



## Modern slavery statements: One year on

### KEY POINTS

- This report provides a snapshot of how companies are reporting on their efforts to identify and combat modern slavery in accordance with the UK's Modern Slavery Act 2015 (MSA).
- As in our previous analysis, **there are indications of non-compliance** with some of the requirements of the Act: 21% of statements are not clearly signed off by a director or equivalent and 25% are not available directly from the homepage.
- In terms of content, **statements are generally longer and slightly more detailed** than one year ago. Companies are producing better reports about their structure, operations, supply chains and modern slavery policies. There is also more information about trainings on human rights and modern slavery.
- The most informative statements are being made by **large multinationals**, which are usually consumer-facing, with complex international business models, and which are often exposed to investor scrutiny.
- However, since our last analysis, there has been **little improvement in most companies' reporting of due diligence processes and outcomes**. Most statements (58%) only address risk assessment processes minimally and do not identify priorities for action based on the assessment.
- While supply chains are relatively well covered, there is a **significant gap in relation to contractors** – a category that covers relationships with, for example, labour providers, outsourced service providers and sub-contractors in construction – all areas where cases of forced labour have been identified.
- On top of this, **few companies in our sample (11%) disclose specific cases where steps have been taken** in response to identified modern slavery risks. Approximately 80% of the statements do not mention key performance indicators (KPIs) or engagement with stakeholders or collaborative initiatives.
- With some notable exceptions, most statements lack detail and are **limited to broad descriptions of processes and activities**. This level of reporting runs counter to the guidance supporting the Act and is unlikely to meet civil society and some investor expectations.

### ABOUT THIS REPORT

This report analyses statements a year after the Modern Slavery Act came into force by looking at 150 such statements uploaded in March 2017 to the Business and Human Rights Resource Centre's (BHRRC) [Registry](#) of modern slavery statements – a comprehensive directory of available statements.

Our analysis covers the most recent statements, and so organisations in our sample have had considerable time to understand the law and the [government's reporting guidelines](#), to review other organisations' statements, and to put in place policies and processes on modern slavery. We have compared results with our previous analyses of statements published a year ago.

The report includes coverage of the key statutory obligations, but we are primarily interested in the quality and scope of reporting, assessed against the guidance on content produced by the government, and the key subject areas identified from our own consulting practice.

### ABOUT ERGON

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

- Advice on modern slavery and human rights reporting including scope, content, benchmarking and review
- Due diligence support for companies including strategic advice, policy development, risk prioritisation and action planning
- Risk mapping on human rights issues including country risk maps, sectoral risk analyses, rankings and detailed country briefings
- Human rights impact assessments covering company-wide assessments and project impacts in sectors from infrastructure to agriculture

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## INTERNATIONAL REPORTING TRENDS

Over the past year, the trend towards tighter regulation and greater disclosure requirements on due diligence processes, addressing both modern slavery and human rights more broadly, has gathered pace.

In February 2017, France adopted a law requiring large companies with more than 10,000 employees to establish, publish and implement a due diligence ('vigilance') plan for human rights risks, and in the same month, the Dutch Parliament adopted a Bill which - if approved by the Senate - will require companies to exercise due diligence with regards to child labour.

At the European level, most EU member states have now enacted or amended national legislation to implement the EU Non-Financial Reporting Directive, requiring businesses with more than 500 employees to disclose their management of human rights impacts. In April 2017, the UK Parliament's Joint Committee on Human Rights published a report recommending the introduction of mandatory human rights due diligence on all companies.

The issue is currently high on the agenda of other countries, with a citizens' initiative on human rights due diligence for businesses being debated in Switzerland and Australia considering adopting a Modern Slavery Act similar to the UK's. The past year also saw the publication of new National Action Plans on Business and Human Rights in Germany, the US, Italy and Switzerland, with more than 20 other countries around the world currently developing their own.

On top of this, sector-specific initiatives on due diligence are emerging. The EU is expected to pass a new regulation on conflict minerals in May 2017, with human rights due diligence requirements for EU minerals importers becoming effective from 2021.

There have also been the first criminal convictions under the UK Modern Slavery Act, including sentences of six years in prison for two men who controlled agency workers at a UK sports goods warehouse. Such prosecutions emphasise not only the horrific nature of modern slavery, but also that it is a problem everywhere, not just in distant supply chains.

## ORGANISATIONS IN THE SAMPLE



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

### Company location

Most of the reporters in our current sample are UK headquartered companies (73%). An additional 7% were UK subsidiaries of European companies. North American and European-headquartered companies each make up 5% of reporters.

The preponderance of UK companies in the sample is consistent with the proportion as a whole in the BHRRC's Registry. However, the intention of the Act was to extend reporting beyond UK-domiciled companies. It seems that there is some way to go in raising awareness among non-UK companies that they are expected to make a statement if they do business in the UK. Against this, it must be said that the guidelines on whether foreign companies should report and at what level are unclear, and sanctions for non-reporters are unlikely.

### Sectors

The sample includes companies and other organisations from a wide range of sectors. Retailers are the largest group, accounting for 13%, followed by professional services firms (11%). Transport and construction firms each account for 10% of the statements, with IT

and financial or business services representing 9% each. Other sectors included are food processors or producers (6%), real estate and industrial manufacturers (5% each), and educational or health services (4%).

Whereas retailers and food companies have been exposed to scrutiny over 'ethical' or human rights issues in their businesses for many years, one of the important impacts of the Modern Slavery Act reporting obligation is that it has forced a far wider range of companies to consider these issues. It is unlikely that professions such as lawyers, accountants and IT would be thinking about their modern slavery impacts without the reporting obligations contained in the Act. And these impacts may not be negligible. Any firm using outsourced service contractors – cleaners, caterers for example – may be exposed to hidden risks.

### Company size

This current sample is more oriented towards larger companies than our previous analysis. The majority of statements are from companies with a global turnover over £500 million (36%) and between £100 million and £500 million (34%). Companies with sales of between £36 million (the statutory threshold) and £100 million account for a fifth of the statements. It seems that smaller companies may be less aware of their obligations.

Similar to our previous analysis, 9% of the statements in our sample are voluntary statements from companies with a turnover below the £36 million threshold. These companies may be taking the opportunity to present their position to customers and investors. Also, from our experience we know that some larger companies are expecting modern slavery statements from all their suppliers, irrespective of their size, so the Act is having a ripple effect through B2B relations.

## VISIBILITY OF THE STATEMENT



The statement must be published on an organisation's website with a link in a prominent place on the homepage.

Over two-thirds of statements (71%) are either immediately visible from the company's homepage or are available on a drop-down menu from the homepage. However, a quarter of companies (25%) do not appear to comply with the legal requirements, as their statements are located elsewhere on the company website, with no link from the homepage. These proportions are broadly similar to our last analysis.

## SIGN-OFF ON THE STATEMENT



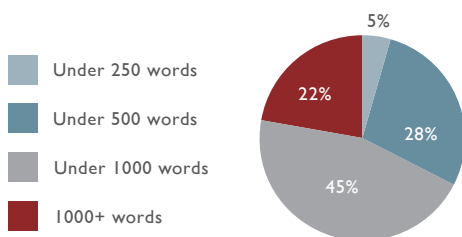
The statement must be approved and signed by a director, member or partner of the organisation.

Most statements are clearly signed off by the chief executive (34%) or a director (31%), with a further 15% signed by the board, a partner or another senior executive. However, as in our previous analysis, a significant amount of statements (21%) are not clearly signed off and may therefore be non-compliant with the Act's requirements.

## STATEMENT LENGTH

While the length of statements does not necessarily correlate with the quality of their content, it is an indicator of the level of effort being put into reporting.

The statements in our current sample are significantly longer than in our previous analysis. The proportion of statements longer than 1000 words has doubled to 22% from 10%, and almost half (45%) are between 500 and 1000 words, up from 34%. Only 5% of the statements are under 250 words, down from 25% in our previous analysis.



While this may indicate that companies are writing more detailed statements than previously, it should be noted that our 2017 sample diverges from the previous one when it comes to the size of the companies reporting. As mentioned above, the bulk of reports in this sample are from companies with a turnover exceeding £100 million, which will have more extensive and complex business structures and therefore will potentially have more activities and impacts to address and report on.

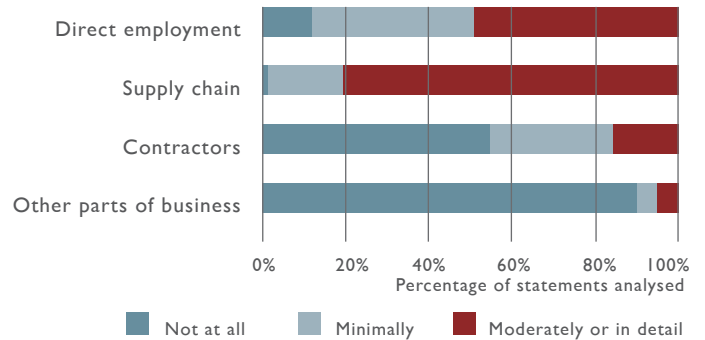
As before, we have found some statements from otherwise unrelated companies that contain identical language, indicating that companies might be making use of a templates, or the same advisers.

## BUSINESS RELATIONSHIPS



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

We have reviewed the operational areas of the business and commercial relationships that are covered in statements. Supply chains are the area covered in most depth, with 81% of companies addressing them either in detail or moderately well. This is a significant improvement from last year when less than half of the statements (46%) provided this level of detail on their supply chains.



By contrast, contractor relationships are extremely – and surprisingly – poorly covered, with 84% of statements addressing them minimally or not at all. This remains a key gap since this category of business relationship covers labour providers, outsourced service providers and other sub-contractors, for example in construction, and examples of modern slavery among contractors' workers are becoming more frequent. It is understandable that companies have been focused initially on their supply chain risks, but they would be well advised to think more broadly about the risks that exist in through other business relationships.

It is also notable that nearly 40% of the statements only provide minimal information about how they manage issues with regards to their direct employees, while 12% do not consider staff at all. Companies may rightly feel they have better visibility and control over potential issues within their direct workforces, but lack of risk should not be assumed.

### Example: direct workforce

#### Sir Robert McAlpine Ltd

'In regards to our own employment process, where Sir Robert McAlpine Limited contracts with contingent worker agencies, we will audit such agencies against legislative compliance, including compliance with the Modern Slavery Act, and identify any legislative non-compliance of these suppliers. All new employees are processed and documented through our Resourcing and Recruitment Process. In all cases, Sir Robert McAlpine verifies an employee's right to work in the United Kingdom before they are actively engaged in meaningful employment.'

Interestingly, we have seen some cases where companies limit the scope of their statement, by declaring that it applies only to their UK operations, or excluding franchisees and other operations in high-risk countries. While these restrictions may be in compliance with the MSA, such omissions can be seen as a missed opportunity for companies to demonstrate that they are addressing risks in parts of their business where the highest risks of modern slavery exist.

## WHAT DO STATEMENTS COVER AND IN HOW MUCH DETAIL?



The legislation lists what 'may' be covered in a statement. Suggested areas to cover are:

- the organisation's structure, its business and its supply chains;
- its policies in relation to slavery and human trafficking;
- its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
- the training and capacity building on slavery and human trafficking available to its staff.

Further explanation is provided in the Government's guidance note.

## BENCHMARKING REPORTS

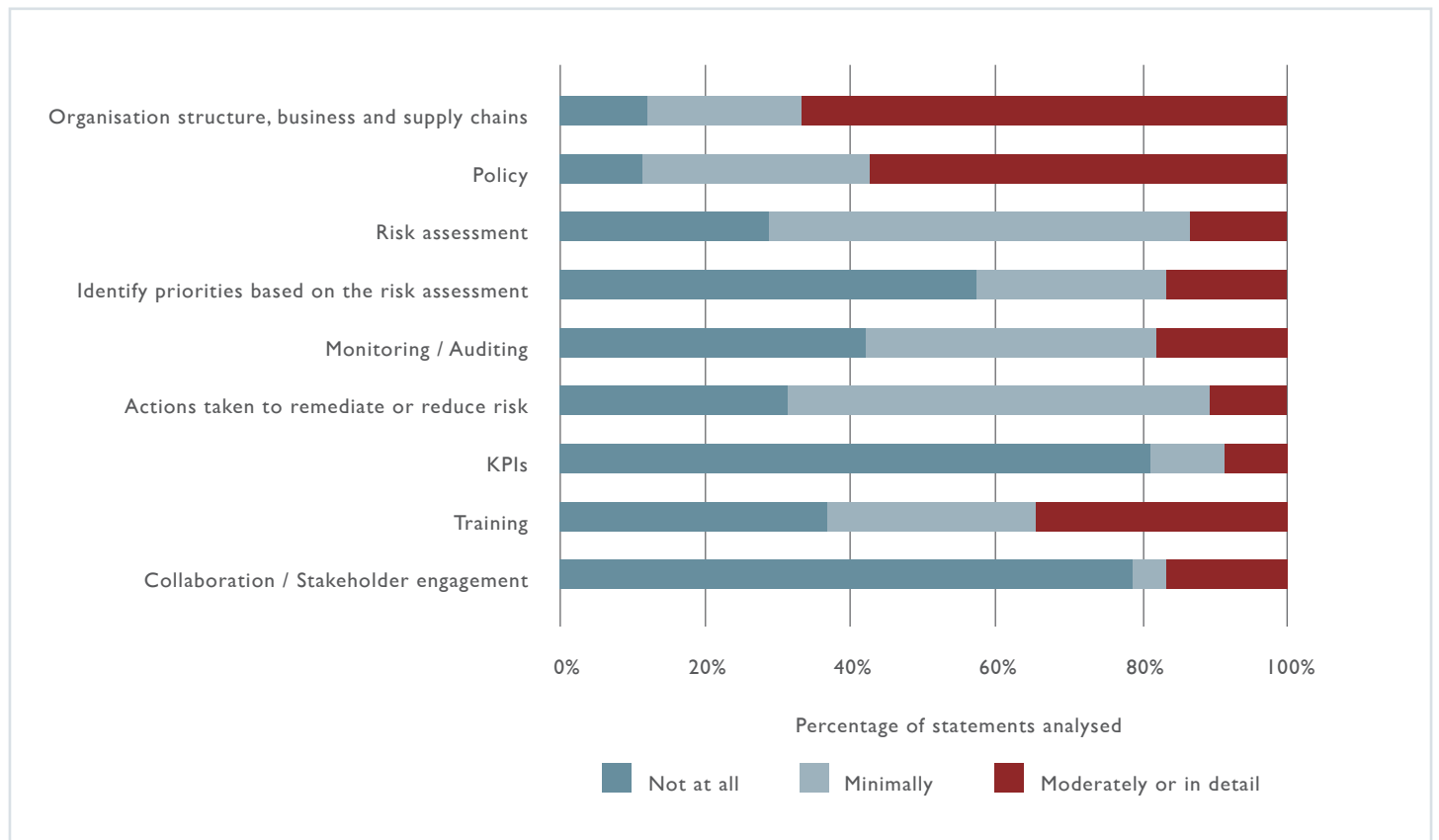
We have evaluated the level of detail provided on various due diligence topics using a simple scale ranging from 'In detail' to 'Not at all'. Our benchmarking criteria enable us to apply a consistent analytical approach and to rank reports in terms of how well they address the most important elements of a due diligence process.

This assessment reveals quite clearly that the most informative reports have been produced by the larger, multinational, consumer-facing companies, often with complex international supply chains and extensive international operations.

Most, though not all, are also publicly-listed corporations so they may well be responding to increasing investor interest in human rights due diligence. By virtue of their scale, they will also, of course, tend to have the most exposure to modern slavery risks.

In the boxes below, most of the good or notable reporting practices we highlight are taken from these more informative reports. It should be emphasised that these examples are sourced only from the sample under review and are for illustrative purposes only. There are other equally good examples from among company statements that have been published throughout the year but which are outside the current sample.

### What do statements cover and in how much detail?



## Organisation structure, business and supply chains

Companies continue to report in most depth on their main products, company structure, operations and their supply chains with 67% of statements dealing with it moderately well or in detail, up from 46% last year. This item is, of course, the most straightforward to describe but it is also important for providing an understanding of the business and therefore an initial idea of where modern slavery risks may lie.

### Examples: business structure and supply chain

#### House of Fraser

'Since we do not directly employ workers within our supply chains, we appreciate that achieving our objectives will not be a simple task. There are many constraints on our ability to improve working conditions, particularly where local governments do not enforce the law.

In our business we source products, packaging and services through these three main routes:

a) House brands – we use suppliers to provide House of Fraser own branded products and services. We play a central role in the design, material and choice of suppliers contracting with agents and/or factories directly. We can therefore directly influence the environmental and ethical impacts of our house brands. (...)

b) Concessions and own-bought brands – we also source third party branded products and services via concessionaires (including our restaurant concessions as well as concessions selling products/services) and suppliers of third party brands. Whilst we have less direct control of the environmental and ethical impacts of our concession and own bought supplier's supply chain, we strive to play an increasing role in ensuring that third party products sold in store or online meet our sustainability requirements.

c) Services – we use third party service providers to provide key services to us such as logistics, seasonal staff at our Distribution Centre, IT and cleaning. Again whilst we have less direct control of the environmental and ethical impacts of our service providers, we request they meet our sustainability requirements, as relevant to the services they provide.'

#### Arcadia Group

'Our key 2016 sourcing facts:

- We sourced from 53 countries
- Our top 10 countries accounted for 91% of the goods we sold
- Our top 5 countries accounted for 73% of the goods we sold
- Our top sourcing countries were China, Turkey, Romania, India and Vietnam
- Our goods were manufactured in 1,034 factories, through 679 suppliers, with our top 20 suppliers providing 45% of our goods

These are our product suppliers' 'first tier' factories however, we recognise that our supply chains are complex and go beyond this first tier, including those who supply our raw materials. We are currently strengthening our work in this area.'

Several companies use graphics to illustrate their organisational structure or supply chains. The engineering company **GKN** for example uses a world map highlighting the countries in which it has manufacturing facilities, service centres and/or sales offices.



## Modern slavery policies

Companies are also providing more information on their policies to address modern slavery. 57% of statements address this item moderately well or in detail (up from 31%). In doing so, they explain how their policies are relevant to modern slavery, describe the process for policy development and detail governance mechanisms by which the policy is enforced.

Statements commonly refer to multiple policies, which together are relevant for addressing modern slavery. The best of these statements outline each policy, indicate which issues it covers (e.g. trafficking, recruitment fees, bonded labour), and provide a link to the policy itself.

### Examples: policy

#### Zalando

'Our commitment to avoid human trafficking and forced labor in our supply chain is underpinned in our Code of Conduct for Business Partners. The Code was established in 2013 and is overseen by Zalando's Management Board. It applies to various business partners group-wide, including but not limited to vendors, suppliers, agents, trading companies and service providers. The Code was revised in 2016 and is publicly available on our website.

The Code of Conduct expressly prohibits the use of forced, bonded, indentured and prison labor, as well as the slavery or trafficking of persons in any form. Supply chain job seekers shall not be compelled to work through force, deception, intimidation, or coercion. All work shall be voluntary, and workers shall be free to terminate their employment upon reasonable notice without penalty. Additionally, holding, confiscating or destroying original worker identification documents, passports, travel papers or other personal documents is prohibited.'

**British American Tobacco (BAT)** explains in detail how its Statement of Business Principles, Standards of Business Conduct, Whistleblowing Policy and Supplier Code of Conduct relate to modern slavery and human rights more broadly.

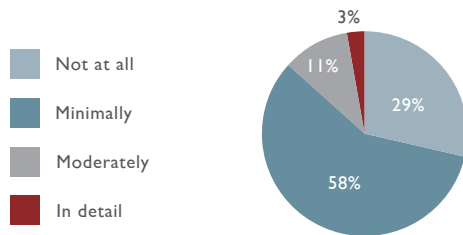
The engineering company **Keller Group** lists relevant policies and provides a web link to each of them, which include its human resources policy, code of business conduct, sustainability policy, procurement policy, whistleblowing policy and its health, safety and wellbeing policy.

## Risk assessment processes

We have not found any change in how well companies detail their risk assessment processes. 58% of statements mention that the business has been assessed against modern slavery risk factors, but few explain the process in more detail in terms of how it was conducted, which risk factors were used and where information was obtained.

By our assessment, only 13% of companies address their risk assessment process moderately well or in detail, whereas 29% of companies fail to address the subject altogether - a significant omission given that risk assessment is a fundamental element of due diligence.

### Coverage of risk assessment processes



#### Examples: risk assessment

##### Rio Tinto

'We use tools to better understand local human rights contexts as well as exposure to related issues such as corruption including the Transparency International Corruption Perceptions Index and Verisk Maplecroft Human Rights Atlas. (...) Cross-functional teams have discussed what types of goods and services we procure may be higher risk for human rights including modern slavery. Construction, shipping, cleaning and catering and travel services were amongst the higher-risk activities identified depending on the local context. We have highlighted that increased due diligence around human rights including modern slavery may be needed when suppliers bring larger numbers of employees or contractors, especially those who are lower skilled and providing physical labour, onto Rio Tinto locations.'

##### Bettys & Taylors Group

'Stage 1 - We map the inherent risks within our business operations and supply chains, taking into account volumes purchased of each item, the socio-political landscape encountered in each country of origin, product and industry characteristics, and the most recent Global Slavery Index data. This gives us a high level 'map' of our supply chains and operations signalling high, medium and low risks of potential exposure to modern slavery.

Stage 2 - Taking this high level risk map, we use a combination of our existing internal due diligence documentation (for example, Supplier Pre-qualification Questionnaire), third party certification audits, and an appraisal of our business relationship and knowledge of each supplier (for example, whether it's a direct or indirect relationship, the frequency of visits and the quality and transparency of information provided by the supplier), to identify residual risks.

Stage 3 - Where we believe there to be any unacceptable levels of residual risk, suppliers will be required to complete a modern slavery questionnaire and evidence steps taken to ensure their operations are free from modern slavery.'

##### TSB Group

'Before we set up any new relationships with potential suppliers, we always check to make sure their values align to ours. These checks cover a broad range of policy areas including corporate and social responsibility, accessibility, and pre-employment vetting. We also do an assessment of risk that specifically focuses on modern slavery. The supplier must then complete an exercise to show they meet the minimum standards of our policies. And, we ask them to provide evidence they have effective processes and controls in place to prevent modern slavery.'

If we think a potential supplier might be at risk of failing to meet our standards we ask them to complete a corporate social responsibility return. This confirms they are aware of the Act and have processes in place to prevent modern slavery.

In 2016 we introduced a process to make sure new suppliers provide us with evidence that their controls against modern slavery meet the standards of our own. Our review showed us our suppliers have a good awareness of the dangers of modern slavery and we don't have any material concerns around their working practices. We'll continue to use the controls we've introduced to carry on checking in with them to make sure this doesn't change.'

## Geographical focus areas

We have looked for specific references to geographic risk, either where the highest risks or actual cases of forced labour have been identified. Despite many companies reporting that they assess risks in their operations and their global supply chains, they rarely disclose the outcomes in terms of the specific countries or regions where they consider modern slavery to be a substantial risk.

South East Asia, China and South Asia were each mentioned by 3% of companies as geographical areas of risk. Projects or remediation actions were also mentioned in those regions, as well as Central Africa, Sub-Saharan Africa, the UK, the Middle East, and North America.

## Identifying priorities

The logical next step after assessing risk is to decide on priorities for action. Therefore, we have looked at whether statements identify the most important issues. Examples of priorities could be particular risks, countries, tiers of suppliers, products or business areas. It is notable that 57% of our sample do not identify such priorities and even among those companies that do address their risk assessment process, 45% do not go on to clearly identify focus areas.

Only 17% of the companies in our 2017 analysis disclose detailed priorities for action - including mentions of actual risks.

#### Examples: risk and priorities

##### HSBC

'The most salient risk of encountering modern slavery for HSBC lies where HSBC does not have direct management control. In particular, this may include suppliers who provide support staff in, for example, catering, cleaning or security posts.'

### Ted Baker

'Our supply chain consists of over 175 first-tier suppliers for our own product alone. Suppliers based in China make up over 50% of our first-tier and suppliers in Turkey and Portugal make up another 20%. After taking into consideration this and other risk factors we have identified China and Turkey presenting the biggest challenges. The scale and complexity of our manufacturing base in China makes it particularly difficult to accurately assess compliance beyond the first-tier.'

Recent events in Turkey have impacted the garment workforce in the region. We continually monitor the influence of external events on our supply base to ensure the principles of the Code are adhered to. These include ensuring that all workers are of an appropriate age, are earning at least the minimum wage and are not facing exploitation.'

### DP World

'The risk of modern slavery and human trafficking varies by jurisdiction and sector. We commenced a due diligence review of our own operations in February 2016, which included the creation of a working group to address any issues. This working group identified procurement, third party contractors and the use of our ports by others for human trafficking purposes as the highest risk areas for DP World.'

After a review of the risk of potential slavery and human trafficking in the business, resource management and recruitment specialist **Millbank** identifies the provision of agency labour as one of the areas that pose the most significant potential risk, whereas retirement housebuilder **McCarthy & Stone** identifies its temporary labour workforce as particularly vulnerable to the risk of modern slavery. Both companies then outline the steps they have taken to mitigate these specific risks.

## Monitoring and auditing

There has been no change from last year in the way companies describe their monitoring and/or audit processes, with only 18% of statements doing so moderately well or in detail. A larger group of companies (40%) address the subject to some degree and mention that there are monitoring systems in place, yet do not provide more specific information on the system's effectiveness. In general, where descriptions of monitoring are provided, they relate to general supply chain auditing programmes. This is relevant, but more information would be welcome on how these are effective in addressing modern slavery, which by its nature is hidden and not often amenable to traditional labour audits.



## Examples: monitoring and auditing

### Apple Inc.

'In addition to regular, prescheduled audits, we randomly select facilities for unannounced audits by Apple or by independent third-party auditors. These surprise audits help encourage our suppliers to continue to meet our standards at all times — not just during scheduled visits.'

Together with local third-party auditors, Apple conducts physical inspections, reviews documents, and interviews workers in their native languages, without their managers present. Our auditors are trained to identify circumstances where a supplier may be providing false information or preventing access to critical documents—both of which are core violations of our Code. Coaching workers on what to say during an interview and retaliation against workers for participating in an audit interview are also core violations and are never tolerated.

After interviews, workers are given a phone number, so they have the opportunity to securely and confidentially provide additional feedback to our team, including anything they consider to be unethical behavior. We encourage workers to report any retaliation to us, and we, along with our third-party audit partners, follow up with all suppliers to address any reported issue. From October 2015 through December 2016, nearly 36,000 phone calls were made to workers to ensure they were not retaliated against for sharing a concern.'

### Young's Seafood

'So that we can conduct effective risk analysis of our supply chains, all our suppliers are required to register themselves onto the Sedex system and to allow us to see their audit results and self-assessment details.'

Our suppliers are assessed in terms of their vulnerability to hidden labour exploitation. Members of our commercial and technical teams (or our appointed and approved representatives) visit our suppliers on a regular basis and audits are carried out in accordance with a schedule based on risk.

Some supply chains are externally audited against third party standards which include an assessment of the ethical treatment of labour. For example, we source aquaculture products from supply chains certified to the Aquaculture Stewardship Council and the Global Aquaculture Alliance and 100% of our palm oil (and palm derivatives) comes from suppliers certified to the Roundtable on Sustainable Palm Oil (RSPO) scheme.'

### ABB Ltd

'In terms of our existing suppliers we have a robust process which seeks to identify suppliers with a higher sustainability risk (which includes the risk of engaging victims of modern slavery and facilitating human trafficking). Then we actively work with such suppliers to mitigate these risks. In 2016, ABB conducted onsite assessments at 240 suppliers globally and made an additional 305 visits for monitoring and follow-up of corrective actions. In its annual Sustainability Report, ABB publishes a list of the ten most frequently identified issues found at suppliers which then require corrective actions.'

### Arcadia Group

'Regular audits are conducted to monitor compliance with our Code of Conduct and local laws. At a minimum, all factories are independently audited at least annually and re-inspections are conducted more frequently when issues of non-compliance have been identified, to monitor and support remediation efforts and verify improvement.

To carry out these audits, we work closely with a global network of independent audit partners whose ethical trade experts and local auditors are familiar with the complex issues relating to social compliance, the cultures and languages of workers, standard industry practices and the applicable laws and regulations. Their on-site monitoring services encompass observations, confidential employee interviews, record reviews and management feedback to assess each factory.

We believe in sustainable remediation and when issues of non-compliance are identified it is our practice to work together with suppliers until they comply with our Code of Conduct.

We operate a red, orange and green model to grade factory audits. If the audit is graded red, we will not allow any of our brands to use this factory until the issues have been resolved, irrespective of whether it is a new or existing factory. 'Red flags' include critical breaches of our Code of Conduct and local laws, such as non-payment of the minimum wage or locked fire exits. We have a zero-tolerance policy for critical 'red grade' breaches of our Code of Conduct including involuntary labour, human trafficking and child labour.'

### Actions taken to remediate or reduce risk

There remains much room for informative reporting when it comes to practical actions taken to remediate or reduce modern slavery risk. Almost a third of companies do not address this directly, and while a majority (58%) mention some steps, these are mainly restricted to the adoption of Codes of Conduct or similar preventive actions. Changes in operational practices or in business relationships designed to minimise modern slavery risks were rarely cited.

One in ten companies from our sample disclose specific cases where steps have been taken in response to identified modern slavery risks.



### Examples: actions taken

#### Rio Tinto

'Responding to identified risks around payment of wages and working conditions on chartered ships, in 2016 Rio Tinto Marine (RTM) implemented initiatives to help ensure all vessels arriving at Rio Tinto ports provided a Maritime Labour Certificate and/or associated declaration of maritime labour compliance. We are aware of one incident in 2016 of failure to pay wages on a ship chartered by a subsidiary. When concerns were raised RTM immediately asked the ship owner and manager to resolve any wages and working conditions matters.'

#### Apple Inc.

'To eradicate bonded labour, in October 2014, we informed our suppliers that, starting in 2015, they could no longer charge any recruitment fees to foreign contract workers employed on an Apple production line. Prior to 2015, Apple required suppliers to reimburse foreign contract workers for any recruitment fees exceeding one month of the worker's anticipated net wage, irrespective of the length of the foreign worker's contract. Since our program began in 2008, reimbursements to over 34,000 foreign contract workers totalled US\$28 million. From October 2015 through December 2016, reimbursements of more than US\$2,600,000 were provided to over 1,000 foreign contract workers.'

#### Rezidor Hotel Group

'In 2016, a toolkit was developed, in support of the hotels, to combat modern slavery in operations and outsourced labor. This toolkit includes back-of-house material to increase all employee awareness of modern slavery and support tools for the General Manager and HR team of the hotels. The toolkit has been developed in multiple languages. It functions as guidance to combat modern slavery and provides details on how to engage with employees, how to approach a recruitment agent and what due diligence info to collect. The launch of the toolkit is done in 3 of the 7 geographical areas in Europe, Middle East & Africa. Remaining areas will follow in Q1 2017.'

### KPIs

Just as in the previous 2016 analysis, performance indicators are the item least well addressed by the statements: 81% do not mention any KPIs used to assess the effectiveness of the company's approach to ensuring that there is no modern slavery in its own business and supply chain.

We found that 10% of companies provide one measurable indicator for monitoring progress, and a further 9% disclose a combination of quantitative and qualitative indicators. Some companies reported reviewing their KPIs without setting out what these were.

Among the more commonly mentioned indicators were numbers of staff trained, non-compliances found during audits or complaints received. It seems that there needs to be considerably more thinking among most companies about how they are to assess and measure the effectiveness of their modern slavery strategies.



## Examples: performance indicators

### GKN Group

'In order to assess the effectiveness of the measures we have taken we will continue to review the following key performance indicators:

- The number and nature of employee hotline disclosures
- The number and nature of major and minor non-compliances reported through the Human Resources Controls Checklist and Internal Control Checklist.
- The number and nature of incidents reported through our internal incident reporting mechanisms.
- The average Positive Climate Index Scores.'

### InterContinental Hotels Group

'In 2016, our key metrics to measure our effectiveness are our training figures and number of suppliers who have signed our Vendor Code of Conduct. At the end of 2016 more than 27,000 colleagues had completed our human rights e-learning. Approximately 1,600 suppliers have now signed our Vendor Code of Conduct.'

### Port of London Authority

'We will use the following key performance indicators to assess how effective we have been in ensuring that slavery and human trafficking is not taking place in any part of our business or supply chains:

- regular audit of suppliers (% of suppliers contacted each year with regard to the Modern Slavery Act 2015)
- annual audits (focusing on high risk areas)
- records of staff training (number of staff trained / informed)
- number of reported suspicious situations
- percentage of payments to uncertified suppliers'



## Training

Training is among the items that is better covered by statements. Training conducted on modern slavery risks and human rights was described moderately well or in detail in 35% of statements, up from 22% last year.

Most statements that refer to training do so in relation to internal training conducted for employees. These include all staff training via webinars and videos, as well as the circulation of information via newsletters. Various companies further highlight that their senior management or specialist procurement and purchasing teams are given more specific external training to raise awareness about modern slavery risks across the operations and supply chains, often through an external provider. A few statements indicate that suppliers are also required to attend trainings on codes of conduct or actions relevant to modern slavery.

## Examples: training

### British American Tobacco

'In 2016, we delivered the following training that included specific content on human rights and modern slavery:

- Training webinars for our Legal and External Affairs employees on our Standards of Business Conduct and Supplier Code of Conduct;
- A global roll out of new training and communications materials for all employees worldwide on our Standards of Business Conduct, clarifying what they should do if they discover actions that conflict with our Standards;
- A series of workshops with our BAT-owned and third-party tobacco leaf suppliers across the globe to introduce the Sustainable Tobacco Programme (STP) and its specific criteria on human rights and forced labour. They then delivered training to their teams and farmers; and
- Through our agricultural Extension Services, we provided training and capacity building on human rights issues for our farmers and members of local communities, attended by over 60,000 beneficiaries.'

### Zalando

'The Code of Conduct is part of our "Compliance Basics" training. The training is offered as mandatory face-to-face training to all managers and as mandatory eLearning to all other employees. The Compliance team monitors the results (participation as well as the results of the multiple-choice test which is included in the eLearning).

All zLabels employees including those involved in supply chain management and sourcing our products attend a mandatory training on our Ethical Trading program. This training includes understanding our Code of Conduct, prevention of forced labor and human trafficking, as well as other ethical standards that must be maintained at factories within our supply chain.

We hold annual training workshops for our strategic private labels suppliers to provide an understanding of our requirements. In 2016, workshops were held in China, Thailand and Germany which included training on our Ethical Trade requirements. During these sessions, more than 140 suppliers were trained.'

## Collaborative activities

Collaboration and stakeholder engagement is widely regarded as an important and effective tool for any company engaging in human right due diligence. 24% of the companies report engaging with one or more collaborative initiatives (the same proportion as last year), with the most frequently mentioned initiative being Sedex (9% of the companies), followed by the Ethical Trading Initiative at 6% and Stronger Together at 3%. This orientation towards UK-based initiatives is unsurprising given the composition of our sample. Apart from these, various other sector-specific multi-stakeholder initiatives are mentioned, such as the Better Cotton Initiative, the Ethical Tea Partnership or the Sustainable Tobacco Programme.

Some of the reports also mention working on projects with NGOs and charities, such as Save the Children and the Salvation Army. Collaboration with intergovernmental organisations was also reported, notably UNICEF and the International Organisation for Migration (IoM).

A few of the statements detail local projects which directly affect people at risk, aimed at reducing their vulnerability to exploitation.



## Examples: collaboration

### Bettys & Taylors Group

'Preventing underage working in Rwanda and Burundi: The central African countries of Rwanda and Burundi both have ideal conditions for growing top quality teas, but significant social and ethical challenges needed to be addressed before we could consider buying from both countries. With the support of the UK Government's Food Retail Industry Challenge Fund (FRICH), we developed projects to help suppliers work towards certification standards.'

As part of this work we established partnerships with the Ethical Tea Partnership, Save the Children in Rwanda and International Rescue Committee (IRC) in Burundi to address the issue of underage working in both countries and gender based violence in Burundian. This included vocational training, establishing early childhood care and development centres, and engaging and sensitising key stakeholders.'

### Marriott Hotels Ltd

'For nearly 20 years, Marriott has offered the Youth Career Initiative (YCI), a 24-week education and life enhancing program for young people at risk, at our hotels in nine countries and territories within Asia, Latin America, the Middle East and Eastern Europe. To date, thousands of students have graduated from YCI programs around the world and have gone on to pursue careers in hospitality, banking and health care, or have continued with further education. Nearly 900 of those graduates were trained at Marriott hotels, including students who are survivors of human trafficking.'

In 2016, Marriott collaborated with End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes (ECPAT-USA) and Polaris to co-develop the content of our enhanced human rights training.'

## IN CONCLUSION

Overall, we have seen some progress on some aspects of reporting. Statements are longer and slightly more detailed than one year ago, with more information on business structure, operations, supply chains and their modern slavery policies. These are the easiest areas to address, but it is encouraging that there is also increased detail about trainings on human rights and modern slavery.

However, on the key elements of due diligence – risk assessment, prioritisation and remedial and preventative action – there is very little movement towards greater depth and detail, certainly among the great majority of reporters. There are clearly some larger, international companies with complex supply chains and consumer-facing businesses that are taking action on a broad

front and are reporting in some considerable detail, but these are the exception.

Perhaps it is still too early for many companies to fully understand the implications of due diligence on modern slavery, and to put in place processes on which they feel comfortable reporting.

However, our analysis shows that superficial and broad descriptions of processes and actions remain the norm for the bulk of reporters. In this respect, as modern slavery reporting becomes more routine, there is a danger that the default position could be anodyne statements that deal only in generalities. This would run counter to the intention of the Act and is unlikely to meet the expectations of regulators, civil society or, increasingly, investors.

*This report has been researched and written by Lis Cunha and Stuart Bell, with assistance from Matthew Waller, Laura Curtze and Steve Gibbons.*

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