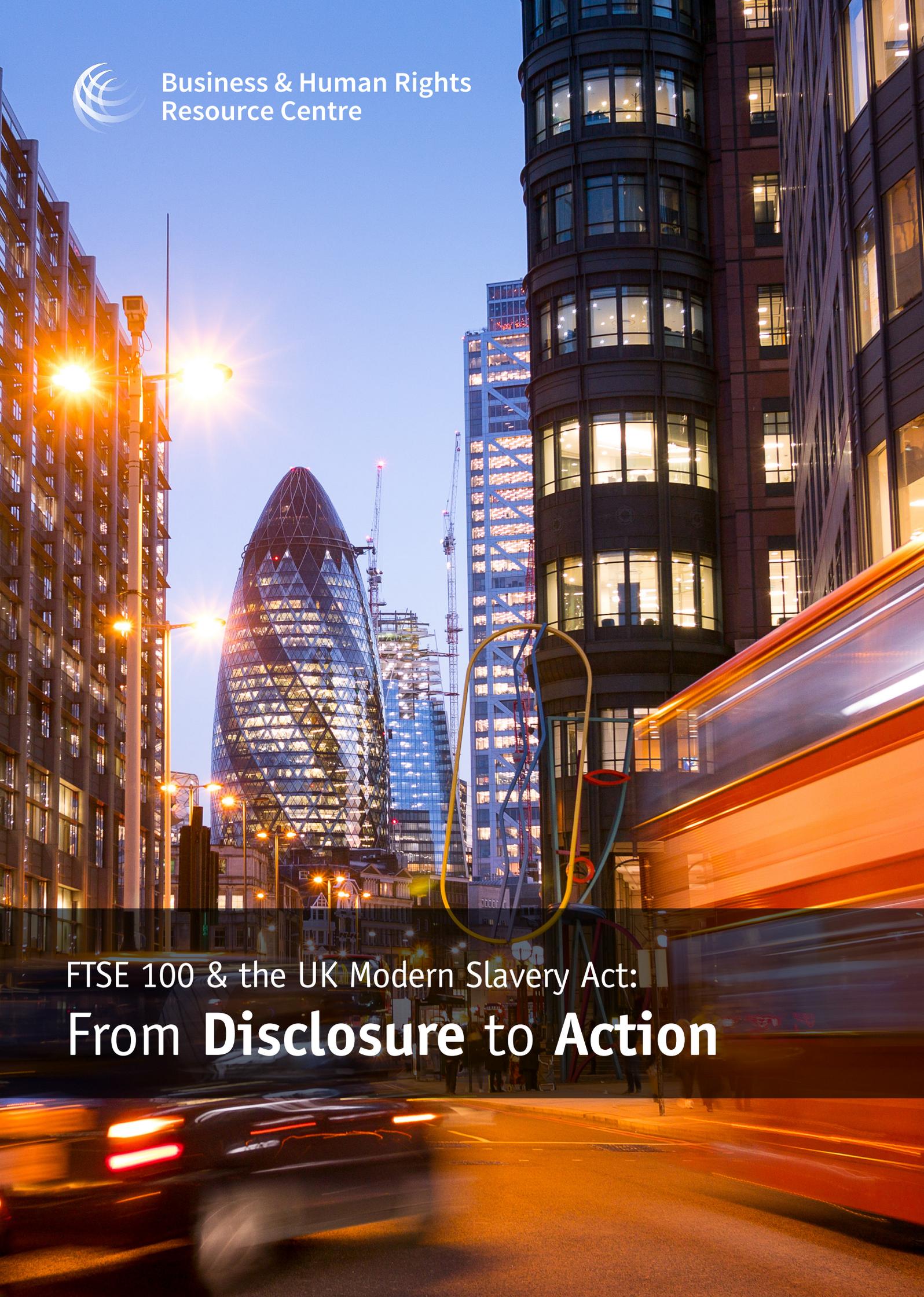




Business & Human Rights  
Resource Centre

A nighttime photograph of a city street in London. The Gherkin building is the central focus, illuminated from within. To its right is a tall, modern building with a curved facade and many lit windows. In the foreground, there are blurred lights from a car and a double-decker bus, suggesting motion. A colorful, abstract sculpture is visible in the middle ground. The sky is a deep blue, and streetlights are visible on the left.

FTSE 100 & the UK Modern Slavery Act:  
**From Disclosure to Action**

# Table of Contents

- 03** Executive summary
  - Key findings
  - Key recommendations
- 06** FTSE 100 Ranking
- 09** Introduction
  - Policy developments
- 11** UK Modern Slavery Act
- 12** Methodology
  - Review and revision
  - Assessment
  - Minimum requirements
- 14** Structure, Business & Supply Chains
- 15** Policies in Relation to Slavery & Trafficking
- 16** Due Diligence Process
- 18** Risk Assessment & Management
- 20** Effectiveness
- 21** Training
- 22** Wider trends
  - Compliance with Section 54 of the MSA
  - Gaps in reporting
  - Business model
- 24** From mandatory transparency to mandatory due diligence
- 25** Conclusion
- 26** Recommendations
  - UK Government
  - Companies
  - Investors

# Executive summary

Modern slavery and human trafficking are now the second largest criminal industry in the world. The Global Slavery Index estimates there are 16 million victims of forced labour in the private sector. It is an uncomfortable truth that many of the goods and services sold by companies every day are produced by workers who suffer the most severe exploitation.

In 2015, the UK Government introduced the Modern Slavery Act (MSA), which requires certain companies publish an annual statement detailing what steps they have taken to tackle modern slavery, both in their operations and in their supply chains. Business & Human Rights Resource Centre has tracked companies' reporting every year since, and our findings show that the MSA has failed to deliver the transformational change many hoped for. **Three years on, most companies still publish generic statements committing to fight modern slavery, without explaining how. Sadly, only a handful of leading companies have demonstrated a genuine effort in their reporting to identify and mitigate risks.** (For our 2018 key findings see page 4.) The lack of progress has been noted by Parliamentarians, the Independent AntiSlavery Commissioner, and investors.

This report is our third annual assessment of transparency statements by the FTSE 100 under the MSA (see [2016 report](#) and [2017 report](#)). Our findings from last year's report were used by the Independent Anti-Slavery Commissioner, Rathbone Investment Management, and CCLA Investment Management, to engage with companies which failed to meet MSA requirements or which performed poorly.

There are many reasons why the FTSE 100 are worthy of scrutiny. **As the largest companies in the UK, the FTSE 100 should provide leadership and help lift standards at an industry level.** If even a handful of these companies exposed the brutal exploitation in their own supply chains and publicly committed to fixing the problem, it would end business-as-usual and bring about more responsible practices. The FTSE 100 companies also procure goods and services from many of the small-to-medium sized companies covered by the MSA. The FTSE 100 can use their leverage as valued customers to improve their suppliers' efforts to tackle modern slavery.

Government can also play a stronger role, by creating a public registry of companies required to disclose their anti-modern slavery measures, modelled on the Gender Pay Gap register, and imposing financial penalties on companies which fail to report or take no steps. Investors should also make modern slavery a priority in corporate governance, while leading companies can help laggards make improvements. (For our key recommendations see page 5.)

In 2018, as in our previous assessments, the action reported by companies varied greatly, with only a small cluster of leaders standing out. **Marks & Spencer, Diageo, Morrisons, Sainsbury's, British American Tobacco, Tesco, Burberry, Vodafone, Unilever, BT, Kingfisher and National Grid** scored highest; their reporting showed they understood their risks and had a commitment to addressing them. Their statements reflected better action and provided detailed disclosure. This leadership group remains largely the same as last year with the addition of Kingfisher and National Grid which provided much more detailed statements this year.

At the other end, **Evraz, Paddy Power Betfair, Melrose Industries, Rightmove, Ferguson, and GVC Holdings** provided weak statements, offering little or no information on the six reporting areas. These statements changed very little from year to year and did not show progress on understanding their modern slavery risks. These poor performing companies are far from alone: the average overall score was only 31%.

Over half of the FTSE 100 scored below this figure, and 28 companies scored fewer than 20%. This is all the more disappointing as it represents little change from our previous assessments.

This year, one clear area of improvement is compliance with the minimum requirements set out by the MSA, (statements must be signed by director, approved by board and available on the company's homepage). This year, 93 companies met the requirements, compared with only half of the companies last year. A higher proportion of companies also: reported having policies related to modern slavery; reported including modern slavery in social audits; reported having conducted a risk assessment to identify modern slavery risks in their supply chains; disclosed results from audits or assessments; reported providing capacity building and training to employees and suppliers. While we welcome these improvements, there is still a lack of detail in reporting; companies state they have taken a certain action but do not explain their process. We would also expect to see greater progress by more companies after three years of reporting.

Companies themselves recognise that a level playing field has not been achieved. Consumer-facing companies are subject to greater scrutiny and are expected to demonstrate a strong commitment to fighting modern slavery, while their lesser-known peers can get away with publishing weak statements, or not publishing at all. However, the MSA review currently being undertaken by the UK Government (with an interim report due out in November) may well result in stricter requirements on companies under Section 54. Companies should be aware that their inaction on modern slavery is only serving to illustrate to policy makers the need for stronger enforcement measures.

[Corporate leaders](#) are increasingly being called upon to use their positions as strategic stewards to prioritise modern slavery. Government regulation alone cannot change corporate behavior; business leaders must also acknowledge that corporate culture create a hostile environment for workers. The time for inaction is running out.

## Key findings:

The higher scoring companies are **Marks & Spencer, Diageo, Morrisons, Sainsbury's, British American Tobacco, Tesco, Burberry, Vodafone, Unilever, BT, Kingfisher**, and **National Grid**. These companies reported taking stronger action on the following than their peers on the following: assessing their supply chains for modern slavery risks, disclosing some detail about the risks that were identified and disclosing incidents where indicators of modern slavery were identified in their supply chains. However, no company scored above 78%.

**Kingfisher, National Grid, and Pearson** improved the most in this year's assessment. These companies provided much more disclosure than in previous years, doubling and tripling the length of their statements and using maps, graphs and charts which provided a more detailed explanation of their practices and policies to address modern slavery.

The companies with statements which showed little evidence of meaningful action are **Evraz, Paddy Power Betfair, Melrose Industries, Rightmove, Ferguson, GVC Holdings**. These companies provided little or no information in any of the six reporting areas. Some of these statements did not show substantive change from the previous year.

The weakest reporting area was measuring effectiveness of efforts to address modern slavery. This was also the lowest scoring reporting area in our previous assessments. About 35% of companies provided little or no disclosure in this area. However, this is an improvement, down from 50% of companies last year.

93 companies met the minimum requirements, a significant improvement from last year when only 47 companies met these requirements. Of the companies that did not meet the minimum requirements, 3 statements did not explicitly say they were approved by the Board (or equivalent) and 2 statements were not signed by a director (or equivalent). 1 company failed to provide a link to their statement on their website's homepage.

## Key recommendations:

### UK Government should

Institute mandatory requirements for companies to conduct human rights due diligence as set out in our [report](#) on mandatory due diligence.

Monitor compliance with the MSA

- Establish a central registry of statements, similar to the Gender Pay Gap register.

- Publishing a list of the companies required to report.

Enforce the MSA by imposing impactful financial penalties where:

- Companies fail to publish a modern slavery statement.

- Companies report they have taken no steps.

Engage closely with key stakeholders on how to strengthen the MSA and incorporate recommendations from the Home Office review.

### Companies should

Carry out human rights due diligence which includes direct engagement with key stakeholders whose knowledge of the local operating context can help identify risks.

Disclose the modern slavery risks which are identified in their operations and supply chains.

Collaborate with their peers to investigate modern slavery risks in common supply chains and develop initiatives to bring about industry-wide change.

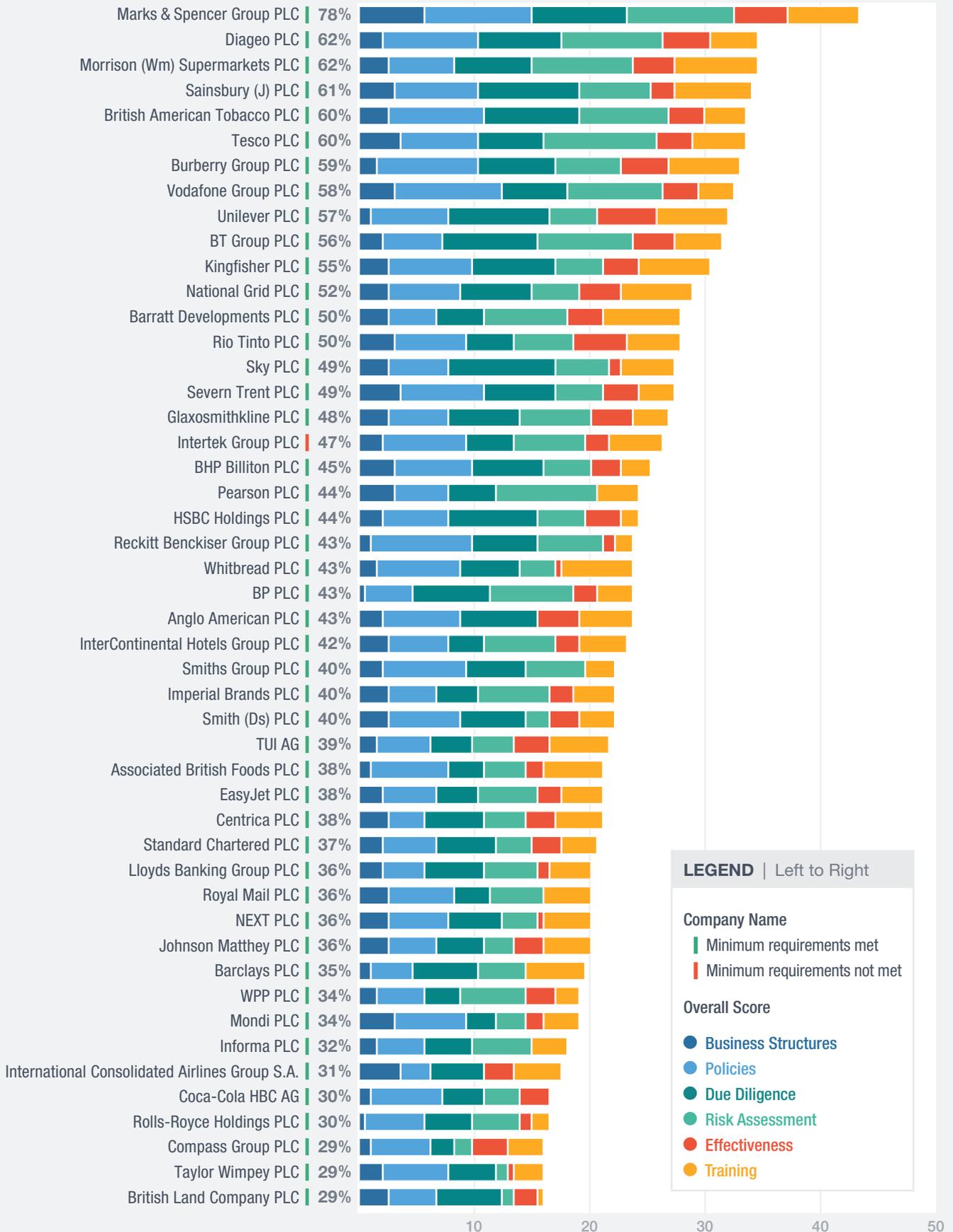
### Investors should

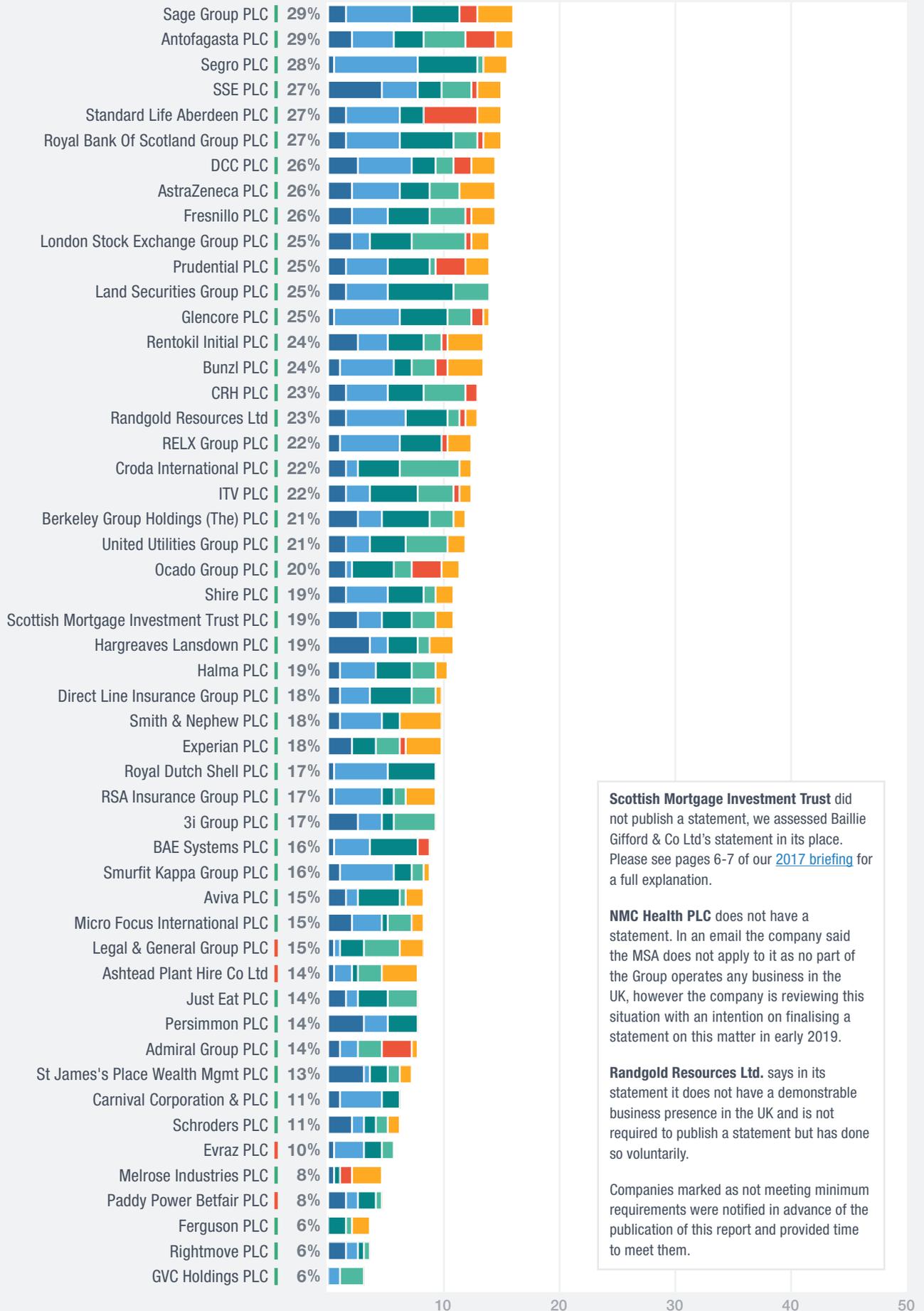
Assess modern slavery statements and understand how they fit into the wider human rights strategy (if any) of the company.

Signal to investee companies that comprehensive human rights risk due diligence and management of human rights-related impacts, notably in relation to modern slavery, are evidence of strong corporate governance and management.

Use this analysis, and other benchmarks, to learn what companies can and should be doing to combat modern slavery, and use these resources and good practice examples to engage with companies.

# FTSE 100 Ranking







# Introduction

[Modern slavery](#) encompasses the most severe forms of labour exploitation and it is on the rise globally. The International Labour Organization estimates that forced labour in the private economy generates US\$150 billion in illegal profits per year. The [Global Slavery Index](#) findings show that even in developed economies like the UK, France and Germany, there are hundreds of thousands of people living in conditions of modern slavery. Yet the prevalence of modern slavery, both in terms of where it is practiced and where victims come from, is concentrated in the [global south](#).

Governments are increasingly pursuing legislation that regulates corporate behavior on human rights. France and the Netherlands have introduced legislation which requires companies to undertake due diligence to identify human rights risks in supply chains. Australia will soon adopt legislation that requires companies to report on their actions to address modern slavery in supply chains. However, this policy landscape is colliding with a corporate culture focused on increasing power and profit, often at the expense of workers.

For example, the practice of [share buybacks](#) is trending upward globally. [BP has purchased](#) over \$430 million in shares and Royal Dutch Shell has announced a \$25 billion share buyback scheme.<sup>1</sup> Share buybacks boost share prices which benefits not only shareholders, but CEOs and executives whose compensation is closely tied to stock performance. A recent [report](#) found McDonald's could have paid each of its workers \$4,000 more a year with the cash used on buybacks; Starbucks could have paid its workers \$7,000 more a year. If companies reinvested even a portion of these billions in the form of wages, it would ensure a fairer distribution of profits and go a long way to closing the widening gap between executives and workers.

In fact, the pay gap between FTSE 100 CEOs and workers is widening to untenable levels. The average [pay ratio](#) between a FTSE 100 CEO and the average worker's is 145:1. The average FTSE 100 CEO pay package increased by 11% while workers' earnings rose by only 2% between 2016 and 2017. In response, the UK Government has announced new [regulations](#) which will require certain UK businesses to justify wide pay gaps between top executives and workers.

[Supermarket giants](#) are on their own trend of market consolidation which could impact millions of workers. Tesco and Carrefour announced a strategic alliance, as did French retailers, Auchan Retail, Casino Group, Metro and Schiever. Sainsbury's and Asda announced a merger, Tesco took over Booker, and Co-op bought Nisa. This concentration of power among a few retail brands means they will have considerable leverage over suppliers. However, it is feared they will use this leverage to squeeze ever lower costs without considering how this will impact workers; the risk of precarious employment among workers at the bottom of the supply chains will be inevitable. Tesco, Sainsbury's and Co-op have demonstrated a strong commitment to fighting modern slavery in their reporting, and these efforts could prevent such exploitation.

To eliminate modern slavery, corporate leadership could invest these same funds (used for share buybacks, executive pay bonuses, or takeovers) to implement and track human rights due diligence and ensure workers' rights are protected.

Business & Human Rights Resource Centre covers all types of labour abuse by companies in all sectors and regions. Our research on these issues include the [garment sector in Jordan](#), [KnowTheChain benchmarks](#), [construction sector in the Middle East](#), [case studies of leading practice by companies reporting under the MSA](#), and [Syrian refugees in Turkish garment factories](#).

---

<sup>1</sup> In the U.S., companies have spent \$5.1 trillion in share buybacks since 2008; Apple has spent \$219 billion in share buybacks since 2015, The Guardian, [Experts voice concern that corporate windfall from tax cuts benefits the wealthy](#), Edward Helmore, 1 September 2018

## Policy developments

Governments are increasing scrutiny on business practices and using legislative powers to require companies to protect workers in their businesses and supply chains.

In October 2018, the Canadian Parliament tabled a [report](#), *A Call to Action: Ending the Use of all Forms of Child Labour in Supply Chains*, with a recommendation that the Government develop legislative and policy initiatives which motivate businesses to eliminate the use of any form of child labour in their global supply chains.

In September 2018, the Australian Modern Slavery Bill [passed the House of Representatives](#) and was sent to the Senate for further consideration. The bill passed by the House of Reps makes provision for: (1) a government-run registry of statements; and (2) mandatory reporting criteria against which companies would report, rather than discretionary as in the MSA.

In August 2018, the [UK Home Office announced](#) an independent review of Section 54 of the MSA on how to ensure compliance and drive up the quality of statements produced by companies required to report.

In August 2018, Norwegian civil society organisations, Rafto, Ethical Trading Initiative Norway, and the Norwegian Bar Association's Human Rights Council, [launched an initiative](#) for a modern slavery law in Norway.

In June 2018, the National Council accepted a counter-proposal to the [Swiss Responsible Business Initiative](#), which seeks an amendment to the Swiss Federal Constitution to require companies to conduct mandatory human rights due diligence. The counter-proposal will be discussed by the other chamber of Parliament later in 2018.

In 2017, the [French Corporate Duty of Vigilance](#) came into force, which requires certain large French companies to develop, implement and publish a human rights due diligence plan. The first companies have started to publish plans in 2018.

In [Hong Kong](#), a draft modern slavery bill was presented to the Chief Executive; adoption of the bill is considered unlikely at present.

**Experts [predict Brexit](#) will increase the risk of labour exploitation in UK businesses. British companies rely on low-skilled workers from Europe but there has been a marked decrease in EU migration to the UK since the Brexit vote. From farmers to hospitality companies, the [labour shortage](#) is already evident and there is a fear this will lead to increased modern slavery. It is also believed that post-Brexit abuse of vulnerable workers will worsen as companies will counter rising costs by [increasing pressure on suppliers](#).**

# UK Modern Slavery Act

Section 54 of the MSA requires every organisation with a global annual turnover of £36 million or more, which carries out business (or part of a business) in the UK, produce a slavery and human trafficking statement for each financial year. The statement should set out the steps the organisation has taken that year to identify and eradicate modern slavery from its business and its supply chain.

## **Statements should fulfill three minimum requirements under the MSA:**

- Statements must be published on the company's website, if it has one, and a link to the statement must be placed in a prominent place on the website's homepage.
- Statements must be approved by the board of directors (or equivalent management body).
- Statements must be signed by a director (or equivalent).

Approval by the board or equivalent leadership body demands buy-in from the top of the organisation. Senior leadership should have responsibility for the company-wide strategy to combat slavery risks, which will help to embed a culture of zero tolerance throughout the business. A director's signature creates clear accountability by a senior member of leadership. Ensuring the availability of the statement on the company's homepage means better accessibility for consumers, business partners and investors, which increases transparency. Failure to comply with these requirements reflects poorly on companies and should raise a red flag to potential investors or business partners.

## **The MSA suggests statements include information on the following reporting areas:**

- 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; and
- the training about slavery and human trafficking available to its staff.

# Methodology

This briefing assesses the action reported by FTSE 100 companies in their modern slavery statement for the last financial year and is a follow-up to two briefings published by Business & Human Rights Resource Centre, [First Year of FTSE 100 Reports Under the UK Modern Slavery Act: Towards Elimination?](#) (2017) and [FTSE 100 At the Starting Line](#) (2016). Most of the companies included in this analysis will have been included in the previous briefings, and it therefore provides a good insight into how effective the MSA has been at creating a change in corporate behaviour.

## Review and revision

This year we undertook a review of the methodology. We have developed a revised, more granular, set of indicators which reflect the higher expectations on companies after three years of reporting cycles. The revised methodology is also a tool for companies to better understand what is expected of them and provide the much-needed clarity companies have indicated was missing in this space. The methodology will enable them to benchmark themselves and track their progress.

We consulted with experts including Ethical Trading Initiative, CORE Coalition, Walk Free Foundation, and KnowTheChain. We also consulted with CCLA Investment Management and Romanac Consulting who work closely with companies. The consultations helped us to develop a methodology

applicable to companies across the many sectors represented by the FTSE 100, but that was specific enough to assess companies on meaningful action and robust reporting.

The methodology aligns closely with KnowTheChain, Corporate Human Rights Benchmark and the Workforce Disclosure Initiative, which have been developed in extensive consultation with business. The methodology also reflects the guidance published by the [UK Home Office](#) and by [CORE Coalition](#) and is informed by our own organisational expertise.

The full methodology and a further explanation can be found [here](#).

## Assessment

Companies were scored against a set of 54 indicators worth 1 point, half a point or zero points. The methodology also includes aspirational indicators, which are crucial to addressing modern slavery, but are not currently being undertaken by most companies. By introducing these indicators, we intend to raise awareness among companies as to what is expected of them and provide guidance as to how to progress. Companies were not scored on aspirational indicators.

The higher expectations reflected in the revised methodology are intended to keep companies looking forward rather than remaining static on their modern slavery efforts. While it has resulted in an overall drop in scoring for most companies, leaders and laggards from our previous assessments largely maintained their comparative positions.

Statements and data were gathered from the [Modern Slavery Registry](#), a free and public registry of company statements published pursuant to the MSA, and operated by Business & Human Rights Resource Centre.

## Minimum requirements

We determined whether the statements met the minimum requirements as follows (Assessment made 24 October 2018):

### Approval

- The statement must explicitly state the board (or members) has approved the statement; if the statement does not mention approval it is assessed as non-compliant.
- Approval cannot be delegated by the board to an individual (such as a board member or director) or to a committee of the board.
- Home Office guidance says best practice is to include the date of the meeting in which the board (members) approved the statement.

### Signature

- The name and title of the appropriate person is sufficient; a signature is not required.
- A signature or title alone is assessed as non-compliant.
- A signature and title, without an individual's name, is assessed as non-compliant.
- Home Office guidance says best practice is that a member of the board of directors sign the statement.

### Website

- The link must be in a visible location on the homepage or in an obvious drop-down menu on the homepage.
- The link must clearly indicate it is a modern slavery statement; links called “compliance statement”, “supply chains”, “policies”, for example, are assessed as non-compliant.
- Home Office guidance suggests the link be entitled “Modern Slavery Act Transparency Statement”.

Companies marked as not meeting minimum requirements were notified in advance of the publication of this report and provided time to meet them.

**Berkeley, Royal Dutch Shell** and **Smith & Nephew** confirmed their statements were approved by the board. **Baillie Gifford** provided the names of the directors who signed their statement. Statements which were signed for and on behalf of the board were assessed as compliant on board approval.

The results of this analysis are based on an assessment of companies' modern slavery statement only and do not include an evaluation of practices on the ground. For a more complete picture of a company's action on modern slavery, this analysis is best read alongside other commentary, guidance and investigative reporting on modern slavery.



## Structure, Business & Supply Chains

The information disclosed in this reporting area should provide a roadmap of a company's operations, business relationships and supply chains in the UK and abroad. Disclosure should also allow the reader to identify red flags and potential risks based on the activities, location and workforce of the reporting company, and its subsidiaries, business partners, clients and suppliers.

Most companies failed to provide an adequate explanation of their business model or the location of operations (including subsidiaries). They simply provided general information about their industry and the locations of some of their offices. About 40% of the companies assessed provided a total number of employees but did not provide information about the type of workforce used throughout the business, for example, contracted, temporary, seasonal, or low-skilled workers.

Reporting on supply chain structure was particularly weak, a gap that was also identified in the two previous FTSE 100 briefings. Many companies provided only broad categories or spend and/or sourcing regions, for example, "Our main categories of spend include IT, travel, telecommunications, professional services" or "Our active supply base comprises approximately 4,000 suppliers...and the majority are located in the UK, other European countries or North America."

About 45% of companies did not provide information on the structure of their supply chains, the goods and services they procure, or where their suppliers are located (by country or region). Only in rare cases was there sufficient information to allow the identification of potential risks. In most statements, the information provided about structure appeared to be highly selective and designed to play down risk. Yet, there is often ample evidence that many of these companies do have significant risks of modern slavery, due to the industry in which they operate, the commodities they source or the location of operations.<sup>2</sup>



**Tesco** disclosed the main origin source countries for priority products such as bananas, cane sugar, citrus, cocoa, coffee, cotton, palm oil, prawns, and tea. The company also provides a map showing the number of direct supplier sites by country, and each country is marked low, medium and high-risk for human rights abuse based on the Food Network for Ethical Trade risk rating. The company also reported that its UK labour providers work closely with the Gangmaster and Labour Abuse Authority (GLAA) to reduce the risk of trafficking and are prohibited from actively recruiting from outside of the UK without prior agreement from Tesco. It works with service providers to help ensure all temporary workers receive a reasonable number of paid hours each week and have the opportunity to transfer to permanent employment when vacancies arise.

<sup>2</sup> [Risk Averse: Company Reporting on raw material and sector-specific risks under the Transparency in Supply Chains clause in the UK Modern Slavery Act 2015](#), CORE Coalition, 2017; Amnesty International, [Time to Recharge: Corporate action and inaction to tackle abuses in the cobalt supply chain](#), 2017; Amnesty International, [The Great Palm Oil Scandal: Labour abuses behind big brand names](#), 2016; Amnesty International, [This is What We Die For: Human rights abuses in the Democratic Republic of Congo power the global trade in cobalt](#), 2016

# Policies in Relation to Slavery & Trafficking



The information provided in this reporting area should explain the relevant policies and standards that apply to employees, business partners and suppliers, and it should be clear how they relate to modern slavery. Where a policy or standard does not explicitly include provisions on modern slavery, companies should explain how it is relevant. Companies should also disclose how they embed these standards and raise awareness throughout the business and supply chain.

Over 80% of companies reported having internal and/or external policies in place that explicitly incorporate modern slavery provisions or reference international labour rights standards. About 25% of the companies assessed did not have a code of conduct or standards in place for suppliers or business partners.

About 5% of companies reported on existing policies but did not explicitly reference modern slavery or adequately explain how the policies relate to modern slavery. **Ferguson, Experian, and Melrose Industries** did not report existing policies relevant to modern slavery.

About 50% of companies reported having some type of monitoring mechanisms to ensure adherence to their policies, though detail was lacking. Just over 30% of companies reported on actions that were taken in cases of non-compliance with their standards. However, reporting did reflect that companies work with suppliers to address a breach of policy rather than just terminating a contract.

**Fewer than 20% of companies reported they prohibited imposition of any financial burdens (e.g. withholding wages or imposing recruitment fees or other expenses) on workers in their own operations, by its suppliers, or by recruitment agencies. Eradicating recruitment fees is seen as key to stamping out modern slavery, as they lead to the indebtedness of migrant workers and increase the risk of bonded labour.**

## BURBERRY

**Burberry's** Responsible Business Principles were reviewed in 2016 to better address modern slavery risks. They apply internally and to all business partnerships. The Principles include: the Ethical Trading Code of Conduct; the Migrant Worker Policy (with an extensive section on recruitment fees, which includes a prohibition on fees and an obligation of business partners to bear the full cost of recruitment and placement); the Human Rights Policy; the Responsible Sourcing Policy; and Partner Non-Compliance Policy. The Principles were developed and informed by the company's membership in the UN Global Compact and the Ethical Trading Initiative.



## Due Diligence Process

The [UN Guiding Principles Reporting Framework](#) describes human rights due diligence as an ongoing risk management process a company should follow to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed. Risks will change over time, and companies should be aware of gaps in their knowledge as these changes take place. A regular review of the due diligence process will help fill those gaps and address evolving risks. While risk assessment is part of human rights due diligence, it is addressed separately in our assessment in alignment with the MSA.

**Fewer than 15% of companies reported having engaged directly with workers or trade unions. Engaging directly with key stakeholders such as workers, trade unions and local NGOs is important to identify risks, particularly in the lower, less visible tiers of the supply chain. Building relationships with these groups will assist companies to develop ways to prevent or mitigate those risks before they result in exploitation that can lead to forced labour.**

Most companies reported having undertaken some due diligence to address modern slavery risks in their supply chains.

About 35% of companies reported they assessed potential suppliers for forced labour or modern slavery risks before entering into contracts with them. However, this assessment is usually based on prequalification questionnaires suppliers complete.

Over 40% of companies reported contracts with third parties include provisions on modern slavery and over 25% of companies reported their contracts require suppliers to adhere to codes of conduct which explicitly include modern slavery.

About 20% of companies reported that they require, not just encourage, suppliers to cascade modern slavery standards and obligations throughout their supply chains. This requirement was found in codes of conduct, which suppliers must agree to, or was included in contracts. Companies did not report on how they verified whether this was carried out.

Over 80% the companies report they monitor suppliers on labour rights or modern slavery risks, such as with audits. However, most companies did not report on the results of monitoring, such as issues that involve labour rights.

About 75% of companies reported having grievance mechanisms, such as a telephone hotline or website, for workers to report concerns or complaints without fear of retaliation. However, no company reported having received a modern slavery-related complaint, or an allegation of serious labour abuse, via such mechanisms. While this disclosure is welcome, it should indicate to companies that the mechanisms are not effective in assisting workers to raise modern slavery grievances.



**Standard Chartered** reported that potential suppliers which have submitted tenders are screened to ensure they have approaches in place to address modern slavery, which may include issuing a Modern Slavery Statement. The company has also updated its request for proposal template to include revised questions relating to modern slavery, including how suppliers' approaches are implemented within their supply chain.

**DIAGEO**

**Diageo** reported it visits farming communities and plantations from which it sources its main ingredients, and those visits include meetings with employees, union members, workers on factory production lines, manpower providers, contract workers, and NGOs.



**Vodafone** works with Elevate, a non-profit, to enable employees to use their personal mobile phones to provide anonymous feedback on key aspects of their working conditions, using local-language mobile Laborlink surveys.

**M&S**

**Marks & Spencer** reported that it conducted a critical review of the effectiveness of grievance mechanisms available both for employees and for the supply chain in 2016/17. In 2017/18 the company has been working through an implementation plan to better understand what channels are available within the business and improve follow-up of grievances.

The company also reported it undertook research to understand how growers and labour providers in the produce industry undertake direct recruitment from origin countries and the costs incurred. M&S identified 11 types of recruitment channels used including recruitment days and open days, returnees and word of mouth. Possible costs incurred by workers have been identified as: travel, insurance, accommodation deposit, up-front rental. Cases were highlighted where labour providers had charged workers for pastoral care, translation and support with transport.



## Risk Assessment & Management

A risk assessment should be conducted to identify actual or potential modern slavery risks. This will help companies prioritise high-risk areas and allocate resources to prevent, mitigate or remediate accordingly. Mapping the supply chain is a critical first step for a company to understand its business relationships, the type of workforce employed, what the company is sourcing and where from. This is especially important further down the supply chain, where subcontracting and informal arrangements can impact visibility.

Almost 70% of companies reported some type of assessment was undertaken of their supply chains which included modern slavery. However, most companies provided little detail about how the assessment was carried out, such as which indicators, resources and tools were used to identify high-risk geographies or commodities. Many companies reported they conducted desktop research or used resources such as the Global Slavery Index,. This year more companies reported that they assessed against the type of workforce which could be used. However, less than 15% of companies indicated they had mapped their supply chains and/or have visibility into supply chains of certain commodities.

Just under 50% of companies provided some information about geographies, commodities or workforce at risk in supply chains. This is an improvement from previous years' disclosure, however companies should also identify the modern slavery risks identified. For example, where a company reports it has identified manufacturing in Asia as high-risk, it should also disclose the risk of forced, child or bonded labour, or the indicators that heighten the risk of slavery such as passport retention, recruitment fees or use of labour providers.

**Only around 35% of companies reported having undertaken a risk assessment of their own operations, and fewer than 20% of companies provided some information about geographies, commodities or workforce at risk in their own operations.**

Some companies concluded there was a low-risk for modern slavery in their operations or supply chains because, for example, most of their procurement spend was on professional services or because most of their suppliers are located in the UK or the EU. However, these companies did not provide evidence for these conclusions with findings from risk assessments or similar. We know that all companies have risk somewhere and should be undertaking assessments to identify them. For example, a report by the [Gangmasters and Labour Abuse Authority](#) found 17 sectors of the British economy exhibit a high-risk of labour exploitation, including cleaning, construction, food packing, warehouse and distribution, garment manufacturing and retail. Many companies use services in these high-risk sectors.



**Vodafone** reported it assessed its own business and supply chain activities against indicators of modern slavery risk, such as: potential employment of vulnerable groups (such as low-skilled, seasonal or migrant workers); likely involvement of labour recruiters and other third-party agencies in the recruitment of workers; consideration of how many workers are involved in the business or supply chain activity; and the country-by-country risk of modern slavery (based on the Global Slavery Index).



**Diageo** reported it conducted a corporate-level risk assessment. It mapped its global policies and processes against the UN Guiding Principles on Business and Human Rights (the UN Guiding Principles) and considered risks in different geographies. Following the assessment, the company developed a comprehensive human rights impact assessment toolkit to guide markets through a systematic review of their businesses to identify and assess potential human rights impacts, including modern slavery risks.



## Effectiveness

Companies must regularly assess whether their practices are identifying potential and actual risks and, if so, how effectively those risks are then prevented or mitigated. Key performance indicators (KPIs) provide a quantitative measure such as number of employees trained, or number of suppliers audited. However, KPIs do not provide a qualitative assessment of such measures, which would more accurately indicate whether a company's actions are effective. Companies should use additional methods of measuring effectiveness beyond KPIs.

Effectiveness remains the lowest performing reporting area. Over 35% of companies reported they have KPIs or other measures to track their efforts to address modern slavery. While reporting shows an increased number of companies have specific KPIs focused on modern slavery, they are very similar among companies and include: the number of employees trained on modern slavery; the number of suppliers audited; the number of suppliers that signed up to a code of conduct, or that have been signed onto new contracts that include modern slavery provisions. A small number of companies reported on generic KPIs and did not explain how these relate to modern slavery or the rationale for using them to measure efforts to address modern slavery.

About 25% of companies reported having put in place corrective action plans where suppliers were found to be non-compliant with modern slavery standards, or when an issue was raised in an audit. In those cases, companies reported they worked with the supplier involved to resolve the issue but did not provide details of the process, what actions they took to verify the plan was being implemented, or how remedy was provided to the victim.

Only **Rio Tinto** and **Burberry** reported reviewing existing KPIs to determine whether they make their business and supply chain vulnerable to modern slavery, or increased conditions in which modern slavery can thrive.



**Morrisons** reported it had two confirmed incidents of modern slavery related activity in its manufacturing operations in 2017. Both cases involved the exploitation of an agency worker by an external third party, encompassing offences of forced labour and human trafficking. The workers' bank accounts were controlled, they were forced to work under threat of violence and were trafficked to the UK from Eastern Europe on the false promise of well paid, regular work. Both of these incidents were reported directly to site management by the victim. One of the victims presented to the site management after reading a [Stronger Together](#) poster in Slovakian which was displayed on site. Morrisons reported it worked in close collaboration with the GLAA and police and in both cases, the victims entered the National Referral Mechanism.

### **BURBERRY**

**Burberry** reported that employees who are responsible for supply chain partner relationships and sourcing have personal KPIs related to labour conditions, recognising the potential impact of fair purchasing practices on labour conditions throughout their supply chain.

# Training



Companies should provide training across the business to raise awareness of the company’s policies on modern slavery, and bespoke training should be provided to departments that are most likely to encounter modern slavery risks. Training should be specific and targeted to ensure recipients have a clear understanding of the issues and how to proceed where a risk is identified. Companies should encourage suppliers to train their own suppliers and cascade standards down the supply chain.

About 80% of companies reported they provided training to employees on modern slavery, including bespoke training to targeted audiences such as procurement, sourcing, human resources, and employees at the front lines of banks, hotels and airlines. This is an improvement on last year’s analysis which found few companies included modern slavery in their training of employees. About 20% of companies delivered training with an external expert, such as Stronger Together or Stop the Traffik.

Last year few companies provided capacity building or training to suppliers. This year, over 20% of companies reported doing so. A very small number of companies reported having surveyed or questioned recipients after training to examine whether they did in fact have a better understanding of risks and how to identify them. Such information should be collected and used to review and improve training materials.

## Associated British Foods plc

**Associated British Foods** reported it recently conducted a group wide awareness-raising training session, which was delivered to senior corporate responsibility and procurement leads. The purpose was to ensure the businesses were made aware of the scale, scope and pervasive risks of modern slavery, and positioned the issue in the broader context of business and human rights, introducing the UN Guiding Principles.

## Rentokil Initial

**Rentokil** reported that procurement managers from all major markets received training on the requirements of the MSA, following up on training carried out in 2016. The training included new material, sharing of best practice and discussions on experiences across the company since the last session.



**Unilever** reported it held supplier training events on eradicating forced labour and responsible management of migrant labour, including those in the extended supply chain, reaching around 1,000 suppliers in Turkey, Dubai, India, Bangkok and Malaysia. In March 2017, the company co-sponsored a Responsible Sourcing Supplier Event with peer companies, organised by AIM-PROGRESS in Dubai. The event included supplier testimonials and workshops focusing on migrant workers, recruitment, passport retention and housing.

# Wider trends

## Compliance with Section 54 of the MSA

Compliance with Section 54 of the MSA remains patchy after three years. The UK Government estimates that between 9,000 and 11,000 parent companies are required to report under the MSA. The number goes up to 12,000 to 18,000 if subsidiaries are also counted. The [Modern Slavery Registry](#) holds modern slavery statements for over 6,000 companies, approximately half of the Government estimate. Of those companies which have published a statement, many have failed to publish follow up statements for each financial year, or simply roll over an existing statement without updating it to reflect steps taken over the past year. Without a list of companies required to report, tracking compliance remains challenging. Still, the figures on the Modern Slavery Registry indicate a low level of compliance, particularly when compared to the Gender Pay Gap reporting regulations. In the case of the Gender Pay Gap, the UK Government established a registry where companies are required to submit their reports. This registry, combined with efforts to raise awareness about the reporting requirement and the threat of substantial financial penalties, has resulted in a high level of reporting by companies under the regulations.

We welcome the news that the UK Home Office is undertaking a review of Section 54 to consider how to ensure compliance and drive up the quality of statements produced by eligible companies. While a review at the three-year mark of the legislation was already contemplated, the announcement follows a year of intense scrutiny of the MSA. In December 2017, the [National Audit Office](#) highlighted the number of companies which have failed to report under the MSA. A follow-up report by the [Public Accounts Committee](#) in May 2018 recommended that the Government do more to drive business compliance with the requirements of Section 54 of the MSA. In July 2018, the [Independent Anti-Slavery Commissioner](#) noted compliance with the MSA is weak, and called on the Government to establish a central registry of statements in a multi-stakeholder joint statement.

The MSA requires each statement published by a company to meet basic requirements (board approval, director signature and link on homepage). The Modern Slavery Registry has a [live dashboard](#) tracking compliance with these requirements, and it shows that only 19% of the 7,100 modern slavery statements held on the Registry meet these three requirements. This is consistent with what has been reported by various third parties analysing modern slavery reporting.<sup>3</sup> In last year's BHRRC analysis of reporting by FTSE 100 companies, the rate of compliance was close to 50% and has increased this year to over 90%. Higher compliance among the FTSE 100 is not surprising given the extra scrutiny upon these companies.

Companies are increasingly requesting their own suppliers publish modern slavery statements or provide evidence of their due diligence process to address modern slavery. Many of these suppliers are small and medium-sized companies which are required to report under the MSA, but do not face scrutiny by the wider public and may fall under the radar. In the absence of an official government enforcement mechanism, such business-to-business requests may help to drive up compliance. However, all the evidence so far shows that this will not create the necessary momentum for the transformational change needed to stamp out modern slavery; it may just result in more tick-box approach statements prepared simply to meet these requests.

<sup>3</sup> [The Sancroft-Tussell Report: Eliminating Modern Slavery in Public Procurement](#), 2018; [Human rights risks in global supply chains: Applying the UK Modern Slavery Act to the public sector](#), Olga Martin-Ortega, University of Greenwich, 2017; [UK Modern Slavery Act 2015 Transparency in Supply Chains: The First Year of Reporting by Universities](#), Olga Martin-Ortega & Rahima Islam, 2017; [UK Modern Slavery Act 2015 Transparency in Supply Chains: Reporting by Local Authorities](#), Olga Martin-Ortega & Rahima Islam, 2017; [Risk Averse: Company Reporting on raw material and sector-specific risks under the Transparency in Supply Chains clause in the UK Modern Slavery Act 2015](#), CORE Coalition, 2017; [Eradicating Forced Labor in Electronics: What do company statements under the UK Modern Slavery Act tell us?](#) KnowTheChain, 2018; [Agriculture and Modern Slavery Act Reporting: Poor Performance Despite High Risks](#), Office of the Independent Anti-Slavery Commissioner and the University of Nottingham's Rights Lab, 2018.

The MSA has extra-territorial reach in that it requires companies operating in the UK and meeting the revenue threshold to publish a statement, regardless of where the company is headquartered. The Modern Slavery Registry currently holds statements for more than 1,000 companies based outside the UK. While most internationally-based companies leave it to their UK-based subsidiaries to publish a statement, best practice would be for the parent to demonstrate leadership and report on the group efforts to eradicate modern slavery. The UK Home Office reporting guidance also encourages this approach.

## Gaps in reporting

When preparing a modern slavery statement, companies must include positive and negative information. The expectation is that companies are transparent about positive steps they are taking, as well as their challenges and delays in carrying out these activities, and gaps in knowledge. Anecdotal evidence suggests companies publish the bare minimum to avoid legal or reputational risks. While continued pressure on companies to be more transparent has led to more “negative” disclosure, our analysis shows that even these companies are highly selective in what they report, presenting incidents of modern slavery which have been uncovered as isolated incidents. This appears particularly disingenuous when investigative reporting and in-depth research indicates large companies with complex, global supply chains, like many of the FTSE 100 companies, face a much more systemic risk of modern slavery.<sup>4</sup>

Around 40% of companies assessed stated they aligned with or supported the UN Guiding Principles, the third pillar of which is access to remedy, yet disclosure about remedy was weak. While companies generally reported more about corrective action plans to mitigate or remediate identified risks or non-compliances with relevant standards than last year, most companies did not provide details on how corrective action plans were carried out or verified; companies simply stated the issue had been resolved. Companies which have not yet identified risks, or which have identified risks but do not disclose them in reporting, should have corrective action plans developed and ready to be deployed, and details about plans should be disclosed in reporting. No company disclosed what remedy has been provided or would be provided to victims as part of a corrective action plan or any other remediation process.

## Business model

A company’s business model and purchasing decisions can foster conditions which increase exploitation. Many companies choose to set up operations or source from a country with lower labour standards or enter into contracts with suppliers which demand high turnaround in short timeframes. These decisions can have devastating effects on workers in the supply chain. Companies should conduct due diligence on countries they enter and new suppliers prior to entering into a contract, to determine the company’s risk of modern slavery. Companies should disclose how they incorporate human rights, including labour rights, into their decision-making processes to mitigate the risk of modern slavery.

Companies’ hiring practices can also exacerbate the problem. A report by the [International Trade Union Confederation](#) found that 50 multinational companies (including Apple, 3M, Tesco, Coca-Cola, FedEx) directly employ only 6% of their workforce and rely on a hidden workforce of 94%, workers who are not recognised as employees. Hidden workers, who are often recruited by third parties unknown to the company they work for, are more likely to be subjected to informal work, precarious work (short-term contracts), low wages, unsafe working conditions, forced overtime, or inequality. If companies do not gain visibility into the hiring practices lower down their supply chains, these abuses will continue and likely worsen with the migrant crisis.

<sup>4</sup> [Risk Averse: Company Reporting on raw material and sector-specific risks under the Transparency in Supply Chains clause in the UK Modern Slavery Act 2015](#), CORE Coalition, 2017; Amnesty International, [Time to Recharge: Corporate action and inaction to tackle abuses in the cobalt supply chain](#), 2017; Amnesty International, [The Great Palm Oil Scandal: Labour abuses behind big brand names](#), 2016; Amnesty International, [This is What We Die For: Human rights abuses in the Democratic Republic of Congo power the global trade in cobalt](#), 2016

# From mandatory transparency to mandatory due diligence

As our research shows, mandatory transparency legislation will not achieve the game-changing behavior which will help to eliminate modern slavery from supply chains. Our analysis of the FTSE 100 is a litmus test of the overall quality of the 7,000+ UK MSA statements held on the Modern Slavery Registry, and by extension, the effectiveness of mandatory transparency legislation to transform corporate behavior. Over half of companies scored in the bottom 30%. They published generic statements providing little to no meaningful information on any of the reporting areas.

The prevalence of modern slavery in the private sector has, rightly, convinced governments of the need to regulate corporate behavior to ensure workers are protected from exploitation. Such measures are found in legislation spanning the globe.<sup>5</sup> Companies must increasingly report under multiple regimes and must, consequently, prioritise among those reporting obligations. In the case of the MSA, companies are not incentivised to do more than what is legally required (which is not much at all). They have no duty to undertake due diligence and there is no enforcement mechanism to ensure they are meeting the spirit of Section 54 by providing meaningful disclosure or reporting.

We have proposed that [model transparency in supply chains legislation](#) should include a mandatory due diligence requirement. This places the legal obligation on companies to undertake human rights due diligence and report on this process and communicate the results, which would be in line with the UN Guiding Principles. Such a requirement would preclude companies from reporting they had taken no steps to address modern slavery, as is currently allowed under the MSA. It would also be aligned with progressive legislations such as the French Duty of Vigilance law and the U.S. Trade Facilitation and Trade Enforcement Act.

---

<sup>5</sup> Examples include the UK Modern Slavery Act, the California Transparency in Supply Chains Act, the Australia Modern Slavery Act, the French Duty of Vigilance law, the Dutch child labour law, the Swiss Responsible Business Initiative, the EU Non-Financial Reporting regulation, the U.S. Trade Facilitation and Trade Enforcement Act Federal Acquisition Regulation and the U.S. Federal Acquisition Act. Similar measures are being considered in Canada, Hong Kong and Norway.

# Conclusion

This year, a small number of FTSE 100 companies have demonstrated a strong commitment to identifying their modern slavery risks, and beyond that, to making sure they prevent these risks from occurring. But even these companies appear to be selective about what they disclose, providing individual examples with positive endings rather than detailing widespread, embedded risks.

While more companies now report that they have identified risks in operations and supply chains, few disclose what those risks are. Too many companies fail to even acknowledge that they have risks at all, impeding their ability to eliminate those risks and prevent abuses from occurring.

It is simply not enough for companies to report they have zero tolerance for modern slavery, or that they are aligned with the UN Guiding Principles. It is time for companies to show their work and disclose the bad as well as the good.

Modern slavery is a hidden crime, not easily discovered, and it will not be eradicated in the short-term. But eradication will happen if companies commit to meeting the expectations of the MSA and live up to the commitments declared in their statements. Otherwise, they are complicit in fueling a global humanitarian crisis.

# Recommendations

## UK Government should

- Institute mandatory requirements for companies to conduct human rights due diligence as set out in our [report](#) on mandatory due diligence.
- Monitor compliance with the MSA
- Establish a central registry of statements, similar to the Gender Pay Gap register
- Publishing a list of the companies required to report
- Enforce the MSA by imposing effective financial penalties where:
  - Companies fail to publish a modern slavery statement
  - Companies report they have taken no steps
- Require (rather than suggest) that companies include information on a set of reporting criteria.
- Extend the reporting requirement to all public bodies and government departments which meet the revenue threshold, so that the public sector demonstrates leading practice in addressing modern slavery.
- Explore how to make use of the public procurement process to incentivise corporate action to address modern slavery risks, including by prohibiting companies not compliant with the Act from bidding on public contracts.
- Incorporate recommendations to strengthen Section 54 that are proposed during the Home Office review.

## Companies should

- Carry out a specific modern slavery risk assessment across their own operations and their supply chain, engaging directly with key stakeholders including workers, trade unions and local NGOs who can provide insight into conditions on the ground and help to identify risks.
- Collaborate with their peers to investigate modern slavery risks in common supply chains through deep-dive research, and share insights to help develop best practice.
- Improve measurement and reporting of effectiveness of actions taken to address modern slavery risks, as without understanding how successful they are being they will not be able to implement improvements.
- Commit to undertaking human rights due diligence that includes access to remedy for exploited workers.
- Review their business model and consider how it contributes to modern slavery risks.
- Collaborate with competitors in their sector to make the eradication of modern slavery a pre-competitive goal.

## Investors should

- Assess modern slavery statements and understand how they fit into the wider human rights strategy of the company (if any).
- Signal to investee companies that comprehensive human rights due diligence have devastating effects, notably in relation to modern slavery, are evidence of strong corporate governance and management.
- Use this analysis, and other benchmarks, to learn what companies can and should be doing to combat modern slavery and use these resources and any good practice examples to engage with companies.
- Engage at management and board level as well as operational level
- Encourage alignment of ethical sourcing and procurement teams in investee companies
- Engage on better and more transparent reporting of due diligence, whistle-blowing and remediation efforts in light of the FTSE 100 MSA analysis
- Develop an engagement strategy for the lowest scoring companies in the FTSE 100 to encourage them to improve their modern slavery performance
- Engage on policy development: advocate for stronger enforcement of the MSA in the UK and engage in movements in other countries that are working toward modern slavery legislation.





## Business & Human Rights Resource Centre

Business and Human Rights Resource Centre is an international NGO that tracks the human rights impacts (positive & negative) of over 8000 companies in over 180 countries making information available on its eight language website. We seek responses from companies when concerns are raised by civil society. The response rate is over 75% globally



## Modern Slavery Registry

The Modern Slavery Registry is operated by Business & Human Rights Resource Centre. The Registry is a free and independent resource and holds over 7,000 statements. Investors use it to assess company risks, and consumers and activists can use it to reward leading companies and press laggards to take action. Companies also use it to learn from their peers. If your company has produced a statement to comply with this legislation that you would like to appear in the Registry, please send it to

Patricia Carrier ([carrier@business-humanrights.org](mailto:carrier@business-humanrights.org)) or use the Submit a Statement function on the Registry website [www.modernslaveryregistry.org](http://www.modernslaveryregistry.org)

# Acknowledgements

Special thanks to Veronica Gonzalez, CORE Coalition, Ethical Trading Initiative, KnowTheChain, Walk Free Foundation, Romanac Consulting and CCLA Investment Management Limited and the Business & Human Rights Resources Centre team for their contributions.

