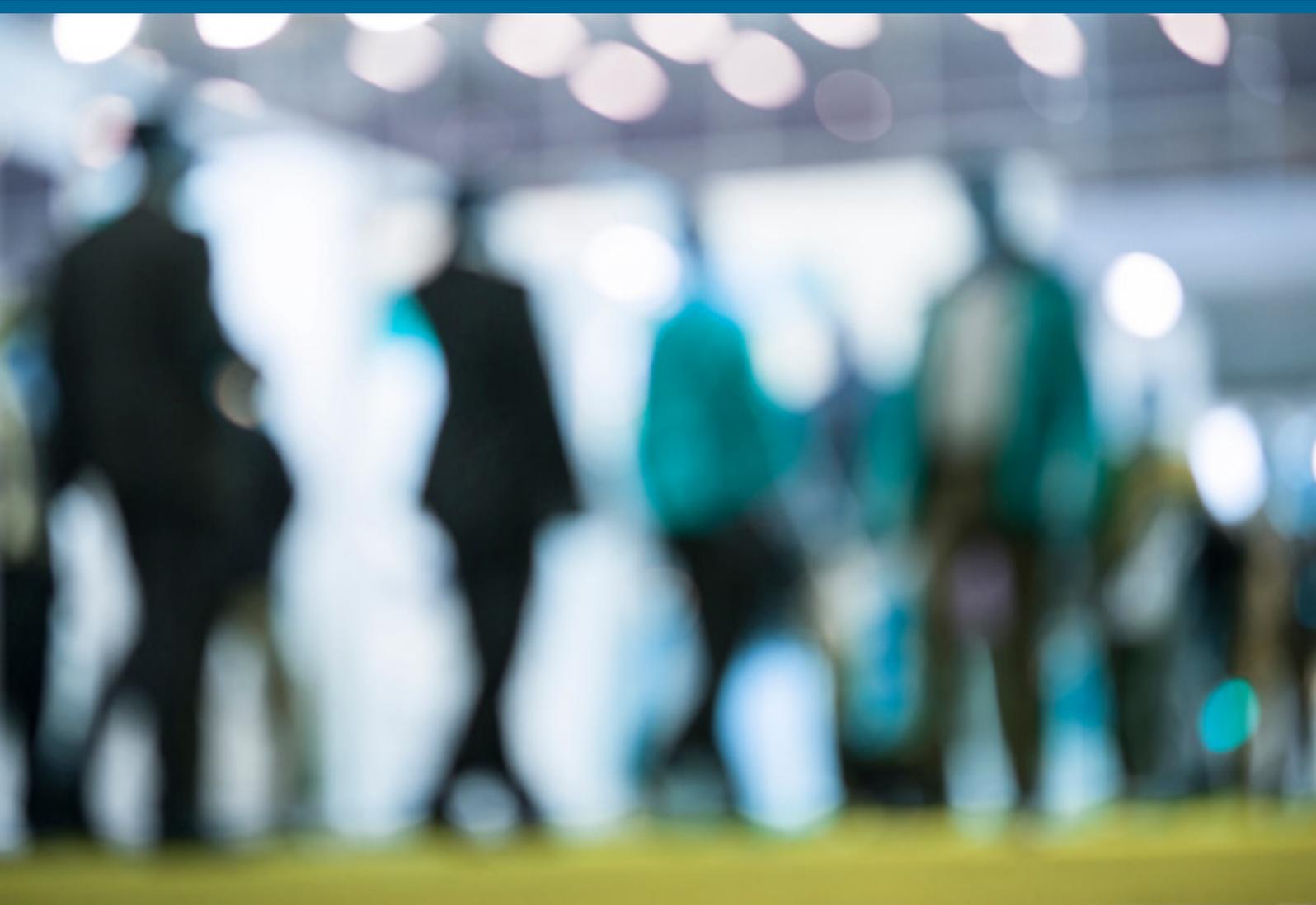


RISK AVERSE?

Executive Summary and Recommendations

Company reporting on raw material and sector-specific risks under the Transparency in Supply Chains clause in the UK Modern Slavery Act 2015



ABOUT CORE

CORE is the UK civil society coalition on corporate accountability. We aim to advance the protection of human rights with regard to UK companies' global operations, by promoting a stronger regulatory framework, higher standards of conduct, compliance with the law, and improved access to remedy for people harmed by UK-linked business activities.

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EXECUTIVE SUMMARY

Background

Section 54 of the Modern Slavery Act 2015, the Transparency in Supply Chains Reporting clause requires all commercial organisations with an annual turnover of more than £36 million operating in the UK to publish a Slavery and Human Trafficking Statement. Section 54(5) of the Act describes the information that may be included in a statement:

- 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 about slavery and human trafficking available to its staff.

The reporting requirement commenced on 29th October 2015 and it is estimated that between 12,000 and 17,000 companies are within its scope. The Home Office recommends that companies report within six months of their financial year end and as businesses with a year end of 31 March 2016 were the first in line to comply, accordingly all companies covered by the requirement should have reported by the end of September 2017. At the time of writing, just over 3,000 statements were available on the Modern Slavery Registry website.

The report

The objective of this report is to provide a snapshot of company Slavery and Human Trafficking Statements published in compliance with the TISC clause. We chose to focus on companies that produce or provide products and services which reach a large number of customers and/or other businesses, and to complement the Business & Human Rights Resource Centre's analysis of FTSE 100 statements by looking at smaller companies, those listed on other exchanges and private firms.

The report's focus is companies who source raw materials associated with a heightened risk of modern slavery - cocoa from West Africa, mined gold, mica from India, palm oil from Indonesia, and tea from Assam - and companies operating in sectors that are widely recognized as being at heightened risk: garment production; hotels and accommodation; construction; football clubs (which due to the nature of their businesses include a wide range of functions including hospitality and retailing manufactured goods); and outsourcing companies. We look at 50 companies' Slavery and Human Trafficking statements; 25 from companies sourcing raw materials, five each under each material; 25 from at-risk sectors, five from each sector.

Material / sector	Companies included in the report
Cocoa from West Africa	Ferrero UK; Hershey ; Lindt & Sprüngli; Mars; Mondelez
Mined gold	Cartier (Richemont); Goldsmiths (Aurum Group); Pandora ; Signet; Tiffany
Mica from India	Boots (Walgreen Boots Alliance); Dior / LVMH; Estée Lauder; L'Oréal; Revlon
Palm oil from Indonesia	Colgate Palmolive; Kellogg; Nestlé UK; Procter & Gamble; Reckitt Benckiser
Tea from Assam	Bettys & Taylors; Fortnum & Mason; Tetley (Tata Global Beverages); Typhoo; Unilever
Premier League Football Clubs	Arsenal FC; Chelsea FC; Liverpool FC; Manchester City FC; Manchester United FC
Apparel & footwear retailers	Aldi UK; Foot Locker; Lidl UK; Matalan; Sports Direct
Hotels & accommodation	Airbnb; Hilton; Hyatt; InterContinental; Marriott
Housebuilders	Barratt; Bellway; Berkeley; Bovis; Unite Students
Outsourcing firms	G4S; Interserve; Mitie; Serco; Sodexo

We explore if and how companies include information on the particular raw material and sector-specific risks in their statements, looking particularly at the description of their operations and supply chains and their due diligence. These areas correspond broadly with points (a), (c) and (d) of s54(5) of the Act. We also looked for relevant information in other documents available on the companies' websites, for instance Codes of Conduct. We were interested in the extent to which companies are making connections between the risk of slavery and human trafficking, wider labour rights issues (such as wages and working hours) and economic factors, most notably the price paid for raw materials.

The report itself does not allege directly that any of the named companies have slavery or human trafficking in their operations or supply chains. Where references are made to previously published materials making such allegations, we provide a link to the company response, where available.

Summary of findings

	Statements published	Statements signed by a Director / equivalent	Statements signed on behalf of the board	Statements referring to specific risks of modern slavery in supply chain / sector	Companies publishing relevant information elsewhere on their websites
Cocoa from West Africa	****	****	***	**	*****
Gold	*****	***	*	None	****
Mica	****	****	***	None	**
Palm oil	*****	*****	*	**	*****
Tea from Assam	****	****	**	*	****
Premier League Football Clubs	*****	****	****	None	None found
Apparel & Footwear retailers	****	****	***	**	***
Hotels & accommodation	****	****	**	*	*****
Housebuilders	*****	****	**	***	***
Outsourcing firms	*****	*****	****	*****	*****

At the time of writing we had found 45 stand-alone Slavery and Human Trafficking statements out of the 50 companies covered in the report. 20 of the 45 statements are not signed in accordance with the legislation (by a director and on behalf of the board). Almost two-thirds of the 45 statements do not make reference to specific risks of slavery and human trafficking in the relevant raw material supply chain or specific sector. At the same time, most of the 50 companies did make references (ranging from oblique to detailed) in other published materials to supply chain and sector-specific risks. This information ranged from vague references to 'issues' in the supply chain, to detailed information on source countries for commodities.

Acknowledging and understanding the potential risks of modern slavery is crucial: if business do not identify their risks, they cannot begin to take effective action to address those risks. It is essential for peer learning that companies continue to report on risks in their Slavery and Human Trafficking statements even if they are confident that the systems designed to minimise those risks are effective.

While we found that several companies are beginning to integrate their approach to addressing the risks of slavery and human trafficking in the context of wider human rights and labour rights risks, few are making the link to risks that can be generated by their own business models, such as the price paid for an agricultural / mined product or the low wages that characterise certain sectors.

Reporting on due diligence was limited, with many companies indicating continued heavy reliance on audits (usually carried out by a third party, or even by the supplier itself) and

certification schemes. While there is a place for these approaches, they cannot substitute for comprehensive due diligence, undertaken in the spirit of identifying human rights risks based on engagement with workers and producers. Where impact assessments were mentioned in company reports, it was not always apparent that such engagement had been carried out.

Headline findings relating to Slavery and Human Trafficking Statements:

- Of the cocoa companies, only Mars specifically acknowledges that severe human rights risks including forced labour may be present in the cocoa supply chain. Hershey expresses its commitment to eliminating ‘illegal and forced child labour’ from its supply chain, but it does not provide information on its supply chain or source countries, and neither do Ferrero and Lindt & Sprüngli, in spite of all three companies acknowledging in other publicly available documents that they source from West Africa. Mondelez has not published a stand-alone statement. Mars and Mondelez both refer to declining farmer incomes as an issue in the cocoa supply chain, but there is no substantive discussion of price issues.
- None of the jewellery companies provide any substantive information in their statements on their supply chains and the risks of slavery and trafficking associated with gold mining, even though risks to human rights related to gold sourcing are mentioned in other documents. All companies appear to rely on certification schemes and audit to assess supply chain risk. There is limited discussion of due diligence.
- A number of the cosmetics companies are members of the Responsible Mica Initiative, a multi-stakeholder effort intended to address issues in the mica supply chain. In spite of this, none of the companies provide any substantive information in their statements on their supply chains and the risks of slavery and trafficking associated with mica from India. We could not find a statement from Dior / LVMH.
- All five companies featured in the palm oil chapter have published statements. Kellogg and Procter & Gamble do not mention raw material sourcing. Colgate reports on the scale of its business and provides a link to its policy on palm oil sourcing. Nestlé reports on the scale of its raw materials sourcing and lists palm as one of 12 priority categories for its responsible sourcing activities. Reckitt Benckiser’s statement includes a case study on its efforts to improve palm oil traceability, but general information on its supply chain is not provided.
- The only tea company to specifically reference sourcing risks related to Assam in its statement is Bettys & Taylors. Of the other three companies that have published statements, two do not go beyond making general references to human rights issues and conditions on tea estates. Unilever’s 2015 Human Rights Report notes low minimum wages as an issue in many tea producing companies, but does not reference Assam specifically. We could not find a statement from Fortnum & Mason.
- Of the apparel and footwear retailers, Aldi and Matalan briefly describe their supply chains and Aldi provides information on identified risks. Lidl has published a list of tier-one production facilities for all its own-brand textiles and footwear and provides information on its due diligence processes. Sports Direct’s statement gives no substantive detail on the

supply chain or the company's own operations, and no information on identified risks. We could not find a statement from Foot Locker.

- None of the football clubs provide any information on identified risks, although all five have published statements.
- The four hotel companies provide an overview of the scale of their operations but only Intercontinental provides any information on its supply chain and is the only one of the four to provide details on identified risks. We could not find a statement from Airbnb. There is little discussion of labour conditions in hotel operations and in other published documents, Hilton and Hyatt describe collective bargaining agreements as a risk to their business.
- Three housebuilding companies (Barratt, Bovis and Unite Students) acknowledge specific risks to the sector and their businesses. All five have published statements.
- All five outsourcing companies report on identified risks, mostly (but not exclusively) identifying their supply chains as the main area of risk, rather than their own operations.

Conclusions

As the deadline approaches for companies to publish transparency statements under the Modern Slavery Act, overall compliance with the reporting requirement is low, with an estimated 9,000-14,000 companies still to publish.

This report explores a very small sample (less than 2 per cent) of published statements from larger, well-known companies. In general, we find that many of these statements are not compliant with the basic requirements of the legislation and that the majority do not address in substantive detail the six topic areas listed in the Act. This is despite the fact that relevant information, relating for instance to source countries for raw materials is often provided in other documents available on company websites. Many companies are not reporting on human rights due diligence and are not considering how their own business models can create risks of severe labour rights abuses.

The Modern Slavery Act has been described as a potential game-changer on supply chain transparency, but this will only be achieved with a considered and concerted effort across the private sector. As we move into the next year of reporting, companies have an opportunity to be open about the issues, to learn from good practice and to work together to drive real change.

RECOMMENDATIONS

To the UK Government and other Governments considering the introduction of supply chain reporting requirements:

- Raise awareness among companies of the requirement, particularly companies at the lower end of the reporting threshold.
- Publish a list of commercial organisations that are required to report under the legislation.
- Remove / do not provide an option for companies to report that they have taken no action.
- Provide a means for interested parties to alert an enforcement agency to non-compliance with the reporting requirement, and sanction companies that fail to comply.
- Explore ways to enable discussion between governments, producers, buyers, civil society and certification agencies involved in particular sectors / commodity supply chains, of solutions to systemic drivers of labour rights abuses including price and wages.
- Consider the introduction of so-called 'hot goods' provisions, to prevent the movement of goods suspected of being produced using forced labour; and measures to hold companies to account for failing to prevent slavery and human trafficking in their supply chains, with a means for victims to seek compensation through the courts.

To the UK Government:

- Conduct a substantive revision of the Home Office guidance on the TISC clause, seeking input from expert external stakeholders including trade unions and NGOs.
- Require companies to report on all six areas listed in s.54(5) of the Act.

To other Governments considering the introduction of supply chain reporting requirements:

- Seek to broadly align with existing standards without replicating identified weaknesses in the UK legislation.

To business:

- Ensure statements are signed in accordance with the legislation and are available from a link on the homepage of the company website. Proactively submit statements to the Modern Slavery Registry.

- Include information on all six areas listed in section 54(5) of the Act, in Slavery and Human Trafficking statements. Information on supply chains should include source countries for raw materials and finished goods, and should acknowledge known risks of modern slavery and human trafficking in those supply chains. When reporting under 54(5)a, consider and report on how the company's business model can potentially create risks of modern slavery and human trafficking. Seek to place reporting on action taken to address the risk of slavery and human trafficking within the context of respect for labour rights and human rights.
- Clarify in the statement which parts of the corporate group are covered by the disclosure.
- Consolidate published information on supply chains into one document. Ensure the online format of the Slavery and Human Trafficking statement enables hyperlinks to function.
- Clarify the scope of application of Codes of Conduct and company policies, and describe how these are implemented, how compliance is ensured, and how incidents of non-compliance are dealt with. When discussing membership or use of certification schemes, describe how these are addressing abusive labour practices and disclose any shortcomings to help drive the development of solutions across the industry.
- Develop due diligence programs that incorporate engagement with workers and civil society working on the ground, to move beyond a reliance on social audits and certification.
- Conduct regular reviews and revision of existing programs and policies to ensure they are fit for purpose and evolve with changing modern slavery risks.

To investors

- Make engagement on modern slavery a priority, within the context of respect for labour rights more broadly, checking to see whether companies are in compliance with the TISC reporting requirement.
- Ask companies how they approach specific risks in their supply chains and operations and how they embed their approach to addressing the risk of slavery and human trafficking within their wider approach to human rights.
- Reward companies showing leadership on TISC reporting.

To civil society

- Assess companies' Slavery and Human Trafficking statements in the context of their overall disclosure, including non-ESG-specific information, and assess the reporting of different entities (buyers, processes etc.) in the same supply chain.
- Seek to foster an environment where companies do not fear reputational damage for being open and transparent.