommended guidance, we really need to change what we do and that has massive implications. At the end of the next meeting they said, 'I did not expect a small, innocuous piece of legislation like this to be having this much of an impact.'"

- Head of Sustainable and Ethical Sourcing

Who is actively engaged in addressing modern slavery in your organization and how has their engagement changed since the Act?



The responsibility for ethical trade within companies has escalated

"The Modern Slavery Act has created more of a level playing field, hasn't it? It's brought a focus, and helped us to put what we're doing into the public domain. We wouldn't have put it there otherwise."
- Head of Corporate Responsibility

Whilst the ethical trade specialists still hold greatest responsibility, they are increasingly being asked to provide expertise to support CEOs or board members and are reporting directly to them as well.

"My role as a Human Rights Manager is just to help the rest of our senior executives and support them when they need expertise. I'm not leading our modern slavery response, and I think this is good because the objective of the program is about mainstreaming human rights within the relevant functions and businesses."
- Human Rights Manager.

The research shows that the Act has raised the profile of modern slavery issues within companies. The requirement for directors to sign a company's annual modern slavery statement is particularly significant – even for companies that have been addressing the issue for some time – in its expectation of senior level involvement and engagement across the business.

"The biggest impact it has had for us is bringing it to the highest level and creating that visibility for them and the accountability to have to agree to this and say, 'Yes, we're committed to this and we're moving forward.' It's another thing to say we're signing up to this and we're publicly addressing it and approving it."
- Head of Responsible Sourcing

"The Modern Slavery Act has been really good in adding to the momentum of our program. I think to be able to take certain projects further forwards, and to be able to have that as a reference when we're talking internally, gives it much more gravity. It's really helpful for us in getting certain projects off the ground."
– Sustainable Development Manager

"It's got everybody engaged, and it's brought everybody to the table. It's got people to spend money. It's also given us a new framework, with the reporting guidance structure in terms of KPIs, training, risk, due diligence, that's been helpful. Because it's actually quite a complex issue. We've been trying to get meetings with Logistics and Corporate Purchasing since I first joined here 18 months ago as we could see others were doing more in this area. But we only got their attention when we had the requirements of the Act."
– Head of Sustainable and Ethical Sourcing

New activity to address modern slavery risks has significantly increased in companies

"What I'm excited about with the Modern Slavery Act, and having to prepare a public statement, is that it gives more of a formalized framework to communicate what we're doing, and then to share that with others. So NGOs and others can give us feedback that will help us to improve what we're doing."

- Head of Sustainable and Ethical Sourcing

Activities to address modern slavery in company supply chains and in their own operations have clearly increased. Most companies have started some new activity as a result of the Act, while some respondents noted their practices were well established and the Act was more of a framework to help them report what they were already doing. New activities closely mirror the government guidance on what should be included in an annual modern slavery statement (see Requirements for a Modern Slavery Statement), including:

- training and awareness-raising for board members and senior executives (67%);
- carrying out risk assessments (45%); and
- implementing policies and systems to manage their approach (39%).

While the Act's reporting requirements and guidance are helping to give companies a focus, many respondents expressed caution that over-focusing on the Act itself may distract action away from broader issues such as human rights challenges and general improving of working conditions.

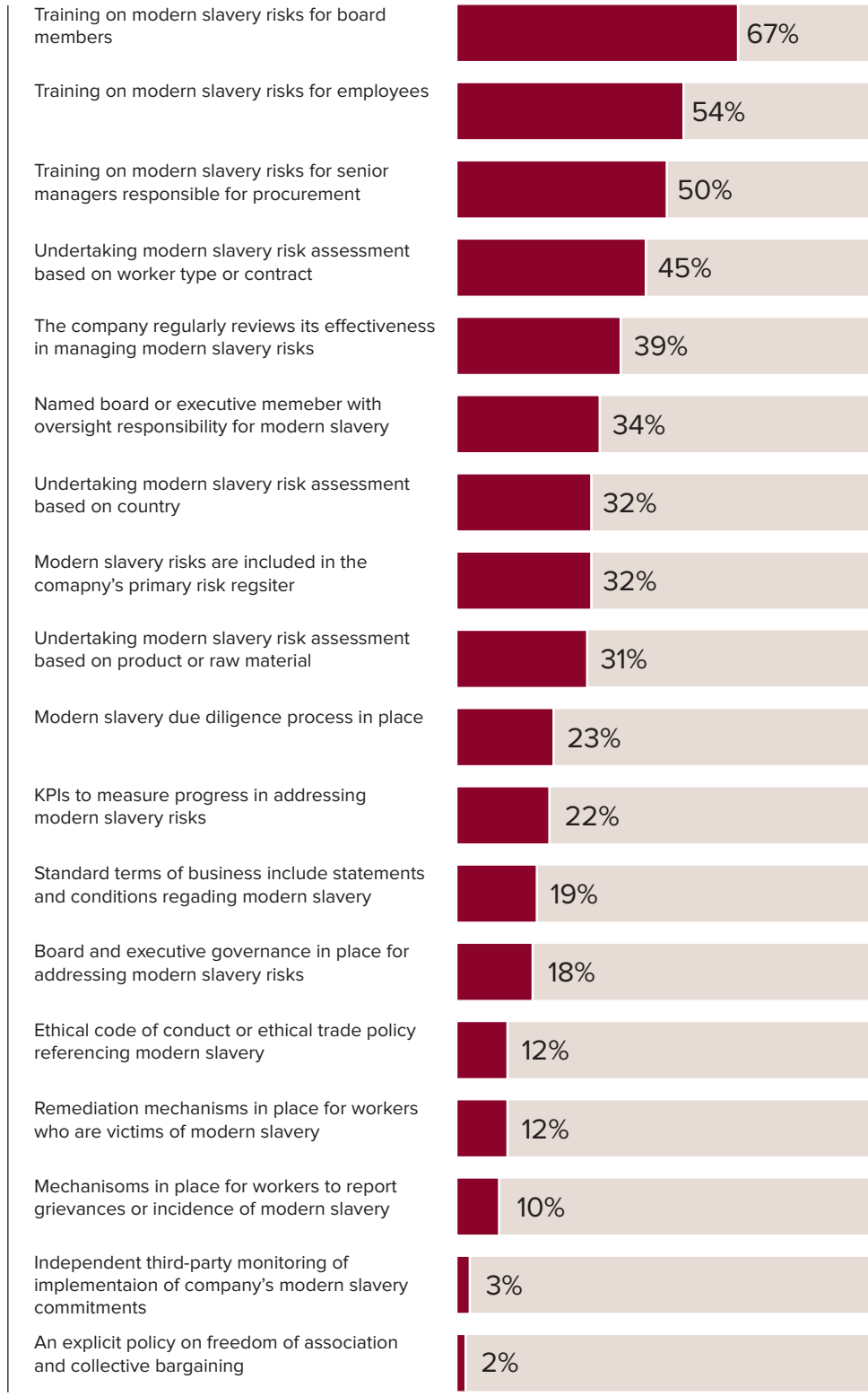
Requirements for a Modern Slavery Statement

1. A brief description of an organization's business model and **supply chain relationships**;
2. A business's **policies relating to modern slavery,** including due diligence and auditing processes implemented;
3. **Training available and provided** to those in a) supply chain management and b) the rest of the organization;
4. The **principal risks related to slavery and human trafficking** including, how the organization evaluates and manages those risks in their organization and their supply chain; and
5. Relevant **key performance indicators**.

Reference

Transparency in Supply Chains etc: A practical guide, UK Government, 2015.

Which of the following activities has your company started doing as a result of the Modern Slavery Act?

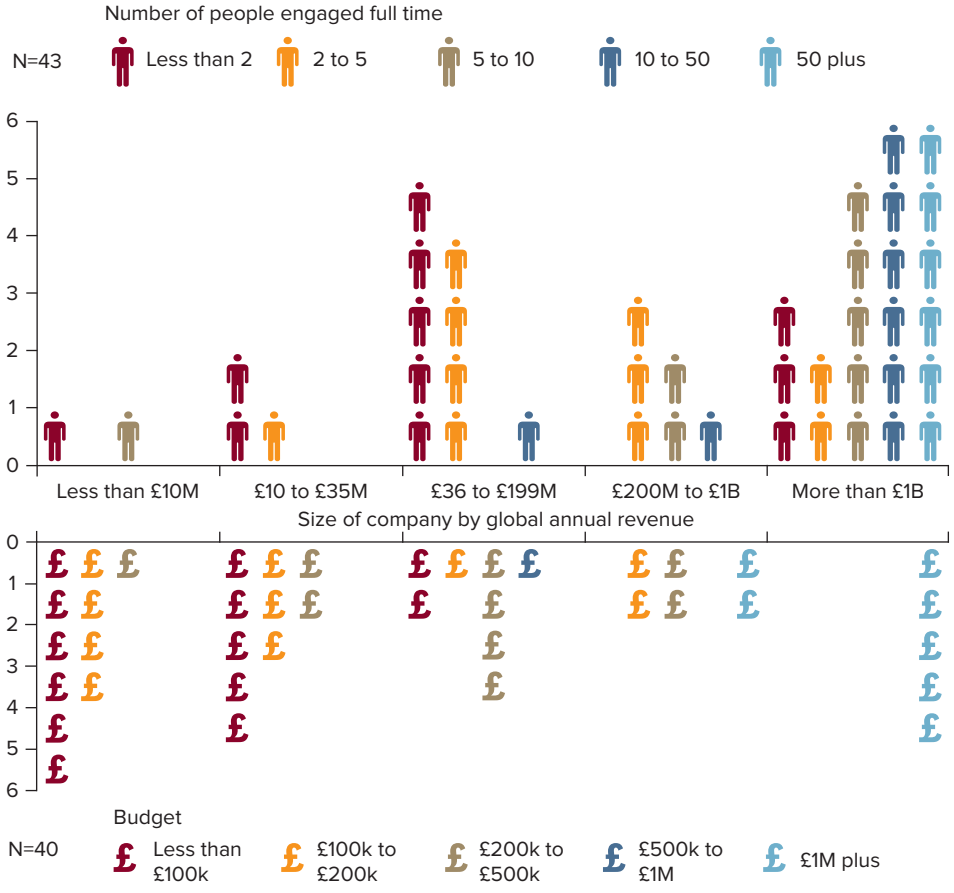


Has the Modern Slavery Act impacted budgets and resources?

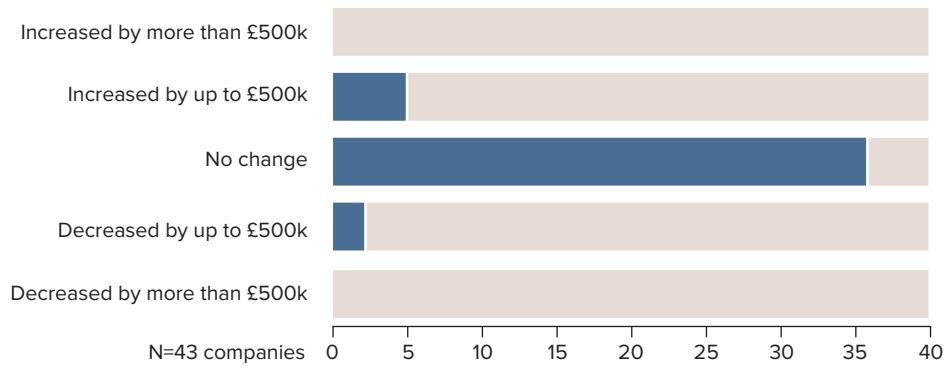
"We've had a budget and a dedicated department for 20 years. In the early years, it was more focused on auditing, and over the years we've expanded other activities and included a range of efforts related to external stakeholder engagement and training. And I think that the company is broadly supportive of this effort, because we see it as fundamental to preserving and protecting the integrity of our brand."

- Head of Responsible Sourcing

How many people and what budgets are companies applying to addressing ethical trade (including modern slavery)?



How has your modern slavery budget changed since the Modern Slavery Act was introduced?



"When you bring a new group together with varying levels of expertise and experience, ranging from full-time specialists through to people who have completely different operational day-to-day jobs with modern slavery as an additional responsibility, there's inevitably a lot of work to do to try and get people to a base level of understanding to move forward."

- Head of Sustainable and Ethical Sourcing

Whilst activity to address modern slavery has increased, there does not appear to be an increase in available resources. This could be because it is too early for that impact to be felt, with companies still completing risk assessments and developing strategy, or even that they are deploying existing resources more effectively or in different activities.

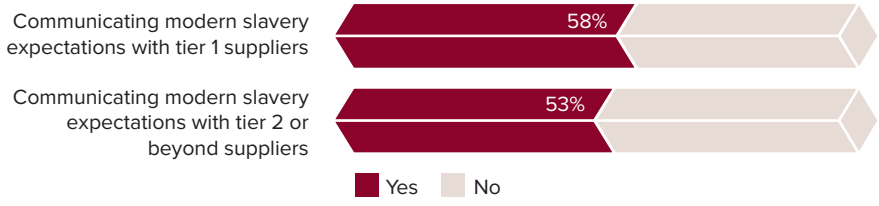
There was some variability in the number of people and size of budget being applied to address modern slavery in responding companies. The graphic *Has the Modern Slavery Act impacted budgets and resources?* looks at how many people are engaged full-time in addressing ethical trade (including modern slavery) as a proportion of gross worldwide revenue. For example, in companies that have in excess of £1 billion annual revenue, six firms have 60 plus people working full time, yet three companies have less than two. We found more firms are ramping up their teams and resources, particularly in having local expertise on ethical trade and modern slavery in high-risk countries, and these budgets are likely to change further as companies develop their modern slavery strategies in light of the Act.

How companies structure their response to modern slavery is particularly important when interpreting these findings, as is the size of the risk faced in their sector. For example, a company may have lots of people with a little responsibility for modern slavery, rather than a large team working on it full time, or they may enlist the expertise of NGOs as part of their approach. The number of people does not necessarily equate to greater effectiveness in addressing modern slavery, and our interviews found that the skills and experience of individuals, together with their level of seniority in the business, are the most important factors in the effectiveness of a team responding to the issue.

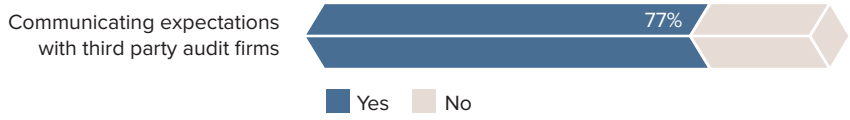
Likewise, size of budget does not equal effectiveness; however, given the scale of the challenge, it is worth noting what scale of budget is being applied: 17% of responding companies had a budget of £1m plus, while 34% had a total budget of less than £100k.

How is company engagement with stakeholders changing as a result of the Modern Slavery Act?

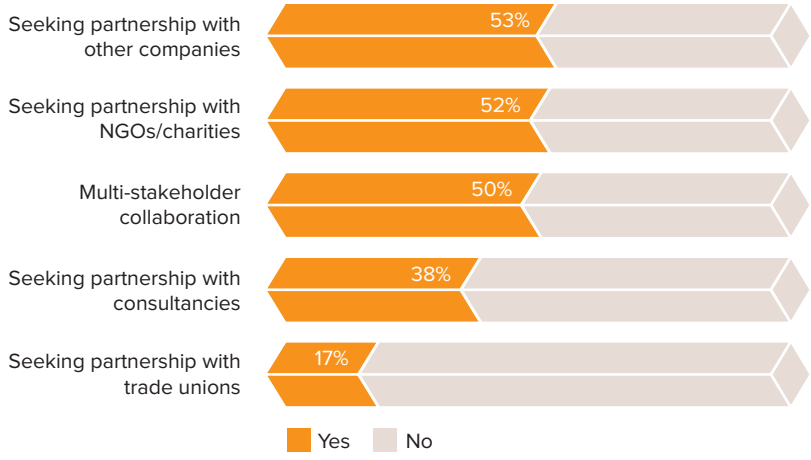
Does your company communicate its expectations of actions with suppliers more as a result of the Modern Slavery Act being introduced?



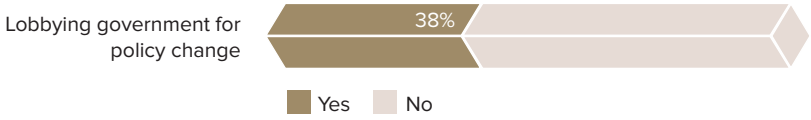
Does your company communicate its expectations of actions with third-party audit providers more as a result of the Modern Slavery Act being introduced?



Is your company collaborating with others more as a result of the Modern Slavery Act being introduced?



Does your company lobby government for policy change more as a result of the Modern Slavery Act being introduced?



Communication between companies and their suppliers has increased

58% of companies have dramatically increased communication of their expectations on actions to address modern slavery to their suppliers, with many now communicating directly with tier 2 and beyond (53%). There is also an increase in communication with third-party audit firms (77%).

Companies are pursuing more collaboration and help from others

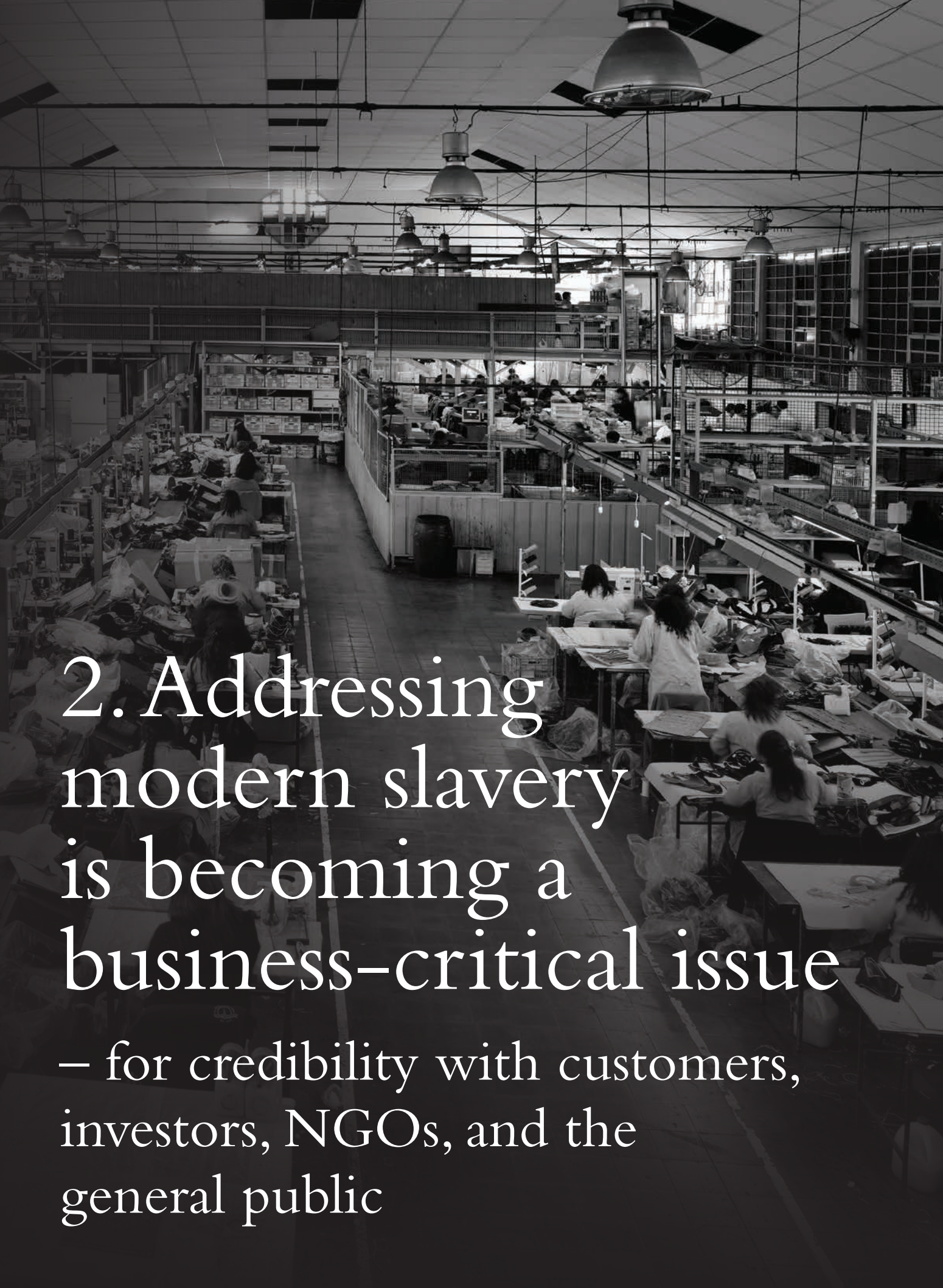
Since the Act was passed, 50% of companies are collaborating more with peers, NGOs, and MSIs, and 50% of companies are seeking more external advice and expertise from these same partners.

Companies are also lobbying governments for policy change more as a result of the Act. Some noted that this was a direct result of seeing the positive impact of lobbying for the Act to include a Transparency in Supply Chains clause, and the perception that this is starting to achieve its aim of creating a level playing field.

"We hope that the Act incentivizes a lot of conversations and forums in which more companies can band together with NGOs, government, and others to take steps on it."
- Head of Sustainable and Ethical Sourcing

"We believe that it's a good moment to share and work with other brands, and maybe even other sectors that didn't look at their supply chain, as we have been doing, to share what we have already been doing, and also, of course, to learn from others. The Act gives an opportunity to work together in co-operation."
– Head of Ethical Trade

"When we think about the Act, I would say that it's mainly co-operation. It has opened the door where companies can sit together and talk about issues that are a little bit touchy. And it has given the opportunity for a lot of companies and, especially other stakeholders, to see the possibilities to co-operate, to create training, to create other types of program that can benefit the workers, and this is what we want."
- Head of Corporate Responsibility



2. Addressing modern slavery is becoming a business-critical issue

– for credibility with customers, investors, NGOs, and the general public

2. Addressing modern slavery is becoming a business-critical issue – for credibility with customers, investors, NGOs, and the general public

"We can acknowledge that progress has been made at the top tier, but it's when you go beyond that the veil still needs to be pulled back. And without this ability, you can't make any claim as to whether or not it's there in your supply chain. The degree of visibility that I think any company has at the lower tiers is still largely insufficient to make a credible and comprehensive claim that their supply chain is slavery free."

- Head of Sustainable and Ethical Sourcing

Addressing modern slavery is becoming essential for the credibility and legitimacy of a business in the eyes of all its stakeholders. Moreover, if a company is found to be employing people who are in a modern slavery scenario, then senior leaders in that company can be subject to criminal liability.

The UK Modern Slavery Act and other similar regulations – such as the California Transparency in Supply Chains Act, EU Non-Financial Reporting Regulations, and others – have been drivers of action for companies over the last few years. In addition, the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, commits Member States to respect and promote all ILO conventions, such as:

1. Freedom of association and the effective recognition of the right to collective bargaining.
2. The elimination of all forms of forced or compulsory labor.
3. The effective abolition of child labor.
4. The elimination of discrimination in respect of employment and occupation.

Given its complex, hidden and widespread nature, addressing modern slavery requires the focused attention and action of multiple stakeholders in every country. However, this report focuses on the role and responsibility of companies. Effective solutions must be predicated with a clear understanding of the problem.

Awareness of modern slavery is more widespread

Companies that are more experienced in addressing modern slavery acknowledge that its risks go beyond their tier 1 suppliers, and are 'very likely' at the farthest reaches of their supply chains. They also perceive there is a risk of modern slavery in more places – in particular, the UK. Companies are less confident there is no modern slavery in tier 1, and there is significant growth in companies acknowledging they have no real idea whether or not modern slavery exists at various levels of their supply chain.

Acknowledging that modern slavery is an issue in company supply chains is becoming the norm and companies are realizing that it could be an issue for their own business. Though this is important, leading companies are, even more significantly, highlighting that they have a responsibility to workers in tier 2, tier 3, and beyond of their supply chains and are starting to focus their activities at these levels.

"The challenge you have sometimes is getting people to realize just how far down you have to go. Because it's not first tier. It's not necessarily second tier. Some economies where we operate, once you go below first tier, it becomes informal and everything becomes very opaque."

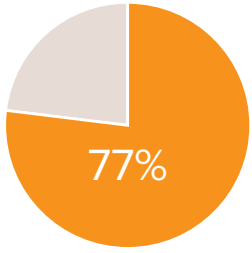
– Director of Workplace Rights

77% of companies think there is a likelihood of modern slavery occurring in their supply chains

"People get it when I talk about forced labor. There's more and more resonance around this, and I don't really have to explain it much anymore."
- Director of Workplace Rights

"We've been going at this issue aggressively over the last year or so. By looking into issues or by raising our standards, one of the things that we suspected was going to happen is that we were going to find more issues and we have."
- Head of Responsible Sourcing

This figure has increased, up from 71% last year. This is, perhaps, not surprising given the increasingly high profile of the issue over the last year, following the introduction of the Act, the establishment of new public benchmarks, and stronger government policy such as the US government's higher standards on importing goods made by forced labor or those caught in human trafficking. The increase may not just be in awareness, with the problem of modern slavery believed to be growing as well. The 2016 Global Slavery Index[8] now estimates there are 45.8 million people enslaved around the world, 10 million more than in 2014.



77% of companies think there is a likelihood of modern slavery occurring in their supply chains

As awareness of modern slavery in supply chains grows, it is becoming more acceptable for companies to talk about it as an issue. Consequently, the focus is moving towards finding solutions, rather than highlighting that the problems exist.

"We had an issue highlighted in our business many years ago – about poor working conditions at one of our suppliers in Bangladesh – that was a wake-up call for people in the company to shift from thinking, 'This is not our business, because we're buying from some other people' to 'It's part of our responsibility and part of our business.' It took them a few months to change that perspective to 'What does our responsibility include?' But I think once they did that, we have since done quite a major turn and now it's really been accepted and integrated into the company and we have buy-in from different departments."
– Head of Corporate Responsibility

However, companies also emphasized that although it is becoming easier to talk about, there is still a great need for the wider public – including consumers, NGOs, and the media – to create an environment that rightly holds companies to account if they get things wrong, but equally acknowledges the scale and complexity of the problem and allows companies to be open about the steps they are taking to address it. This is particularly important given that, as companies start to look deeper and further in their supply chains, they are likely to find more issues that need addressing and have to be able to be transparent to develop effective solutions.

"I think we've shown that it's not that scary to go public, because human trafficking in the supply chain affects every company, every sector out there. I think our customers have been rather forgiving, in the sense that they realize this is a much bigger problem and it doesn't affect us alone. With our approach, we're able to present a problem to help us ultimately provide solutions."
– Head of Sustainable and Ethical Sourcing

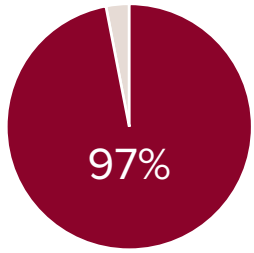
References

[8] Global Slavery Index 2016, op. cit.

97% of companies cited reputational risk resulting from public exposure to worker abuse found in the supply chain or company operations as the biggest driver for company action on modern slavery

"Transparency, or the fear of transparency, is an incredibly powerful thing. That is what finally triggers people to action, and much as I'm relatively proud of what we do, it's still true here that nothing generates real engagement and pace like when something's hit the fan or is about to hit the fan."
- Head of Responsible Sourcing

The factors that underpin a company's reputation – such as the views of customers, investors, and staff as well as the risk of litigation – have all significantly increased as drivers for action over the last year.



97% of companies cited reputational risk resulting from public exposure to worker abuse found in the supply chain or company operations as the biggest driver for company action on modern slavery

Public profiles in the media, either about the company specifically or about others in their sector, were the starting point for many companies in their journey to address modern slavery. There is no question that if a company has had to face dealing with an issue that has come to light through a media or NGO report, this has significantly impacted their actions and response.

"I think after the Rana Plaza factory collapse we've had a much bigger debate. I think retailers are much more sensitive. They've begun to move from greenwash and good examples on websites to begin to think about second tier and third tier suppliers."
– Board Member

"I think our engagement was more triggered by a lot of attention dedicated to this issue in the media, and I don't think it was fueled by major concerns from stakeholders. The way that we sell it to the business is that we have a consumer-facing company and we cannot afford to be associated with issues, from a reputational perspective."
– Director of Workplace Rights

"In part the NGO reports put a huge spotlight on this as an industry, I think people have been much more involved in it since then."
– Head of Responsible Sourcing

"I now have far more direct contact on this issue with senior levels of management than ever before. There's no doubt about it, that there's been a lot of media attention paid to this of late, be it on CNN's programs or other places. There's a lot more public consciousness about this, and the stories are so horrific, in most instances, it's pretty hard to mitigate that in your mind."
- Director of Workplace Rights

The public at large cares about companies addressing modern slavery. This makes it an issue of credibility that a company can deliver their product or service to market with a level of assurance that they have done everything possible to ensure that people are not being exploited in the supply chain that serves their brand. Social media and smartphones are increasing visibility and awareness of problems too, meaning companies have to be particularly proactive in their approach.

"Modern social media is shortening the supply chain for customers, due to their ability to find out what's going on. Any worker anywhere, even if they're not very well treated, probably has a smartphone. Anyone can post something on YouTube, and then it's shareable. The reality is, you can't turn a blind eye and think it probably won't ever get picked up. That's just not viable anymore."
– Head of Responsible Sourcing

"Don't forget, our work on modern slavery started because we found child labor in our work supply chain about 25 years ago. People were shocked, appalled, and deeply saddened and so that's always in the back of everyone's mind, I think, that we don't want to find that again."

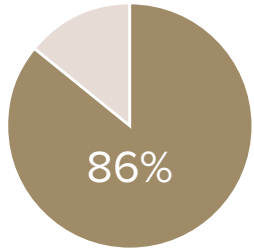
– Head of Corporate Responsibility

"It's usually when articles are written, not necessarily about our company, but about any business – everybody reads the news and our board luckily takes quite a keen interest in the type of work that we do in our department. They ask questions about whether we're exposed to this issue. And then if so, okay, what are we doing about it and what controls do we have in place to ensure that we aren't exposed and then also proactively, what are we doing to address the issue regardless of whether or not it directly touches our supply chain."

– Head of Sustainable and Ethical Sourcing

The human rights case is also a very strong driver – 86% of companies recognize the abhorrent nature of modern slavery

The human rights violations faced by workers are the second most significant factor driving companies' response to modern slavery. They felt strongly that they would not want their company to be associated in any way with these illegal practices.



The human rights case is also a very strong driver – 86% of companies recognize the abhorrent nature of modern slavery

"We have to make sure that we proactively address these risks. I think that it took us a while to get this idea of risks to people or risks to rights holders, but I think people have started to get it. So we don't see it as a risk only because it's going to be better for our bottom line or our reputation, or our operations, or our ability to partner with organizations, but it's also a risk because we can actually impact a lot of people, or impact a few, but very badly."

– Director of Workplace Rights

"I think there's definitely recognition that this is the right thing to do for the business, both commercially and from the reputational risk perspective. But actually, from a personal perspective, everyone I've spoken to and engaged with on this has been wholly supportive. There's definitely a recognition that this is important and it's the right thing to do."

– Head of Sustainable and Ethical Sourcing

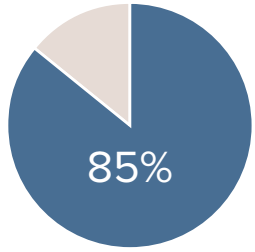
"There's an absolutely vital principle to be found in a business like this, which is if you find something that's really wrong and something quite shocking, the principle must be that we will always act on it. If you lose that you're in serious danger. Look, of course there's going to be stuff in any supply chain if you go far enough, you know, myriad ingredients and myriad supply chains, but try and protect the principle that if you become aware, you have a responsibility to act."

- Head of Responsible Sourcing

Customers are an increasingly strong driver

"We've really seen an increase in business customer requirements focused on labor and human rights issues in the supply chain. Especially where we're selling to larger entities, including public purchasers and others like that."
- Head of Responsible Sourcing

Companies are experiencing a greater level of interest and engagement from their customers on responsible sourcing issues (85% see the views of customers as a driver, up from 76% a year ago).



85% of companies see the views of customer as an increasingly strong driver

Consumer-facing companies highlighted an expectation from customers that they provide a level of assurance that they have done everything possible to mitigate exploitation in the supply chains that serve their brand. However, companies feel consumer choices are still primarily driven by price and quality, rather than perception of credibility in addressing modern slavery.

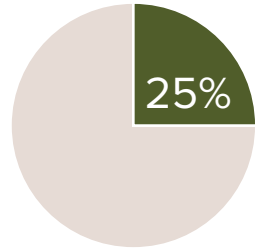
Business-to-business (B2B) companies, on the other hand, are under growing pressure from their business customers to provide assurance on what they are doing to address modern slavery as a standard part of doing business.

"There's an expectation from stakeholders that we should do something about this. There's obviously commercial risk in the supply chain, but it's not something our customers expect our product to be: contributing to people having a horrible, hideous life as a slave."
– Head of Corporate Responsibility

Investor interest in how companies are addressing modern slavery has increased

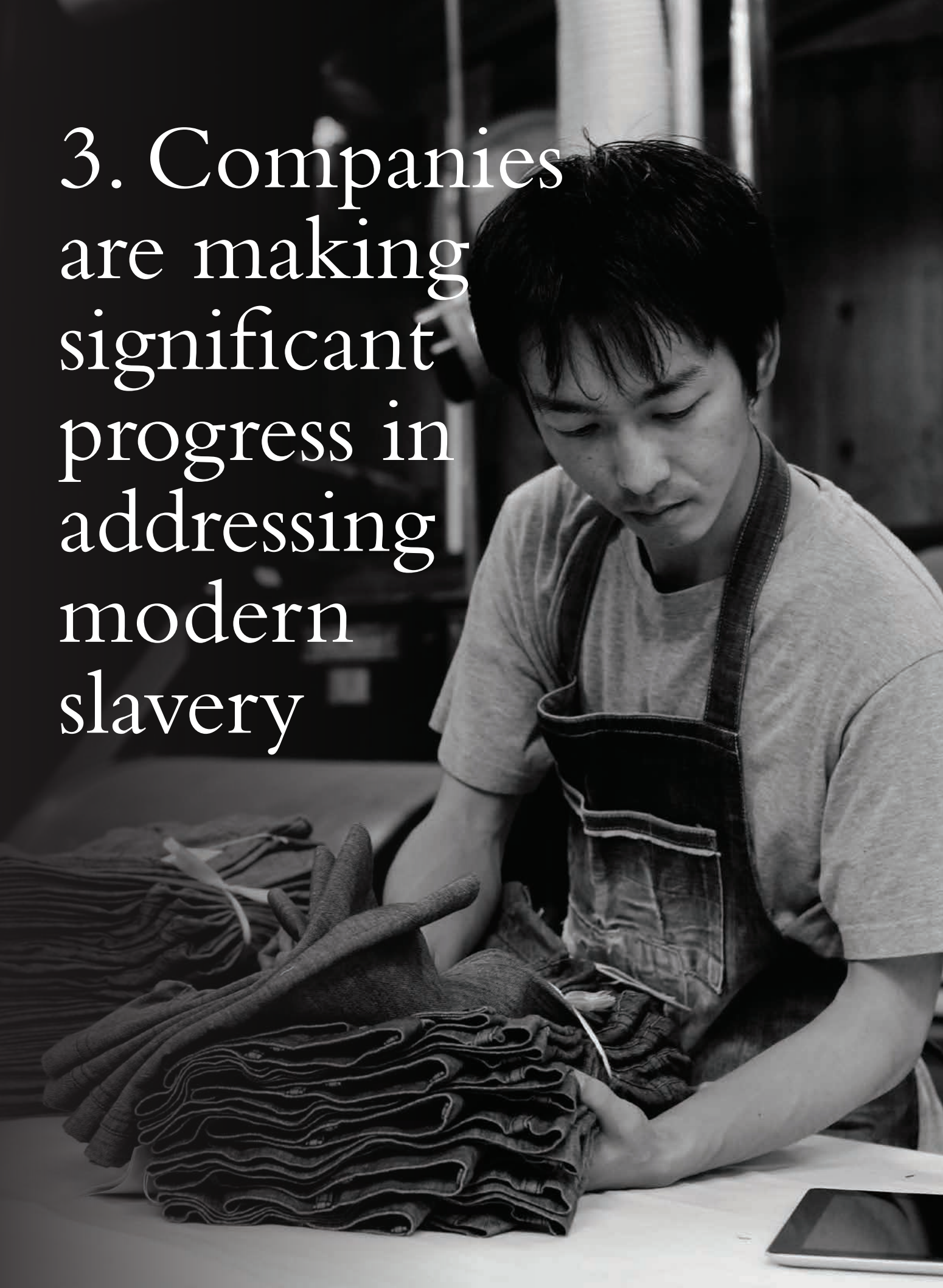
Investor interest has increased as a driver for companies to address modern slavery: 25% now see investors as a strong driver vs 0% in 2015. For most companies, this is based more on considering how investors would react to a reputational crisis in the media, rather than receiving pro-active engagement from investors to understand their modern slavery approach. For example, when a major US food retailer had a lawsuit brought against it in 2015 about sourcing of prawns using slave labor, there was an immediate negative impact on their share price.

These findings highlight there is an opportunity for even greater engagement from investors to give clarity on their views and expectations for companies in relation to modern slavery.



25% of companies see investors as a strong driver

3. Companies are making significant progress in addressing modern slavery



3. Companies are making significant progress in addressing modern slavery

What is good practice in addressing modern slavery?

Among companies with more experience in tackling labor exploitation, a high degree of consensus has emerged about the critical elements of an effective response to the risks and realities of modern slavery. **More companies know what they need to do, but they are finding some activities harder to put into practice than others.**

All stakeholders, from NGOs to government, from customers to suppliers and of course workers themselves, have a perspective on what companies should be doing to address modern slavery in their own operations and in their supply chains. For this research, we wanted to know what companies think good practice looks like. What are the factors – at both a strategic and an operational level – they believe are most important for corporate leadership in addressing modern slavery?

There was a high degree of convergence between companies in this area.

Good practice in companies who are more advanced in addressing modern slavery

Addressing fundamental business models and sector-specific challenges

"Fair purchasing practices come into play when you're discussing working hours, seventh day of rest, and overtime. The decisions that you make in design, development and purchasing have a direct effect on your supplier. If you're making changes or you're cancelling purchase orders or not operating within a negotiated lead time, you're creating the situations in your supply chains that lead to modern slavery. It really starts with a dialogue and how the decisions you make affect the people you're working with."
- Head of Responsible Sourcing

82% of companies believe that addressing human rights within their core business model is the most significant strategic indicator of corporate leadership on modern slavery. Examples included sourcing decisions, pricing, last-minute changes to orders, short lead times, and sector-specific issues such as seasonal labor recruitment practices. More advanced examples included addressing 'hidden' costs such as the cost of recruitment in supply chain contracts, which contribute to modern slavery scenarios – see case study 'Recruitment fees and debt bondage'. Companies are finding activities to address these issues particularly hard to put into practice. They spoke about increasing industry- or sector-led approaches, as having industry bodies engaged would accelerate action across a sector.

"It's clear that there are various areas where we need to strengthen our approach, and I think we've been looking at the supply chain for a while. But if you are taking a whole value chain approach, that's an area where we'd want to investigate a bit more and it's challenging, because it does put new focus areas on the table."
– Sustainable Development Manager

"We want to be making sure that we're using our commercial relationships with factories in an appropriate way, that workers are not being exploited or taken advantage of through our sourcing practices."
– Head of Responsible Sourcing

"Ultimately, if you're ever going to fix an issue when it's there, it begins with having full traceability. So it changes our requirements. Rather than us just being a purchaser with our suppliers, it means re-engineering our supply chain so that we've got proper traceability."
– Head of Ethical Trade

"Fresh produce is an incredibly important part of our supply chain, and there's well-known risks because you can see the peaks and troughs and the number of workers that are needed throughout the year are constantly fluctuating. So we knew we needed to do something about it. We'd done a lot of stakeholder engagement with an NGO to really understand some of these systemic issues."
– Head of Corporate Responsibility

CASE STUDY:
Recruitment fees and debt bondage

What this case study shows
This case study provides an example of a company trying to enforce the principle that workers in its supply chain should not pay recruitment fees. The main focus is on increasing transparency in the labor supply chain and building deeper understanding of recruitment fees to ultimately reduce the risk of workers being caught in debt bondage.

What was the challenge?
Migrant workers are often forced to pay excessive recruitment fees to recruiters in their home country. The 'loan' is sometimes impossible to pay back out of wages, creating a situation of debt bondage.

What was the approach to address it?
"We have a program that helps develop our approach to respecting the rights of migrant workers. This includes partnerships with external experts, who help us look more deeply at the labor supply chain, how the recruitment industry works, and how we can improve compliance on forced and bonded labor. We have run some pilots in countries to map the route taken by workers, including a special focus on any fees paid, which has really helped inform the way we work.

"Perhaps the most common cases of forced and bonded labor concern the issue of debt bondage, which leads to increased vulnerability of migrant workers and means that they are less able to defend their rights. We believe it is the root of the problem and can lead to other violations of workers' human rights, such as passport retention and other abuses. So if you tackle the debt problem, you start tackling the whole issue of forced and bonded labor."

What is the impact so far?
"The biggest impact so far has been in developing our understanding of the way the recruitment industry works, where the risk and opportunities lie, and what role we can play in finding solutions – as well as where we need collective effort. The only real way to solve the issue of migrant workers paying excessive fees is through a model where the employer and not the worker pays for the recruitment service. At the moment the cost of recruitment is being passed on to very poor workers - and is not factored into the suppliers' calculations - this needs to change.

"Our initial engagement with agents and sub-agents was very positive, and we see an opportunity to work with these groups to create change in their business model. Engagement with suppliers was also very positive as they now better appreciate how their workers are being recruited and the business benefits of ethical recruitment. If the supplier is paying the recruitment costs, we believe it will help professionalize the industry, bringing with it many business benefits that will hopefully offset any costs.

"However, we've got work to do, because although we've got a principle that says we don't want workers paying fees, we have to change the entire industry of recruitment to a new system. We need to work with governments, NGOs, recruitment agencies, and suppliers to make this happen - one company alone cannot transform an entire industry. We're also working with our business teams to increase their understanding of the recruitment industry and better equip them to discuss the practical challenges with suppliers. We won't solve the whole fee issue just by auditing a supplier and interviewing workers in the destination countries. By then the fees may already have been paid – which would be dealing with the issue after the horse has bolted. We need to start doing it in a much more holistic way and thinking about root causes."

What learning can be applied to other projects?
"Throughout this process we've come to an even deeper understanding of the complexities of the labor supply chain and the complex layers of agents and sub-agents in the recruitment process. We will do more mapping projects like this to continue to build our knowledge. It has given us an insight into the way worker fees are charged, though the potential solutions will require fundamental changes in the global recruitment industry. This will take time and needs the engagement of multiple actors – brands, suppliers, labor providers, and governments – to ensure ethical recruitment standards are developed. For example, governments have a key role in protecting human rights, as defined in the UN Guiding Principles for Business and Human Rights, and we need policy coherence around responsible recruitment, and in other aspects of protecting human rights too.

"The recruitment fees paid by workers bear little relation to the genuine costs of recruitment if they are borne by the employer – we need a new business model for an ethical recruitment industry based on the principle that the employers always pays for the cost of recruitment. There's no way that we can tolerate workers, some of the poorest people in the world, paying for a service that can indebt them for many years.

"If you move from a model where an often illiterate, highly vulnerable worker gets charged a fee that he or she has no ability to scrutinize or challenge to one where a supplier is placing heavier scrutiny on cost, questioning it, and challenging it, you'll see the real cost of recruitment come down. I think it will be significantly less than the fees the workers are currently paying."

Long-term, partnership-based relationships with suppliers

"We're trying to integrate responsible sourcing and ethical trading questions as much as we can into how we procure, so that we can give weighting to the decisions that we make for new suppliers."
- Head of Sustainable and Ethical Sourcing

"We need to get to the point where the whole business sees suppliers as partners to address modern slavery, not as part of the problem. Sometimes they just need the right tools or support to make some progress."
- Head of Sustainable and Ethical Sourcing

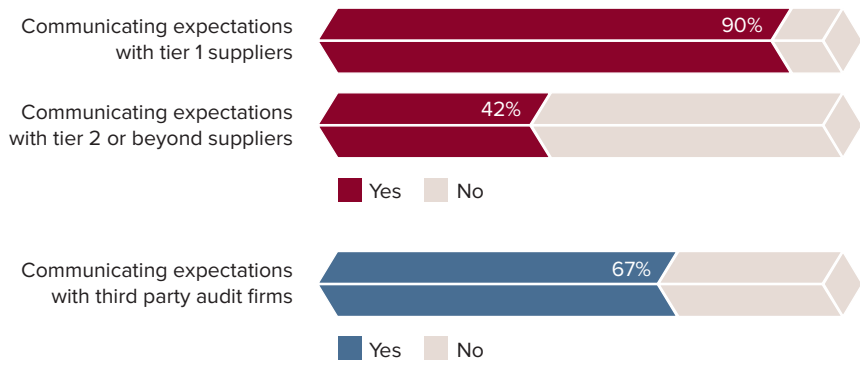
93% of companies felt long-term relationships and working with suppliers to address issues would be far more effective in the long term than simply switching suppliers to manage short-term risk. The majority of companies were making significant progress on putting this type of approach in place.

Working with at-risk tier 2 and beyond suppliers, and having modern slavery risk assessment as a key factor in supplier and business partner selection, are also considered to be important. Relationships with suppliers are strategic to the extent that they impact the way companies choose to develop and drive value through their supply chain. But they are also operational in that they impact the skill-sets that buyers require, as well as their approach to pricing, awareness-raising and training with suppliers.

Though companies assess the greatest risk of modern slavery in their supply chains to exist in tier 2 and beyond, only 42% of companies actively communicate their modern slavery expectations to this level. This may be because they expect tier 1 suppliers will do so down the chain. However, our interviews found that brands or retailers that were actively communicating their expectations further down the supply chain in partnership with tier 1 suppliers were making stronger progress in the visibility of their supply chain and ability to identify modern slavery hotspots that needed addressing.

Long-term relationships and working with suppliers to fix issues, rather than just moving supply, was a common thread running through the interviews. See case study 'Working with suppliers to raise standards and build capacity' for an example.

With whom does your company communicate its expectations of addressing modern slavery with?



"We're first to say that we demand a lot from our suppliers. We push them to the limit, in terms of responsibility. We have a lot of standards for our suppliers to meet upfront and they know that, they know walking into this business relationship that we're going to ask for these kinds of things. And so the price reflects all of that."

- Head of Sustainable and Ethical Sourcing

"We've built a significant internal audit team, and the reason for that is that we can't leave the auditing program to independent experts because it's such a sick industry and we don't think we can get to the truth."

Head of Responsible Sourcing

"I think the suppliers that aren't interested tend to be the smaller ones where there's transactional business. I think the bigger players that you have long-term engagement with have a different approach. Where do you have common interests and common values and want to do the right thing? You have to look at longer-term, more strategic partnerships and be able to have more of a long-term plan for doing business; making it worth everybody's while to be engaged that way. There's so many suppliers who are just surviving out there and they really don't want to do anything else."

– Head of Responsible Sourcing

There was a particular emphasis among respondents on moving 'beyond audit' in their approach to addressing modern slavery – the practicalities of which are explored in a number of the case studies in this report. Nevertheless, most companies emphasized that audit still has a core role to play, particularly in providing a foundation for good practice and deeper engagement with suppliers. It is not just a necessary evil, but they see it as a fundamental tool in addressing slavery through having due diligence processes in place on core labor standards with their suppliers. A number are employing their own in-house audit team because they are able to build up better relationships with their suppliers in the process.

"We do recognize there are limitations with third-party audits, but they're a really good basis from which to start the conversation with suppliers, to set a foundation and to identify where there's a risk of not complying."

– Head of Sustainable and Ethical Sourcing

"We do the auditing ourselves, and we have a team of around 100 auditors globally. Some people, I think, are nervous about that, because they think that entails less independence. But I actually disagree. I think the fact that we own the relationship and we build on the audits each year is a tremendous advantage and actually enables us to see growth and development with suppliers, as opposed to just a snapshot every year. It also means we can work on the quality of the audits and the effectiveness of them, and so we do a lot of training and capacity-building with our own audit teams. We also do a percentage of external third-party audits to verify that we're doing things in the right way."

– Head of Corporate Responsibility

CASE STUDY:
Working with suppliers to raise standards and build capacity

What this case study shows
This case study looks at two examples of companies working in partnership with suppliers to raise standards for workers. They employ formalized feedback loops and engage buying and procurement teams directly in their modern slavery response.

What was the challenge?
All companies face challenges of raising awareness of modern slavery with suppliers, and of engaging with suppliers to raise standards and pro-actively address the issues across cultural, language and even leverage barriers.

What was the approach to address it?
Example 1
"We ensure we have regular 1-to-1 meetings with suppliers, which are critical for developing relationship and trust, building capacity, and providing a forum for suppliers to share concerns or issues. Modern slavery is a standard agenda item in all of these meetings, so it's a formalized part of the process. Suppliers are assessed on their ability to share and update their approach to modern slavery with our teams.

"Most critically, buyers are getting more involved in these meetings – in fact they are approaching us as the ethical sourcing team asking to take part. They are the key holders of the relationship, and they realize addressing the issues around modern slavery and working conditions are a core factor in our decision-making on selecting a supplier, or remaining with them."

Example 2

"We use a scorecard system with our suppliers, assessing across performance, quality, pricing, and sustainability factors. We put a lot of effort in when we rolled this out, ensuring that suppliers fully understood what was happening and walking them through how they can best use the scorecard to their advantage. By that I mean looking at it as an engagement tool and a way for them to receive feedback and for them to improve their status with us. We now have suppliers that in just a year or two have improved their scores, because they're seeing where there's an opportunity for improvement. I think it's been a way for us to provide our feedback to the suppliers and for the suppliers to show, yes, we're committed to working with you, we're committed to this improvement, and getting some competition going in the sense that this is how I can show that I can be better and improve these scores.

"The other important piece is that we work closely with the procurement teams, and this is now part of the business discussion along with price, quality, and delivery – it's one of the key criteria on which suppliers are evaluated. So the message isn't just coming from our ethical sourcing teams, but from our procurement professionals. It's part of the ongoing discussion that they have with suppliers about the business relationship, and we think that really lends emphasis to how important this is for our companies."

CASE STUDY: Moving beyond audit - UK modern slavery risk

What this case study shows
This case study looks at how a company is moving beyond audit in assessing the risk of modern slavery. It looks specifically at the risk in the UK, which is relatively new to most companies. The example sees the company working in partnership with a trade union and multi-stakeholder groups to increase direct worker involvement in finding solutions.

What was the challenge?
Leicester is an important manufacturing center for many fashion brands and retailers and is part of a re-emergence in UK textiles manufacturing. While there are good business practices in some parts of the sector, ETI and University of Leicester research in 2015 found evidence of serious and endemic labor rights issues, such as workers being paid below the national minimum wage, or working in precarious conditions and at risk of exploitation and modern slavery.

One company, trying to address these challenges, realized there was a mismatch between the information they were getting from audits and from other reports from people close to the industry.

What was the approach to address it?
"We started to think, 'well, we're not going to get it from audit,' we don't really have the expertise internally, so how are we going to go about it? We did skill up one member of my team, who has an audit background. We also went into partnership with a small union, which we thought had a better chance of finding out what's going on, could work within our factory base, which is very small, build awareness, and represent workers there. We made it a requirement with our suppliers to allow this union access – but it's easier because it's first tier.

"We also recognized it would be helpful if other people were asking for the same thing, so we shared information through the ETI Leicester Group. Companies with less experience wanted to go down a forensic auditing approach, which inevitably wouldn't have got very far in finding the worst issues. So sharing information allowed us to highlight a different approach."

What is the impact so far?
"There were five factories originally, and now there are three because two of them just weren't good enough. Through our partnership with the union, we were able to get a much better view on what conditions were really like for our workers – and respond appropriately."

What learning can be applied to other projects?
"I think there are some obvious rules of thumb that emerge, which you can turn into a model for most situations. If you've got a supply chain, which you don't yet understand but know has a lot of problems, there are three things that, for us, constitute a responsible approach:

- start creating full traceability of your supply down to the base and apply standards to each of those layers;
- create clear checks against those standards;
- and reach out to support anyone who is a victim of current problems in that supply chain."

CASE STUDY: Child labor – going beyond audit to build capacity with suppliers

What this case study shows
This case study looks at how one company is going beyond audit to build capacity with its suppliers, and to understand and address through community engagement the underlying issues that lead to modern slavery in its supply chain. It shows how this response can work where a company has significant leverage with its suppliers.

What was the challenge?
"We face challenges with addressing child labor, extreme examples of which see children in situations of forced labor or trafficking. Child labor is usually the consequence of a combination of poverty, lack of access to education, and lack of community awareness about the hazards for children."

What was the approach to address it?
"A realistic strategy to eliminate child labor depends not only on improving the living standards of growing communities, but also on working with people across the supply chain to change attitudes and with national and local authorities to improve access to education.

"In 2012, we began a pilot system in two growing cooperatives to raise awareness about child labor and identify children at risk. We recruited 18 child labor monitoring and remediation agents, as well as 332 community liaison people, and trained them to raise awareness, identify children at risk, and report their findings to us and to our suppliers. This helps us identify the root causes of child labor in each growing community, and the interventions needed to tackle them. The scheme is operating in 22 farmer cooperatives in one country, covering more than 12,000 farmers, and will be rolled out to all cooperatives that supply us in the country (about 70) by the end of 2016."

What is the impact so far?
"At each level of our supply chain we have built capacity to create a much better understanding of the risk of child labor. It's completely different from an audit approach. Our child labor remediation people are members of the local communities – they're the ones who go to each household and actually ask questions. The element of trust between people from the same community has helped uncover 5,000 cases of child labor in uncertified co-operatives.

"The scheme is starting to give us unprecedented information about the living and working conditions of farming communities and it's an opportunity to help individuals directly and make real progress."

What learning can be applied to other projects?
"We have a huge supply chain and suppliers that we can actually leverage, and we should use that not only to procure and source, but also to implement these kind of programs. This is really our competitive advantage over other organizations such as NGOs, international organizations or governments.

"Child labor and forced labor aren't compliance issues; they're more long term. And we need to work with expert organizations, governments, and others. We need to be careful, however, not to be seen as replacing the government in playing this policy enforcement role. We need governments to be empowered."

Due diligence

"Our responsible sourcing team is part of the Quality Team embedded within the sourcing function. We become active at the beginning of the sourcing process by qualifying the factory. Until a factory is qualified, orders can't be raised against it. Once they're qualified, the normal sourcing and merchandising functions can take off, in terms of developing the product, and the product spec, quality, and quality control, and negotiating all the commercial terms. Factory labor standards is not a reactive function, it's embedded at the beginning."

- Head of Responsible Sourcing

90% of respondents saw due diligence on core labor standards as crucial. Leading companies are increasingly conducting human rights risk analyses by country, sector, or type of labor and prioritizing their salient risks accordingly. 71% had these processes formalized and embedded in their operations.

Due diligence on core labor standards and taking time to understand modern slavery risks is becoming an embedded aspect of company processes in supplier selection, and in higher risk areas of a company's own operations such as temp or agency labor providers. Due diligence means companies are increasingly making standards for suppliers known from the beginning of their working relationship, and that they are taking time to choose the right partners who meet both these standards and the company's values in regard to decent working conditions. Companies that are further ahead in their approach to modern slavery are conducting due diligence with suppliers and subcontractors beyond tier 1 as well.

"Due diligence was extremely important to ensure that everything we do applies to all of our supply chains. We created an online system, where our suppliers have to register the factories and subcontractors that they use for all of our processes, and they have to do it order by order. When we receive this information in the system, we evaluate the factories before they start providing services to us. This information is not divided by tiers – as far as the process is concerned, we only have one tier. We don't really care if the factory is tier 1 or tier 2 because it's been subcontracted. For us, as long as they're producing our products, they are within the scope of our work programs, including of course everything that we do in modern slavery."

– Head of Corporate Responsibility

The companies that we interviewed are all taking a much more risk-based approach to addressing modern slavery in their supply chains. Previously, most had a base-level standard that applied to all suppliers, but now activity in terms of auditing, capacity-building with suppliers, and wider stakeholder engagement is all being driven by the modern slavery risk profile of the business. Companies are focusing on the risks that are most critical in their supply chain, i.e., high risk countries, or commodities such as Italian tomatoes, Thai prawns or Uzbekistan cotton. They tend to engage external experts who are able to provide a deeper level of targeted risk analysis than the company could typically produce on its own.

Companies have historically only assessed modern slavery risk in the first tier of their supply chains. Those that are more advanced in their approach are now assessing risk throughout their chains, seeking to understand the specific risks depending on the country, product, or materials being used, and particularly the types of workers involved. This means that risk assessment and action are becoming focused on the risks beyond tier 1.

Another more recent area of risk assessment for some companies – partly driven by the reporting requirement of the Act – is for them to try and understand potential modern slavery risk in their 'own operations.' They are

"Over the last year, we've partnered with a research institute to help us assess risk in specific areas of our supply chain. We've been going into great detail, and that's why we chose the research partnership as they are obviously experts in this area. It's going above and beyond a traditional audit to more of an assessment approach. It's a much more collaborative approach with suppliers, and the purpose has been to identify simple opportunities that can help protect vulnerable workers."

- Head of Corporate Responsibility

assessing risk in terms of temporary or agency labor employees, or looking at working conditions in contracts with logistics, cleaning, security, and other service providers.

"Retailers traditionally have very broad supply chains. We sell tens of thousands of products under our label, so we're trying to put the same core minimum standard across all of those. But you end up being very broad, and because you're a limited resource, very shallow."

– Head of Responsible Sourcing

"We've always been risk-based on responsible sourcing. But you know, if you look at modern slavery on its own, you'll get different answers – they won't be ridiculously different answers, but there will be nuances. I take the UK as a really good example. If you risk assessed across all of the ETI Base Code for the UK, you'd probably not get to modern slavery as a priority area. But we had enough information about a couple of sectors to say, we're worried and we're going to look. And we wouldn't necessarily have got there if we'd just done a global responsible sourcing risk assessment."

– Senior Director of Sourcing

"We have a huge amount of internal expertise, which most companies don't have, so we felt an internal process was right to start with because we have to listen to our people who are doing this, on the ground, in these countries, every day. But if you just did that and didn't involve a third party, I think you could be accused of just doing the assessment yourselves and therefore, where's the rigor? So we did a rigorous internal exercise, and then involved external experts and said 'Here are the priority areas that we think are the areas where we're most at risk, will you now give us a validation that you agree that they're the right high priority areas?'"

– Head of Sustainable and Ethical Sourcing

CASE STUDY:
Migrant workers – in-depth risk assessment

What this case study shows:
This case study examines how a business is undertaking deep-dive risk assessment on a crucial issue of modern slavery. It particularly looks at the company changing the way it does business – moving to a model of direct employment to reduce the risk of exploitation in using agency workers in countries where agency work is not regulated.

What was the challenge?
Migrant workers – particularly low-skilled ones – are often among the most vulnerable to exploitation and frequently less able to understand, defend, or promote their rights. In the labor market, they can suffer job discrimination, unfair treatment, unequal wages, harsh working conditions, and other issues. Such situations are often made worse by the excessive debt incurred through high recruitment fees.

What was the approach to address it?
"We released our Foreign Migrant Workers Standard, which sets requirements for the recruitment, selection, hiring, and management of foreign migrant workers by or on behalf of our suppliers. The Standard requires direct employment of foreign migrant workers, protects workers from passport and personal documentation retention by management, and prohibits worker-paid recruitment fees.

"As we looked at the landscape of forced labor risks, we felt foreign migrant workers were one of the most vulnerable groups. To find the right thing to do, we had to focus in a very detailed way on what it is about how these workers get recruited and managed that makes them vulnerable. For example, looking specifically at things like passport holding, or recruitment fees – how much a worker should be paying or not paying towards their employment, etc. Getting specific has been really important.

"We were one of the first companies to say you could only directly hire foreign migrant workers - you can't have labor agencies hire them and then work at our facilities. It was a very big challenge for us, but it was a really important requirement because we'd seen so much evidence showing that not directly hiring workers just made it too risky and created too much vulnerability."

What is the impact so far?
"The Standard has been one of the most powerful tools for us to address forced labor and human trafficking. We have a specific assessment where we look at the signs of forced labor and, if we find them, include them in our sustainability reports. Then we ensure that we have corrective action and follow-up assessments. We've really tried to share this tool with others in the industry, including how we developed it, the challenges along the way, and how we engaged with suppliers."

What learning can be applied to other projects?
"One lesson was that going out with an aggressive standard was really positive. As was working hard with other leading and progressive companies to advocate for our industry to raise itself up to those standards. When just a single company acts, our ability to have an impact is constrained and it's quite challenging. But if you can say all or most of your other customers who are industry body members also have the same standard, that really changes the conversation on getting them to compliance. So broad movement together at a policy level is important to really move the dial on improving ethical recruitment and professionalizing a lot of the poor practices in recruitment networks. Going public individually has positives to it, but you've really got to mobilize others.

"Another area we've found effective is educating our supply chain professionals on our overall commitments around social and environmental responsibility and involving them in developing solutions. For example, in developing the Standard we hosted training sessions with a number of the key buyers that were going to be impacted by those requirements, to help them understand the core issues, get their buy-in, and then provide them with tools to answer questions from suppliers about the new requirements."

Involving workers in finding solutions

"Worker participation is a key approach – you need to involve the actors that are actually the ones for whom it needs to change – and I would say those approaches are the ones that have brought the most success."

- Head of Corporate Responsibilty

All responding companies are increasingly trying to directly involve the workers who are most at risk of modern slavery. This means recognizing that workers themselves need to be actively engaged in mitigating these risks. Whilst some companies are engaging with trade unions to raise worker voice, only 31% see trade unions as critical stakeholders in addressing modern slavery.

Our interviews suggested that companies are pushing ahead in trying to hear directly from workers themselves about the challenges they are facing, and to identify potential solutions together. They are also putting much more emphasis on training and educating migrant workers in particular on their rights. They are going far beyond having a 'grievance mechanism,' where workers can report problems or concerns, to actively engaging workers in pro-actively mitigating modern slavery risks.

To be successful, companies highlighted the need for an atmosphere of anonymity for workers that encourages transparency and honesty. For some this is created through partnership with trade unions, while others are working in partnership with local NGOs, or developing their own worker voice programs.

We found more examples this year of companies working alongside trade unions with and hear from workers. See case study *Worker voice and representation - trade union partnership.*

"The programs that we have the most belief in right now are those that are focused on the worker and worker representatives. So the Verité program in that sense is one. It's about capturing, documenting workers' collective voice, and then working with our vendors to make investments in not just amplifying workers' voices, but improving the level of engagement and sense of value that workers have at work. The more empowered and enabled they feel, the more likely they are to speak up against transgressions when they see them. This works through setting up worker-management committees in factories. It's more of a structural approach, so workers are represented and can formally voice their grievances directly to management. Anything that enables, if not empowers, workers to speak on their behalf and to feel thattheir voices are heard is the type of activity that we're predominantly invested in. Over time, we're moving away from the audit approach, which has gotten us this far, but we all agree it isn't far enough."

– Head of Sustainable and Ethical Sourcing

CASE STUDY:
Raising the voice of workers

What this case study shows:
This case study looks at how a company is seeking to raise the voice of workers to better understand the situations that lead to modern slavery, and particularly to get their perspective on what solutions could lead to greater change. It is an example of moving beyond audit to create a foundation of decent working conditions to reduce the risk of modern slavery.

What was the challenge?
Despite positive changes in the 'social quality' at production facilities worldwide since the 1990s, broad-scale and in-depth improvement of working conditions is yet to be achieved. Specific areas of concern are a lack of living wages, workplace discrimination, excessive overtime, and denial of the right to freedom of association and collective bargaining – all of which at their extreme can result in modern slavery. Having grappled with these challenges, one company wanted to take a new approach to improving conditions for workers throughout its supply chain.

What was the approach to address it?
"Our approach is about building mutual understanding between managers and workers in the supply chain and then moving on from there to change things. For that, workers need to be empowered and participate in the process. We do training programs using local trainers who speak the language and know the cultural, political, and social background. The workers speak for themselves, but also meet their supervisors and managers so they can exchange views. At times it's been challenging, but we protect the workers' anonymity and, as trust builds, people do speak up and give their opinion.

"The breakthrough usually comes when one of the workers says something that is very clear to them, and it's just as clear to their managers that it's something really helpful. Then it's really about an atmosphere that develops, within these light-bulb moments.

"We developed the approach in a development-funded government partnership, and have scaled it up to all our strategic suppliers."

What is the impact so far?
"The program reached 320 production facilities in emerging and developing countries by the end of 2014. We're in the review process to make it more impact-oriented and moving more towards building more worker representative structures, trying to get more of a union-supported approach into our factories. Now 75% of our products are produced at factories that have been in the program, because our buyers have seen the relationship between social upgrading and commercial upgrading."

What learning can be applied to other projects?
"We've learned that if you involve the actors for whom it actually needs to change, then suppliers can make much more progress. As we review our program, it will be even harder because when you go down the supply chain then you deal more with smallholders or small enterprises, rather than supplier groups who are very clearly defined. But then it becomes even more important to have people speak for themselves."

CASE STUDY:
Worker voice and representation - trade union partnership

What this case study shows

This case study looks at how one company is engaging with trade unions to improve worker voice and representation. A Global Framework Agreement and partnership are raising the visibility of challenges facing workers, providing local expertise and insight, and enabling the company to improve conditions for at-risk workers.

What was the challenge?

One of the key challenges for companies trying to address modern slavery is getting a clear picture of what conditions are actually like for workers – what are the real risks and the situations that make these worse. Companies are often unable to have direct contact with workers, and even when they can, the feedback is often not transparent or complete due to fears of reprisal.

What was the approach to address it?

"We signed our Global Framework Agreement with IndustriALL Global Union in 2007, because we decided the best approach would be working with other stakeholders that have the same interest in protecting workers' rights. It was the first Agreement of its kind. Before that, there had been an informal collaboration for some years, and IndustriALL wanted to make it a little bit more official, cover the whole supply chain, and make sure it was more profitable for everyone.

"In 2012 we signed a protocol, which was extremely important as it gave local trade unions the opportunity to work with us at a local level. We share our full list of factories and suppliers with them. A couple of months ago, we signed a new agreement with IndustriALL to jointly establish a trade union specialist to implement the Agreement locally in each of the countries where we have work production."

What is the impact so far?

"The Agreement has had a big impact on improving conditions for workers. They'll talk to local trade unions that understand their needs. I wouldn't dream of going to a factory in China and trying to get a Chinese worker to trust me in five minutes. But our CSR staff are all local and know the factories very well, and when they go the workers are very open. The important thing is that we're really there for them – not for the program, not to create something to report, but just for them."

What learning can be applied to other projects?

"It could have been a 'bomb' to give out the details of our supply chains, to open our house to the trade unions. But the only way to really make progress is to make sure that you have the right partners. And that's what working hand-in-hand with the trade unions has given us. They're trade unions, and we're a big company, so we work together, but they're the ones that wake us up if we fall asleep. Partners that are quite demanding may not always be the most comfortable, but they are the most rewarding at the end of the day."

Corrective action and remediation

"We have remediation plans for all non-compliances that are found in our supply chain. When we evaluate and find any type of non-compliance, we always launch a corrective action plan, and remediation is a core part of this. Sometimes we need a specific remediation plan for issues like child labor, because it's a bit more complex, but we have remediation plans for every non-compliance."

- Head of Corporate Responsibility

Once an issue of modern slavery is uncovered, 93% of companies highlighted that they have a responsibility not only to do everything in their power to address it, but also to ensure that the workers most affected are protected from further harm and compensated appropriately. While companies are making strong progress on corrective actions with suppliers, only 40% of companies have clear remediation plans in place.

Remediation plans include compensation for excessive recruitment fees or underpaid wages, or support to find alternative, decent work, or education as appropriate. Even if a company does not currently see where an incidence of modern slavery could exist, either in their supply chain or in their own operations, leading companies are ensuring a policy and plan of action in place. The pathways of accountability and response should be clear, regardless of their level of risk.

There is a challenge in companies understanding and communicating internally what remediation means and looks like. Most companies described remediation more in terms of corrective action plans with suppliers over working conditions in the supplier's operations, rather than in terms of direct remedy to workers themselves.

"Our corrective actions would be both from a business perspective with our suppliers and also how we would compensate the affected individual. What is the most appropriate thing to do to compensate the person that has found themselves in that situation in our supply chain?"

– Head of Sustainable and Ethical Sourcing

KPIs focused on impact rather than activity

The majority of responding companies cited developing KPIs that are focused on impact rather than activity as key to improving conditions for workers, yet fewer than 37% have managed to put these in place. All highlighted the need for greater effort to develop KPIs that drive the right kinds of outcomes.

Companies emphasized that new ways of measuring the impact of their activities are needed to ensure approaches to addressing modern slavery are effective and are driving genuine change for those who most need it – the workers who are at risk. These indicators could be at a country or industry level, rather than just for the company, and collaborative approaches will be required to develop them. There were some encouraging examples of companies positively engaging procurement and buying teams to co-develop KPIs and objectives with ethical sourcing professionals.

"If you're focusing on six months' trends, you're not going to see much change. But if you take, say, a 20-year view, then there's absolutely no question that working conditions and remuneration for most workers in our supply chain have improved significantly. Are there still isolated extreme examples of abuse that we don't have visibility of, or that we have occasional visibility of? Yes. But the larger trend is definitely much, much better. It's harder to see that impact when you're focusing on a six-month type of view."

- Head of Responsible Sourcing

"One of the areas we've focused on is bringing our sustainability and procurement teams together to set and address shared goals for addressing modern slavery and human rights challenges. They are largely focused on how we incentivize and penalize factories for their overall performance on core labor standards. Any issue related to modern day slavery is listed as what we call a critical issue, and that comes with a certain points' reduction in how we score factories. And so people are orienting around the eradication of any of those issues."

– Head of Sustainable and Ethical Sourcing

"The work that we do around human rights in procurement is embedded through our pre-qualification process for suppliers. It has three pillars – financial stability, business integrity, and modern slavery risk assessment. It's in that process that we would identify if a supplier represents a high risk, and then we would start to address this with them. KPIs include the number of audits that we do, the compliance rate, and most importantly, the number of workers that we've reached through that. As the program evolves, we want to be looking more at positive impact, and we are working on how we would measure positive impact and also what we would need in place to ensure the needs of people are understood and met."

– Sustainable Development Manager

Local partnerships and collaboration

"Deal with it at the beginning and at the root of it all, rather than waiting until people are already in these situations. So focus on prevention rather than remediation at the end."

- Director of Public Affairs

Companies believe getting the right local partners in countries where they are sourcing is crucial for addressing the modern slavery challenge. All companies recognized the need for these relationships, to provide support as well as insight into the local socioeconomic factors that could be contributing to modern slavery risk.

"We think the way to address some of this is try to get to the root cause and get to the actual location where people are being recruited. We're funding a project in partnership with an NGO that is trying to create a lot more educational tools pre-departure for Filipino migrants, to help them understand what to watch out for when they're accepting a job, or when they're talking to a recruiter. Once they're in the factories, it's too late. You actually have to go back, find these unethical recruiters, and root them out, and you also have to make vulnerable people more aware of what they have to look out for. Deal with it at the beginning and at the root of it all, rather than waiting until people are already in these situations. So focus on prevention rather than remediation at the end. And that's why I think you have to think multi-stakeholder approaches."

– Director of Public Affairs

Cross-functional committees

Cross-functional committees are one way that companies are increasing engagement and raising the level of awareness of modern slavery across the business, and their leadership impact is increased when chaired by the CEO. The complexity of the issue, and the steps required to address it, mean a company's response needs to be strategic and managed across all aspects of its operations.

"Our sustainability committee, which holds responsibility for modern slavery issues, is chaired by the Chief Executive. Around half of our Board also sit on this committee – for example, our Chief Sustainability Officer and also the Board-level purchasing supply chain person – and they meet regularly, normally quarterly. In those meetings we bring them up to speed on the development of our modern slavery response, on particular cases, on particular violations that need their attention, and on strategic decisions that need sign-off."

– Head of Corporate Responsibility

At times the cross-functional engagement is strategic, and at others operational – and some companies even have two committees to cover each type of action. Some companies highlighted that they are looking at risk much more in terms of their 'own business' operations, such as potential risks with cleaning suppliers or temporary and agency labor sourcing.

"Modern slavery is tough to manage because it crosses a lot of stakeholders. Ultimately, there are two parts: there's the supply chain bit, which is responsible sourcing, but there's the other part, which is all about your own business. This usually fits within several different remits, so there's been a cross-functional team formed here, with 15 divisions represented – everybody from PR to retail development, the guys that build our stores, to those who do all the maintenance and cleaning – to basically make sure where we're up to for our own business."

– Senior Director of Sourcing

Less than half of surveyed companies had a cross-functional modern slavery committee – yet in all of our interviews, companies talked about a clear governance structure and steering committee that involved representation from key individuals across the business. This highlights one of the critical differences between companies that are making more progress on modern slavery, and those who are not as comprehensive in their approach.

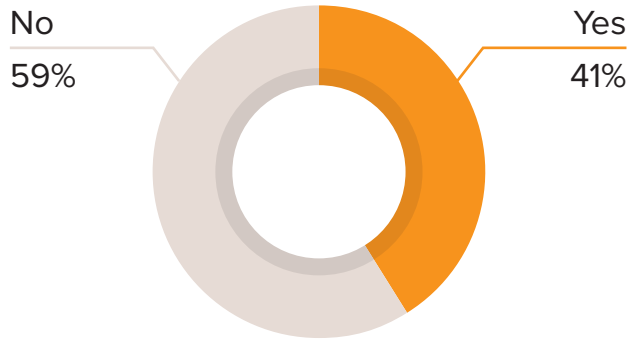
One of the most important factors is that roles and responsibilities are clearly defined and understood. One company had developed an effective matrix to bring clarity on the key part each role in the business had to play – what the issues were for their area of the business, what actions they could take, and where to go for further help. It might seem a simple step, but this company found the formalization of responsibilities that were previously assumed helped individuals engage in a new way.

"What I think you could argue is more embedded relative to a lot of other places is a good level of awareness among the sourcing teams, including the commercial teams, about the nature and complexity of modern slavery. So Thai prawns in particular has helped us as a business to understand it. It's very exposing."

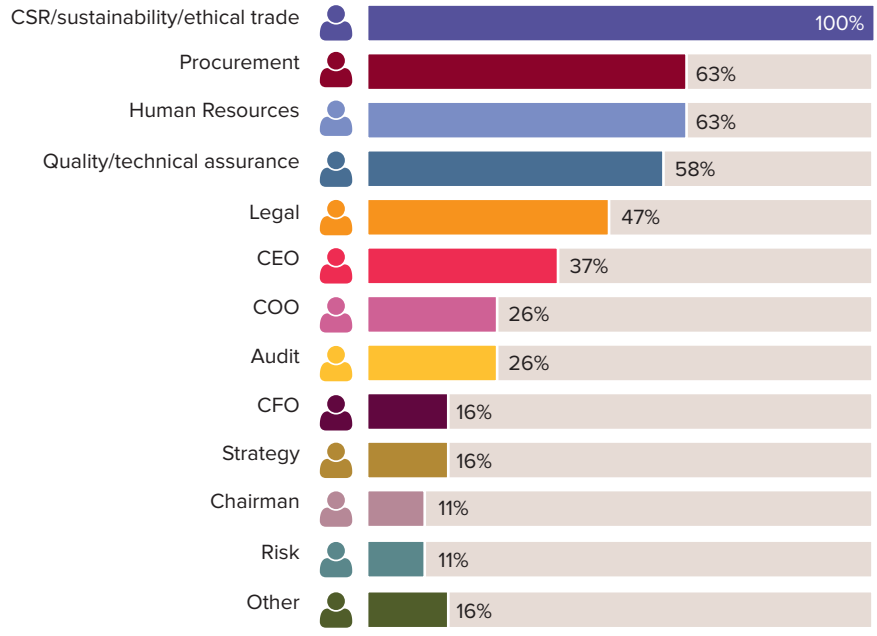
– Head of Sustainable and Ethical Sourcing

Cross-functional committees

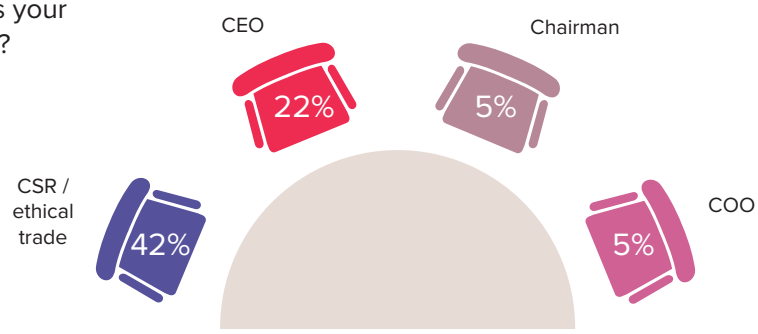
Do you have a cross-functional committee to manage your organization's response to modern slavery?



Who is a member of your cross-functional modern slavery committee?



Who chairs your committee?



"I think the most important thing is to keep reinforcing and not letting people get complacent or bored. You have to do it slightly differently each time so people really pay attention – it's not everybody's first job, they have other jobs, and some see it as an added burden. So you really have to relate it to their jobs, and why it's important for them to be aware and to report, even if it may not look like it's slavery, there are different indications here. And it doesn't matter if it turns out to be nothing, report it anyway."

- Head of Responsible Sourcing

Where companies have a committee in place to address modern slavery, it is primarily made up of the key roles identified in our interviews – CSR/sustainability/ethical trade, HR, procurement and quality or technical assurance. Legal are also significantly involved, while the CEO and COO make up the most senior roles represented. Interestingly, most companies do not have a strong strategy or risk representation on their committee.

32% of committees are chaired by a c-suite member, while 42% are chaired by a CSR/sustainability/ethical trade representative. Risk and strategy roles are more likely to be engaged when a senior leader is chairing the committee.

Companies that are more strategic in their response to modern slavery issues have a short chain of accountability between the CEO and the operational lead for their response, and this is magnified further when a significant proportion of the committee is made up of, primarily, the most senior individuals in the company.

Communication and transparency

Communication was a significant theme in this research, with many companies voicing the need to get better at pro-actively communicating what they are doing, particularly in light of the Modern Slavery Act. They highlighted that making a public statement – even if it's just a statement of commitment – is important, as it sets the direction of travel for the business.

"I think leadership is based on how honest and how transparent you're willing to be. Reports are great, they can be comprehensive and really detailed, but they are often just a combination of good news stories. And we all know that's not the reality. When we find issues, I'd really like to see us in a position where we have a strong enough program and enough trust in it, internally, and recognition that it's a good program externally, that we're able to be honest and open and talk about how we remediated, who we spoke with and how we went about dealing with those situations."

– Head of Sustainable and Ethical Sourcing

How do companies benchmark themselves?

Benchmarking is widely considered an important way of driving change within a company or even a sector, particularly through providing examples of 'what good looks like.' Company responses reveal mixed feelings about formal benchmarks and participation in them. Overall, they felt there was a need for deeper insights than benchmarks are providing. It can be difficult to benchmark the nuance of actual practices, particularly based on public reporting. Another challenge is that the issues vary for different company business models and different sectors. They also felt there was a need to be careful that benchmarks do not drive the wrong kind of activity or lead to KPIs that focus attention in less fruitful directions, with actions driven by the data rather than the issue. More than anything, it is a time and resource challenge to take part in all of the benchmark and survey requests that are received.

So what benchmarks or methods do companies use to decide what good looks like?

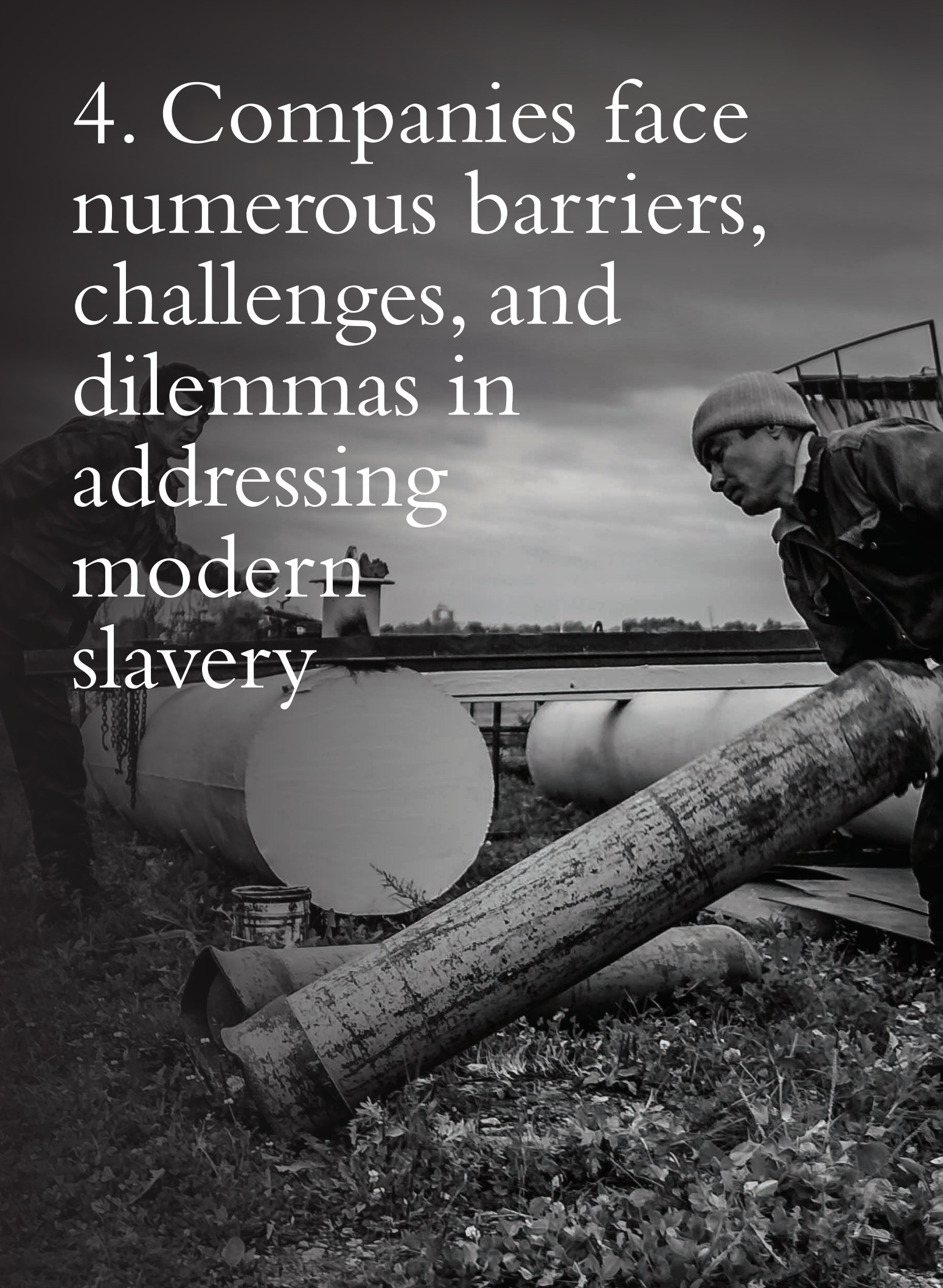
- **Most benchmark themselves against peers or others in their sector**, actively reviewing their peers reporting and using collaborative networks and direct relationships to find good practice. There was a strong theme of relationship or regular discussion with a competitor – often to ensure practices are aligned.
- **Benchmarking internally, using their own knowledge and expertise** – and the insight of local teams or staff around the world. They are benchmarking against their own theory of what good looks like.
- **Using NGO reports and other external indices and reports** – e.g., United Nations Children's Fund (UNICEF) data, World Bank, US Trafficking in Persons Report, Global Slavery Index, etc.
- **The Ethical Trading Initiative Base Code and strategy process** is a key benchmark for members.
- **The Modern Slavery Act is providing a benchmark** as a framework to review practices and highlight any gaps. California SB 657, ILO Frameworks, and UN Guiding Principles on Human Rights are also used.
- There was a strong focus on **actively developing and using peer networks, or other networks of good practice** to learn from other sectors – e.g., ETI, AIM Progress, Fair Labour Association, EICC, UN Global Compact, Cocoa Action, Consumer Goods Forum, Fair Trade Principles. The collective, collaborative networks help companies move faster and cover more ground.
- **External benchmarks** such as Behind the Brands, Corporate Human Rights Benchmark, Know the Chain Benchmarks, FTSE4Good and the Dow Jones Sustainability Index (DJSI).
- **Benchmarks based on talking to workers** and finding out what is/is not working for them. In addition, working with trade unions to get this worker insight.

What do companies think about being a leader on addressing modern slavery?

Companies have widely varying opinions when reflecting on the role of being a leader as a business in addressing modern slavery.

- **Some companies felt there was more risk than opportunity in being out in front,** particularly in opening the business up to potential criticism of their approach, or in not doing enough in the eye of different stakeholders.
- **Others felt being out in front for too long could mean losing their ability to compete** if peers did not invest or follow their lead in addressing modern slavery and raising standards for workers – it is only worth being out in front if it ultimately mobilizes others too.
- **Some felt that as a big company, they had a role to play in setting an example for others to follow** – creating case studies and examples of good practice.
- **Most companies preferred to be 'in the pack', keeping pace with the practices of others.** However, they still usually wanted their approach to be at the standard of a 'leader' – to be seen as a leader internally.
- **Some companies felt that to be a leader would mean differentiating their approach – but what does that mean for collaboration?** What activities should they do themselves? And what should they be working on with others?
- **Other companies clearly had a strategy to be seen as a leader on addressing modern slavery in the public domain, believing it would give them an edge in attracting customers, staff, and investors.** They expressed a strong need for collaboration and working with others, and that addressing modern slavery was not an issue to compete with others on – that it is pre-competitive. They did not want to be a leader at the expense of raising standards for their sector as a whole.

4. Companies face numerous barriers, challenges, and dilemmas in addressing modern slavery



4. Companies face numerous barriers, challenges, and dilemmas in addressing modern slavery

"All of our programs work across multiple issues and there are limits. There are resource constraints, there are people constraints, there are constraints of leverage and business relationships. So I think we take a risk-based approach to this, as most folks do, in how we address it. It takes some time, it's challenging, in trying to align expectations, requirements, budgets, all those things."

- Head of Responsible Sourcing

Key risks companies are focusing on

Companies have identified key risks in these areas and are focusing most of their attention on addressing these.

Migrant workers | Child labor | Recruitment fees and debt bondage | Agency workers and temporary labor | Working hours and wages | Subcontractors

Risk areas companies are starting to focus on more

Companies are beginning to see risks in these new areas as they start to map their supply chains.

Logistics | Warehousing | Cleaning | Catering

Key barriers to companies addressing modern slavery

- Supply chain complexity
- Resources to support supplier improvements and due diligence
- Commercial priorities
- Cost and pricing pressures
- Transparency dilemmas

"Price is always a sensitive topic to discuss between our sourcing teams and our suppliers. In requiring the implementation of these standards there's some cost incurred by the suppliers. So that's definitely an issue that has to be discussed, but it's one that we stand strong behind. We have asked the suppliers to incorporate their costs into the negotiations of our materials. We don't expect our suppliers not to charge us for improving their supply chain. We know that we have to pay more to help them be responsible."

- Head of Sustainable and Ethical Sourcing

Companies face a number of barriers and challenges in addressing modern slavery. Respondents highlighted the need for new skills to grapple with these dilemmas and tensions.

51% of companies cited a lack of sufficient resources to conduct due diligence and to support supplier improvements on modern slavery as a key barrier

Most companies highlighted that there are never enough resources to address a challenge such as modern slavery in their supply chain – there is always more that could be done, and that justifying a budget and investment becomes more challenging the further removed the issues are from the core business, i.e., at lower tiers of the supply chain.

"I think the vision and the commitment are there, and that's public and has been in place for several years. We're slowly chipping away at closing the gap between the vision and the reality of what we ultimately have the resources and capacity to take on at any given point. But we just don't have a big enough team to fully trace and audit every single site that's involved in the eventual manufacturing of our goods."

– Head of Sustainable and Ethical Sourcing

"There's never enough effort and resources, and there will never be, because our supply chain is very large and we want to go to so many places and do so many things that there will never be enough resources for us."

– Head of Corporate Responsibility

Commercial and cost pressures mean companies have to manage the tension between public concern and the corporate responsibility to prevent slavery on the one hand, and pressure for buyers to secure the lowest price with their suppliers on the other.

"If my product is at a premium and you and all your mates are not at a premium because you're not doing anything, sometimes I'm going to struggle to compete with that if I've not got an ethical consumer or an ethical buyer."

– Head of Responsible Sourcing

"It's always an ongoing learning thing with buyers. You try and use real examples, in terms of figures, and also brands that have been affected – but some of them are more aware than others. Some of them just see it as, 'Oh, it's just something that we have to do.' And then some of them don't see it as a problem – obviously they have the relationships with suppliers, and when it's in countries that don't generally deem it could be a problem, like Italy, it's harder. Normally they get the brunt from the supplier saying, 'Why are you asking these questions? You've worked with us before,' etc.?"

– Head of Corporate Responsibility

Supply chain complexity

"Something we hadn't really foreseen was that a global supply chain ceases to be just ours, it's not specific to us. It's industry that needs to be working to address this as a whole. When we say supply chain, I think visually you imagine it as this two-dimensional thing and it's not. There's layers and tiers involved and that adds another level of complexity."

- Head of Responsible Sourcing

42% of companies see the length and complexity of supply chains as one of the strongest barriers to effectively addressing modern slavery. This challenge is magnified by some of the complexity being so deeply embedded in sector models and company business models that any change will need significant levels of industry collaboration and innovation to bring change.

"Traceability for commodities such as hazelnuts, or vanilla, or cocoa is much more difficult. It takes much more time because we source from thousands of small-scale farmers and so very often we don't actually have full traceability."

– Director of Workplace Rights

"It's hugely complex. There are root causes to this issue that also need tackling, and compliance approaches don't do that. So questions like why do we have migrant workers in the first place? It's normally due to poverty. In Nepal it was exacerbated by the earthquake. People genuinely just want to get out and work and provide for their families. If migrant workers were educated better, they'd be able to challenge recruitment fees better. So I think there is recognition that modern slavery has many, many causes and our responsibility is not just to audit our suppliers. We're never going to tackle it by just doing that. It's complex and, in some cases, political as well."

– Head of Corporate Responsibility

Companies are beginning to see risks in new areas

Companies we interviewed noted that one of the bigger impacts of the Act has been bringing their 'own operations' into scope – for example, considering potential risks in their hiring of temporary or agency labor. This is true even for businesses that have been addressing modern slavery for a long time, and as they start to map their supply chains they are finding modern slavery risks in more areas, including in logistics operations, warehousing, IT procurement, catering and cleaning services, and temporary and agency labor recruitment.

"I don't think, until we looked at our data in a slightly different way in response to the Modern Slavery Act, that we realized how our entire global supply chain is pervaded by labor agencies. And it needs an entirely separate strategy. Because you will not, cannot, and should not tackle this supplier by supplier, or sector by sector. You need a labor agency strategy."

– Senior Director of Sourcing

Lack of supplier engagement

One of the key tensions for companies is how best and how long to work alongside suppliers to improve working conditions, whilst also having red lines in place when core standards are not met. All agreed that withdrawing from a supplier is a last resort, but want to ensure they do this in a way that protects the reputation of the business and does not put workers at greater risk of abuse and exploitation.

"I've seen varying degrees of integration in my career, and I think the key thing is to get the business teams involved and aware of responsible sourcing requirements. Of course there are conflicts – sometimes we have to stop relationships with suppliers. Sometimes we need to ask our business teams to do things that the supplier might not like."
– Head of Sustainable and Ethical Sourcing

Leading companies are making their supply chains and modern slavery approach more visible in public reporting; however, most companies say there is a real dilemma around greater transparency

Leading companies are making their supply chains and modern slavery approach more visible because they see this as a crucial factor in addressing the issue. It helps engage others in their sector through sharing good practice and areas of challenge.

However, companies are extremely cautious about how much they should share publicly about the risk of modern slavery, or report on modern slavery cases found in their supply chains. They worry that campaigning NGOs and the media will exploit this to 'name and shame' the company publicly.

Companies we spoke to welcomed pro-active engagement from NGOs – to challenge and stretch them – and also stated they wanted to find more ways to work collaboratively with the media to highlight key issues. And while the intention of the Act is to encourage more companies to share openly, they feel there is no broader public understanding of the complexity of issues, and as such the environment is not yet conducive to encourage this full level of transparency.

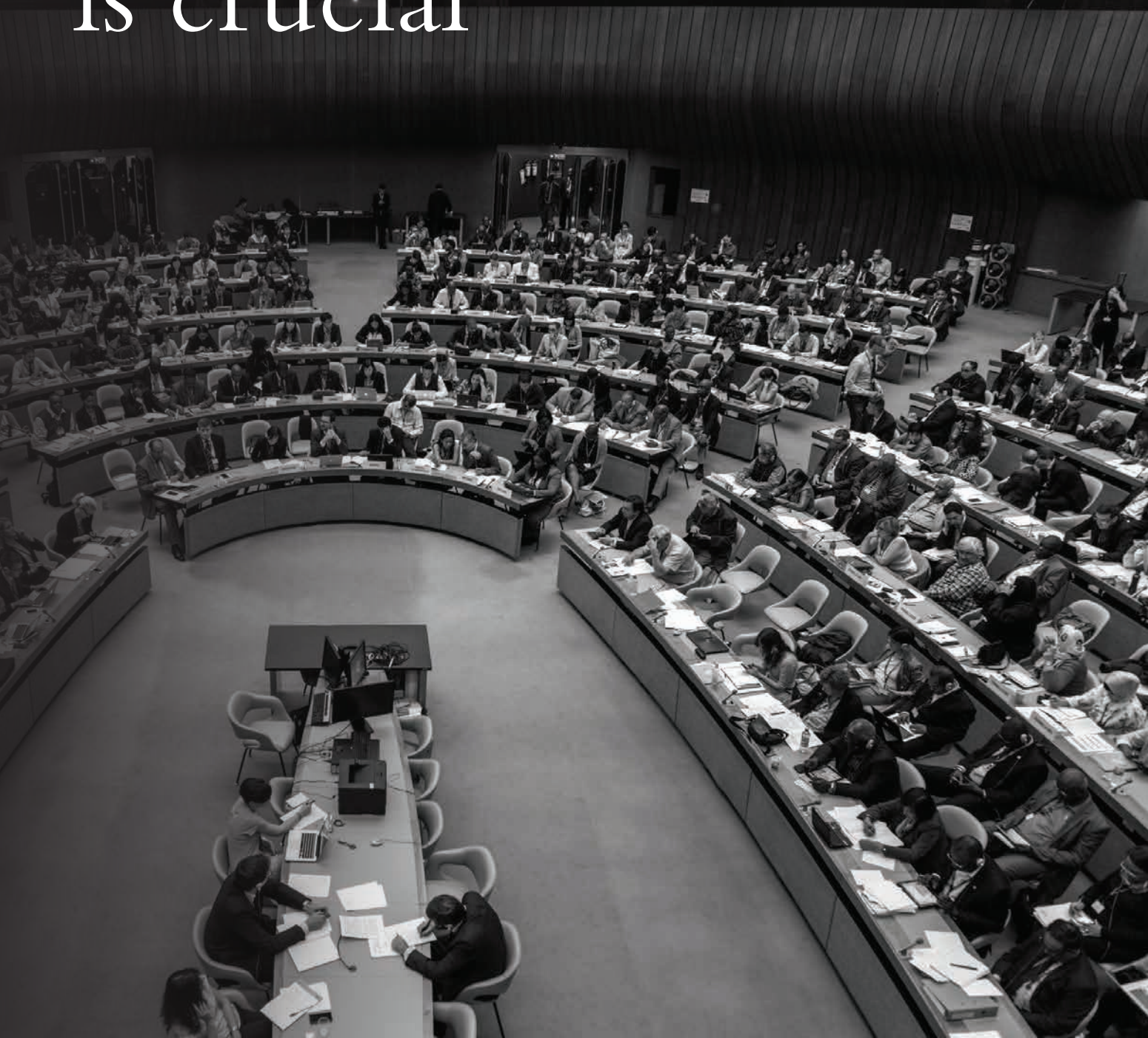
"I think it's tricky to answer how comfortable we would be externally reporting some of the KPIs we use internally. I think it would depend on the external temperature. So what's going on, how the media would respond to that kind of information, how we chose to put that information out, needs to be managed, but also transparent."
– Head of Sustainable and Ethical Sourcing

"At some point, which we don't do yet, there's some outreach to the public where you're informing them about what you're doing. I think this is still a missing piece. There's a small but really important group of motivated consumers who are, through various means, holding brands to account. Then at the extreme end of that you've got NGOs that are activists in this space, and I think they're absolutely vital pressure because as retailers or as brands we live or die by customers and our reputation, so engaged customers and active NGOs are a really important part of the equation."
– Head of Responsible Sourcing

Other barriers to corporate action included:

- insufficient leverage with suppliers to gain their engagement;
- dealing with commercial partners that deny the possibility of modern slavery existing in their sector; and
- a lack of urgency to address the risk – before a crisis in the media exposes the company to reputational damage.

5. Senior leadership engagement is crucial



5. Senior leadership engagement is crucial

The engagement of senior leaders is the strongest enabler of corporate action on modern slavery

Senior leadership engagement is seen by all companies as crucial in driving effective responses and overcoming critical challenges, while 79% of companies cited senior leadership passion as a key driver of their modern slavery response.

In companies that are more advanced in their modern slavery approach, the CEO and other senior leaders are very clearly engaged – both on a personal level and in a strategic engagement sense, internally and externally. Senior leadership engagement is seen in a number of the case studies in this report.

Senior leaders were most engaged when they had encountered an issue for themselves

Those senior leaders who encountered an issue for themselves – either by seeing poor working conditions first-hand, or being directly involved in the response to a media expose or NGO report that targeted the business – were the most engaged. More resources were allocated to address modern slavery when senior leaders were personally engaged.

"The most supportive senior colleagues are the ones who have had bits of the supply chain that have gone wrong, from an ethical point of view."

– Head of Responsible Sourcing

Most companies have made training and awareness-raising for senior leaders a priority

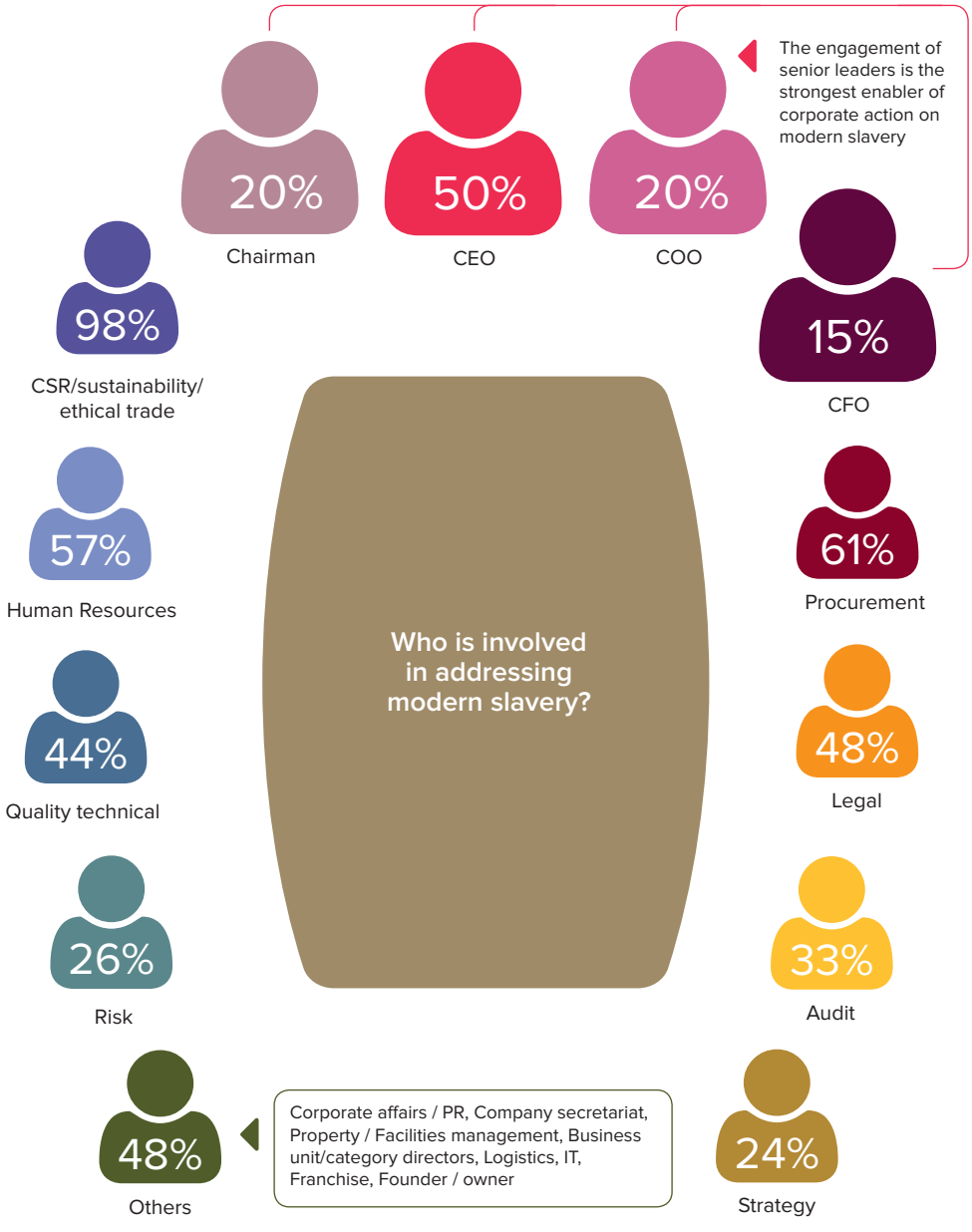
Most companies have prioritized training and awareness-raising for senior leaders because the board, CEO, and other executives are primarily responsible for signing off the company's modern slavery statement, strategy, and budgets. Other key areas include taking decisions and action on specific incidents of modern slavery, i.e., what remediation and support should be provided and any changes that might be required in the business to mitigate repeat issues in future.

Companies that had maintained board and executive team stability for some time noted that a key advantage of this was that senior leaders were increasingly expert on issues of modern slavery, enabling a wider, more strategic response.

"For us, it has been important to have responsible sourcing champions, where we've taken a couple of people from each category who are either buyers or technical managers – they're not specialists on responsible sourcing – but we've invested training and time in to make them slightly more expert within their own team. That has helped us build a network of slightly more informed people across the business."

– Head of Responsible Sourcing

Who is involved in addressing modern slavery?



Roles involved show % of companies where this role is actively engaged in addressing modern slavery.

"An incident involving a child at a supplier site got to our CEO. He wanted to know, 'What is going on here?' And that was what broke the dam of resistance, because he said, 'We've got to find a way to fix this. This is against everything that we stand for.' Now when you get statements like that coming out of the Chief Executive, you move mountains very quickly, and the resources follow."
– Director of Workplace Rights

Culture change in companies was cited as extremely important in driving change

"The genesis of the program actually goes right to the start of the company – from our founder. He is no longer an executive, but the mandate has been passed to successive CEOs."
- Head of Responsible Sourcing

"When we started finding this issue, there was a lot of internal education that took place from the top, educating our CEO, our COO, and every single level of the company on the issues and on the strategy for addressing them. This training is ongoing because they're hard issues to grasp and to accept that the situations are happening in our supply chain."
– Head of Sustainable and Ethical Sourcing

"Part of the day-to-day is the rule that the factories need to be audited before we place any order there. So, it's part of the buyer's responsibility to make sure that the factory meets our standards by the time they want to place an order. And we have tried moving away from just an audit to where we work with our factories in a training program that, for example, covers issues around forced labor and modern slavery. Buyers also play a role as we integrate factories into that training program, to keep them on board."
– Head of Corporate Responsibility

"The role of the Human Rights Working Group is to raise awareness on these issues to the relevant functions or business units, and then engage in discussion and make sure that we address these risks in a proactive way. It's not always the case that everyone engages straight away. This makes raising awareness, engaging with the relevant senior managers, relevant functions, and business units the key to ensuring that we proactively address these risks."
– Director of Workplace Rights

The culture of an organization, or 'the way we do things around here' – and its history – were regularly cited in interviews as a key factor in enabling a response to modern slavery. This was particularly true in overcoming barriers such as commercial pressures or ensuring sufficient resources were allocated to the organization's response. Culture change involves communicating and clarifying the values, attitudes, and understanding of modern slavery to help embed policies and make them effective. But there was also a recognition that culture change can take time and patience.

A number of the more forward-thinking companies highlighted that the business had a strong sense of ensuring decent working conditions, or a zero tolerance for exploitation of people, and this was evidenced by a particular story or example in practice.

"I think it's very important to the organization that we treat our workers fairly. What our founder says and one of the principles of the company is, 'What am I wearing and where does it come from?' And in that there's a natural inquisitiveness. And we ask that not only of our tier 1 suppliers, but our tier 2 suppliers too."
– Head of Ethical Trade

"We're now in a good position because of what was understood many years ago. I think it was an internal way of understanding how to do business and this is a good head start for us. I wouldn't say we're leaders. We're bigger, so we have bigger responsibility and that's how we see it. But I think every company has to take the responsibility that they think they have, and we believe ours is quite big."
– Head of Corporate Responsibility

"We try and make sure that people understand that the realization of our human rights policy, which includes issues around forced labor and modern slavery, is not the responsibility of a department but of everybody in their daily actions. What they do or don't do is what's important. So that's very much our message, and procurement, legal, public affairs and communication, my department, all across franchise management, all of them are aware of the policy. We're trying to build it into the DNA."
- Director of Workplace Rights

While senior leadership and culture are both important enabling factors, companies also highlighted the need for a strong and consistent anti-modern slavery strategy, with policies to support its day-to-day implementation. The policies play a part in helping codify the culture, and also in ensuring it is passed on in the baton-change of leadership, when this occurs. Policies also help ensure that all the steps to be followed if a specific incidence of modern slavery is found are clear and that due diligence practices are consistent in identifying the right supplier to partner with from the outset.

"It wasn't necessarily that our modern slavery program just suddenly got ramped up, as it was four or five years before that we were putting together the governance systems, developing the policies, the strategy, and where we wanted to go, etc. So I guess it was just putting all of the building blocks in place. And we're really quite proud of the program, because we haven't just copied what someone else is doing. We've made it work for us, and be relevant to our supply chain and our business and sit with our culture."

– Head of Sustainable and Ethical Sourcing

"The CEO signs up to the policy and it's very much 'These are the principles that we will adhere to' from that level. The key aspect of our focus is on risk mitigation and remediation, if and where we find it. Our responsible sourcing policy is based on the ETI Base Code, the ILO Conventions, and the UN Guiding Principles – those are the standards that we require our suppliers to adhere to."

– Head of Responsible Sourcing

At the strategic level, senior leaders have a key role to play

Senior leaders have a key role to play in formalizing objectives and KPIs, and ensuring that ownership and responsibility for the company's modern slavery response is shared appropriately across the business.

Boards are particularly interested in understanding how the organization's modern slavery response fits into the wider strategic picture both for the business and within the sector. Common questions from boards to ethical trade managers included: How do we eradicate modern slavery in our supply chain? How do we help? How can we work with others? What is our risk profile? What is our impact (on issues such as forced or child labor)? What are the gaps in our response within the business? What are we doing to remediate victims where issues are found? What are the expectations of our external stakeholders, i.e., NGOs, government, customers, the media?

Addressing modern slavery requires leadership across the business

"I think us being a values-based company helps. I find at Executive Board level, they don't really blink on a values-based decision. I find, if I'm presenting to Board, I actually tend to use more values-based arguments whereas if I'm presenting to management, you know, Head of Purchasing, then I tend to use more commercial arguments."

- Head of Corporate Responsibility

Addressing modern slavery requires not only senior leadership but also day-to-day leadership within the business. Typically, this responsibility rests with the CSR/sustainability/ethical/responsible sourcing lead. However, in some companies this sits with the group counsel, the commercial director, or another appropriate senior role. Where the risks are most significant depends on the company's sector and business model, and how it structures its response.

Modern slavery requires engagement across the business – sometimes strategic and at other times operational – and different kinds of arguments and justifications are needed for the business case depending on the individuals involved. The program leaders need to gain an understanding of how different parts of the business work – their priorities and challenges – in order to provide advice, build the business case, and ensure that KPIs and measures of progress are effective. And of course, they must be able to do this in the context of constant, fast-paced change.

"There's a skill involved in translating all of the information on modern slavery so that we can work with it, so that it doesn't become a problem for 'that' part of the supply chain or 'that' department. So there's a dynamic situation of using one's self awareness and communication skills, translating that information and taking it back to the organization so that we can make some kind of positive change."

– Head of Sustainable and Ethical Sourcing

"Everything is so price driven. You want to make sure it's not just about the price, so what we're looking at is gathering more and more data to make the case and say, okay, sourcing 'over here' entails this kind of risk, or you could source 'over here' and you cut your risk in half and maybe pay two cents more. That's really helping our sourcing people to be able to have those kinds of discussions with their counterparts, and is becoming more and more important. And the only way you can really do it is by having very, very good data."

– Head of Responsible Sourcing

6. Collaboration and partnerships are the way forward

6. Collaboration and partnerships are the way forward

"We have an Advisory Board on our overall social and environmental sustainability approach, including modern slavery, with attendees like the CEOs of NGOs and some of our peer businesses. They meet on a six-monthly basis and advise our overall approach with expert input, and in that group you have our CEO. So the group is cast as critical friends, pushing us to be even more ambitious or to refine our approach. It's another important input at the leadership level."

- Head of Sustainable and Ethical Sourcing

Companies report greater levels of collaboration since the Act was passed. They recognized their role as just one of many actors on modern slavery, and that they cannot deal with the risks alone.

Companies are collaborating with, and want to partner more with, other companies, suppliers, governments, trade unions, and NGOs to develop effective solutions to address modern slavery.

83% see other companies (which may include their direct competitors) as key partners, and their most significant source of advice and support.

Companies see collaboration with peers as a crucial means of driving change in their sector and in their own business. 53% are more actively engaging with peers since the Act was passed, primarily seeking advice and expertise on modern slavery, either through direct relationships or as part of a multi-stakeholder collaboration.

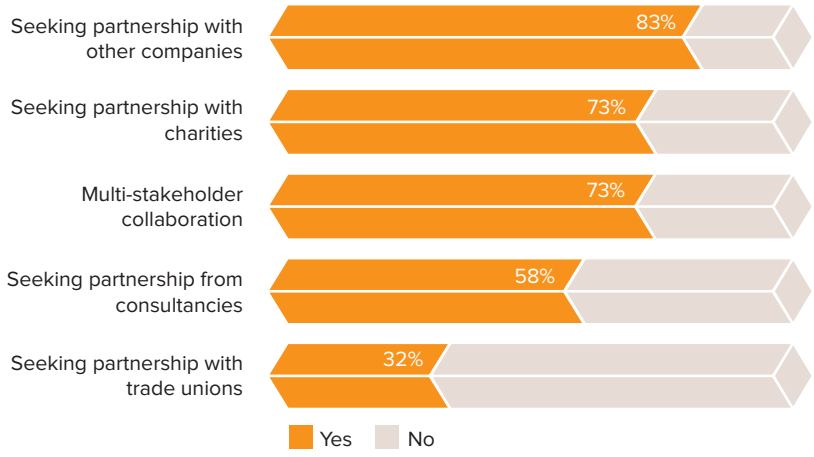
73% identified MSIs such as ETI as their primary source of collaboration and 50% are working more with MSIs since the Act was passed. They are finding this is most effective when it is a two-way street of sharing best practice and learning.

"I do think there's space and opportunity for there to be more work similar to what the ETI has done in Tamil Nadu. I wish more resources were deployed towards convening the right groups of stakeholders to go after specific instances of modern slavery, rather than there being these massive, broad convenings where everybody gets together to talk about it on a global level. Because – while that raises the profile of the issue – when it's spoken about so broadly and so generically, often insufficient action follows. The more local and specific you can get about an instance of it, either in a country or a region or an industry, that's where you can actually hold companies and governments and others to account to make sure they're taking steps to address it."

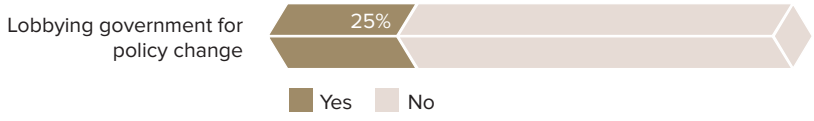
– Head of Responsible Sourcing

Companies strongly believe effective engagement and action in partnership with governments, NGOs, charities, and other local stakeholders is critical for significant change

With whom does your company collaborate on action?



Does your company lobby government for policy change?



"We see governments playing a vital role in system-wide change. They have the power to affect policy, on things such as recruitment fees and labor contracts. And so, we've been working with government where it makes sense."

- Head of Sustainable and Ethical Sourcing

Respondents saw direct engagement as critical because many of the systemic, underlying challenges of modern slavery are linked to lack of government policy or enforcement – e.g., insufficient regulation or enforcement of standards to protect migrant workers.

Lobbying national governments on modern slavery-related legislation and enforcement, and relationships of sharing information and partnerships with NGOs and trade unions, are seen to be extremely important aspects of company responses to modern slavery.

Interviewees highlighted the need for all actors to work together and play their unique parts in addressing the challenges.

Most interviewees highlighted policy advocacy with governments as a key part of their strategy to address modern slavery, yet only 25% are currently engaging in this activity. This engagement is growing as a result of the Act, and the actual figure may be higher as some companies engage through industry bodies or MSIs.

"The one missing piece, which I would like to see more brands involved in, including ourselves, is more direct government engagement. What I would like to see is brands collaborating – not necessarily to share data, but to actually take their findings and concerns and wishes, at an aggregated level, to governments."

- Head of Responsible Sourcing

Collaborative company engagement with government is cited as a key reason a clause on transparency in supply chains was included in the Act – and is also noted as the most significant area where companies want to be engaging more.

"So going back again and talking to the government and helping them understand that if these practices are taking place in their countries, this is not good for their reputation, and it's in their interest to help stop that. You have to go at it through many different levels. You can't just do it as the buyer, that's not going to work here. There's very little you can do to eradicate it, you have to have the partnership with local communities, as well as the government."

- Head of Ethical Trade

"What we're finding is more and more of the conversations we have are with NGOs that are critical of us. And I have no problem talking to a critic, but you say to them, 'Well, help us, we don't know all the answers.' And more and more are now coming into that multi-stakeholder dialogue, to try and find ways to work on solutions."

– Director of Workplace Rights

Companies see NGOs as a key partner in providing local insight and expertise in addressing modern slavery challenges in different countries.

"We've typically been at the table from the beginning of the collaborative initiatives we're involved in. As a result, we've influenced the way they've developed to ensure that they operate with integrity and ambition, and that they are going to add value to us as a business, in terms of managing our risks, but also add value to people who are at risk. The challenge is remaining involved and influential. We also have to think quite strategically about which collaborations to be involved in."

– Head of Sustainable and Ethical Sourcing

"We're planning to set up a meeting with a key NGO to say, 'This is what our strategy is,' and get their feedback on it directly. As a business, where we've been lacking is having that NGO link-up. So we've decided that even if it's just feedback on a strategy, that's a good start for us – discussing it with the people that are leaders in the industry."

– Head of Corporate Responsibility

CASE STUDY:
Role of senior leaders in strategic responses to modern slavery

What this case study shows

Senior leaders have a key role to play in strategic responses to modern slavery. This case study looks at how senior leaders can engage with national governments, as one example of external stakeholder engagement to raise standards for workers.

What was the challenge?

"One of our key challenges is the natural churn of companies coming and going in our supply chain. Because our business takes place in the global supply chain, we get factories that are productive and successful for a number of years and then they disappear, and somebody else takes their place. It creates a continuing challenge in raising standards in the chain."

What was the approach to address it?

"We've started to engage much more with national governments. Having gone through what happened with Rana Plaza in Bangladesh and safety issues there, we took a good look at where this could happen in our top 10 production countries. And Cambodia came out as needing some support on many issues. There's so much going on, and everybody keeps threatening to pull out, but we want to stay there. It really comes from the senior leaders' desire to help the country develop.

"We decided to approach the conversation by saying, 'We're looking at bringing in more business, but these are some of the needed improvements in terms of infrastructure or enforcement mechanisms, and here's how we can help you build those mechanisms.' So it's a different approach where we've identified some issues and tried to partner with a national government to be able to address that.

"This is something our CEO and Chairman are leading – a lot of it comes from their values. It started with them meeting the Prime Minister and other ministers to form a working group on specific projects. We're now two years into what could be a 5-10-year project – we know it's going to be a long-term project, not a quick fix. It comes down to what sort of commitment the company wants to make and the resources that follow that commitment."

What learning can be applied to other projects?

"The old ways of going in and just getting our product and not really looking at everything else are gone. We're much more interested in doing the right thing from the get-go. So for everything, and I think the slavery issue is the same, as we start to do more risk analysis in the supply chain, and identify where we think may be the biggest areas of risk, it will be the same thing. We can't just look at things on our own, or even with other brands, we have to actually work with national governments who can put in enforcement mechanisms, and checks and balances, to stop this kind of activity taking place."

CASE STUDY:
Working with NGOs to address child labor

What this case study shows

This case study looks at how a company is seeking to address the underlying, systemic challenges of the issue of child labor, which can lead to forced labor or trafficking. It partnered with an NGO, which had knowledge of the local context and of the actions required to see a change, and an international government organization (IGO).

What was the challenge?

"We have a significant challenge with child labor in some aspects of our supply chain, the extreme elements of which would certainly be modern slavery. Over 10 years ago, one of our senior directors saw it personally and identified is as both a moral and a business problem. He didn't believe the business should be comfortable with it – or that consumers would be comfortable."

What was the approach to address it?

"We engaged with the community via an NGO, asking people about their lives and what they might want from a corporate such as ourselves. The community said they had problems accessing things like health and education that the government said it was providing. So, for example, we ran health camps. We talked to them about their rights as workers and about social security protection. And for many years we paid the premiums for those workers who wanted to take up that offer.

"Then we realized after about seven or eight years that the program was running very well, but demand was increasing. We're not an NGO, we're a business, and we were in danger of not providing sustainable services to the community for the long term. This led us into our partnership with an IGO to research problems in the industry. The recommendation was that for the sector to become more formalized – for the benefit of the community and the industry itself – it needed more engagement from the government, NGOs, and the private sector. But it's been very difficult to galvanize action, especially when about 95% of the raw materials are used domestically so there's a leverage issue".

What is the impact so far?

"The research was quite fundamental to galvanizing the sector, because unless you have some statistics, engagement can be much harder. We're working also on a standard operating procedure regarding the elimination of child labor, and saying to the sector 'We find this works. Try it.' Because it's not just about getting kids out of the setting – it's about asking why they work, whether they go to school, etc. So that's still a work in progress. Another priority is looking at establishing a living wage benchmark for our sector."

What learning can be applied to other projects?

"I think the starting point for us was saying child labor's not okay – we were uncomfortable with that as individuals and as a business. And then it's been a journey from there. But we felt quite set apart by having identified this issue. If the rest of the industry, or our direct competition, doesn't follow, it's quite hard for us to compete on a like-for-like basis. But we had to address the issues we were uncomfortable with, and find ways to bring the rest of the sector along too."

Companies are less concerned about competition legislation as a barrier to collaboration

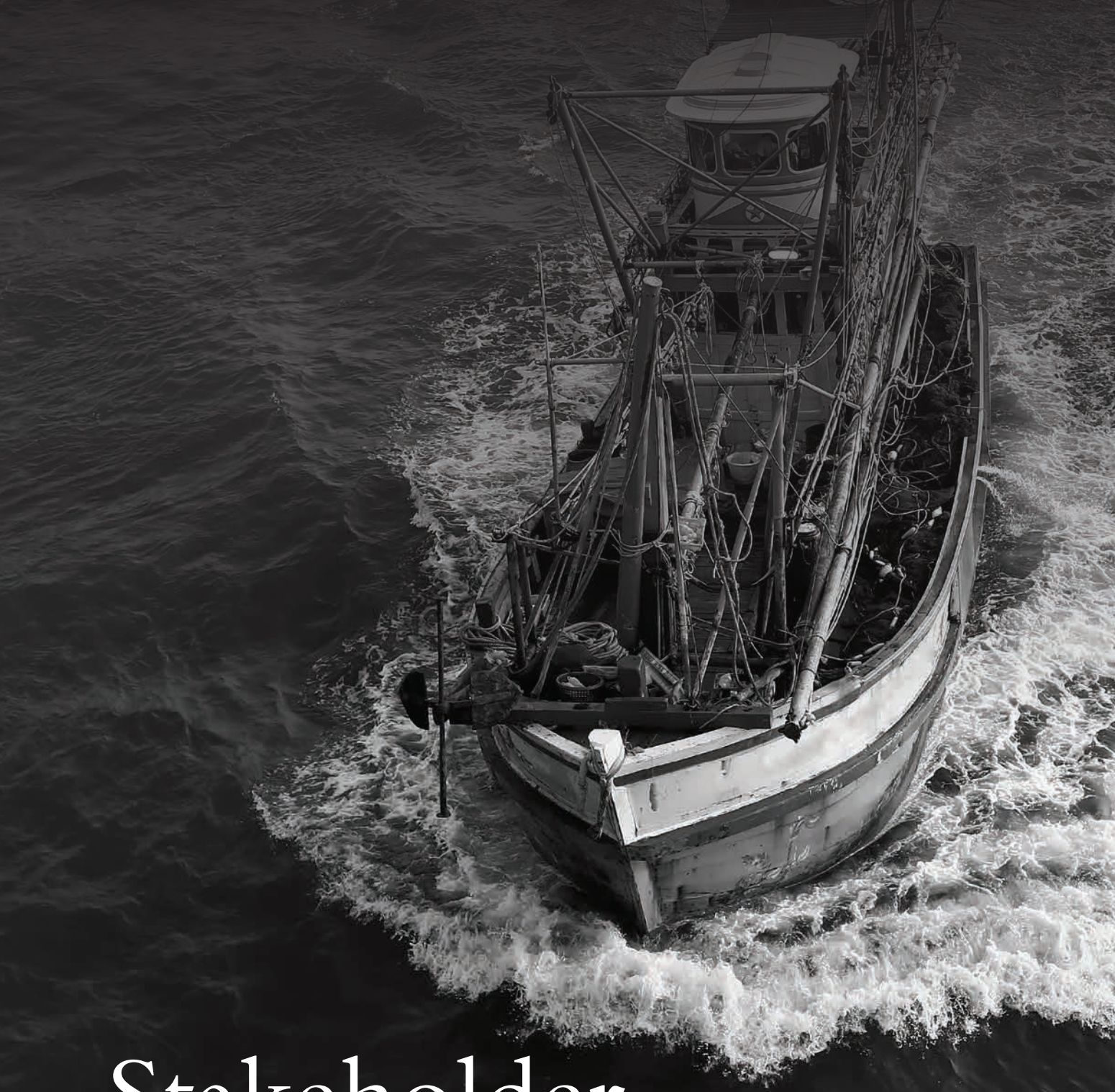
"I guess the thing you don't want to talk about is pricing. So, the way that I've approached it with other brands is 'I know we share a supplier, it's in this country, I've had these findings, have you had any similar findings?' I find that the industry really wants to collaborate and perhaps it's the space I'm working in, but brands know we can't find solutions alone, we have to do it together."
- Head of Responsible Sourcing

Companies in our 2015 research expressed real anxiety that competition law was a major barrier to collaboration with peers. However, one year on, this seems to be less of a concern. 22% of companies thought it was a barrier in 2015 – this year it dropped to 8%. It is still seen as more of a challenge in the United States, compared with the UK and Europe. Companies are finding more ways to collaborate – particularly through industry bodies or MSIs – and are working with their legal teams to ensure collaboration is both effective and within the boundaries of legislation.

"We have to be very careful to adhere to antitrust laws. Obviously there's no communication about costing, or future business plans with your suppliers. It's focused entirely on social compliance and social responsibility. And so we haven't had to deal with any problems, just because we've set those rules upfront. I've brought in our Legal Team to make sure that the collaboration is in line with the law. Alongside the companies that we work with we'll be signing an antitrust agreement, which we'll present to the supplier as well, just to ensure that everyone is on the same page and understands what can and can't be discussed during these collaborations."
– Head of Sustainable and Ethical Sourcing

CEOs or other senior figures have a key role to play in engaging with external stakeholders

Whether with governments or NGOs, CEOs or other senior figures have a role to play in engaging with external stakeholders – to communicate what the company is doing, to seek policy or other change with governments, or to garner greater industry-level engagement. In many cases, they are using this external engagement to refine the company's own strategy – i.e., what are others doing? Where can we lead? Where can we support? Leaders are driving the discussion on what can be done on a strategic, industry level to address modern slavery challenges. See case study 'Role of senior leaders in strategic responses to modern slavery.'



Stakeholder comments on the research and what it means for companies

Stakeholder comments on the research and what it means for companies

UK Independent Anti-slavery Commissioner

"Corporate leadership is a key ingredient in improving ethical standards in supply chains across the business sector. Taking stock on how companies who have a reputation as leaders in ethical trade are responding to the Modern Slavery Act is a valuable way of identifying progress and demonstrating examples for other companies to follow.

"It is clear that the Modern Slavery Act has pushed modern slavery up the agenda and into the boardrooms of large businesses, which is a move in the right direction. Now, we need to see companies produce statements that both comply with the Act's requirements and point to decisive action being taken, as opposed to merely being a 'tick box' exercise."

Kevin Hyland OBE,
UK Independent Anti-slavery Commissioner

TUC – Trades Union Congress

"It's good news that the Modern Slavery Act is raising corporate awareness and spurring action. But corporations can still do more. We need them to engage more with trade unions and to put more resources behind action.

"There are 116 million workers in the supply chains of the world's 50 largest employers, but only 6% of those people are directly employed. So progress would be easier, and slavery harder to hide, if multinationals reduced the complexity of their global supply chains.

"The government's proposals to put workers on boards would also help by bringing a voice into the boardroom that could make tackling modern slavery more of a priority."

Frances O'Grady,
TUC General Secretary

Gangmasters Licensing Authority

"GLA welcomes the report of ETI and Hult Business School, which seeks to shine a light on corporate approaches to modern slavery. The findings show that the issue of labour exploitation in supply chains is real, corporate leaders recognise this and are taking major steps to protect their workers.

"GLA knows from experience that those who seek to abuse others for their labour have no boundaries and can and do infiltrate legitimate and respected supply chains. This report will help those taking steps to prevent such conduct and should serve to alert others that their people, structures and systems are vulnerable to modern slavery if they do not take this issue seriously."

Paul Broadbent, Chief Executive of the
Gangmasters Licensing Authority

British Retail Consortium

"Corporate leadership is vital to address modern slavery, so we are delighted to see reflected in this report the proactive steps taken by businesses.

"Modern slavery, or indeed any form of labour abuse in our supply chains, is absolutely unacceptable and we welcome the leadership that the Prime Minister continues to show in tackling this deplorable activity. The BRC and its members have led efforts to tackle unethical labour practices and promote greater transparency in our supply chains by, for example, campaigning vigorously for the inclusion of transparency provisions in the Modern Slavery Act.

"Labour abuses cannot, however, be tackled successfully by any one company or industry single-handedly. For this reason, the BRC has valued its close collaboration with important partners like the ETI to drive greater cooperation between governments, businesses and civil society to put an end to these deplorable practices once and for all."

Peter Andrews,
Head of Sustainability at British Retail Consortium

Anti-Slavery International

"A number of extremely positive themes have emerged from the study. These include not only an increased interest by business at the most senior levels of the issue of slavery, but also a growing recognition of this as a pre-competitive issue that companies must work together to address, sharing learning and action.

"More disappointingly, the study indicates that too few businesses recognise the crucial role that trade unions can play in guarding their supply chains against slavery. Also, despite some recognition of the role of governments in working with businesses and trade unions to eliminate slavery, in practice there is little action to engage governments on that matter. It is difficult for businesses to respect the human rights of workers in their supply chains, as they are admonished to do by the UN Guiding Principles on Business and Human Rights, if governments are not fulfilling their obligations of protecting those rights."

Aidan McQuade,
Director of Anti-Slavery International

Participating companies

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

In-depth interviews were conducted with 25 brands, retailers and suppliers, and 46 companies completed a detailed on-line survey.

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

ASDA

British Airways

Coca Cola

Co-op

Gap Inc.

Hewlett Packard Enterprise

HP, Inc.

IKEA

Inditex

John Lewis Partnership

Li & Fung

Marks & Spencer

Marshalls

Nestle

Outerknown

Patagonia

People Tree

SABMiller

Sainsburys

Tchibo

Tesco

The Warehouse

The White Company

Key findings

- **Twice as many CEOs and other senior executives (COO, CFO, Chairman) are actively involved in addressing modern slavery since the Modern Slavery Act came into force.**
- **77% of companies think there is a likelihood of modern slavery occurring in their supply chains.**
- **82% of companies believe that addressing human rights within their core business model is the most significant strategic indicator of corporate leadership on modern slavery.**
- **53% of companies are more actively engaging with peers since the Act was passed.**
- **Companies strongly believe effective engagement and action in partnership with governments, NGOs and charities, and other local stakeholders is critical for significant change.**

Summary report

A summary version of this report is available from www.ashridge.org.uk/modernslavery and www.ethicaltrade.org

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ISBN 978-1-910025-20-8

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