Ethical Trading Initiative
Respect for workers worldwide

24 October 2017

Briefing for backbench business debate on the implementation of the Modern Slavery Act 2015

Key messages

The Modern Slavery Act 2015 has prompted welcome action, but further effort is needed in several key areas to improve implementation of the Transparency in Supply Chains (TISC) measure.

In particular, the UK Government should:

- **Commission an independent review of the effectiveness of Section 54 (the TISC clause) of the Modern Slavery Act 2015**
- **Publish a list of all companies covered by TISC and enact penalties for companies that fail to comply**
- **Require companies to post their annual Modern Slavery Statements on a credible, accessible and free Central Registry**
- **Strengthen the legislation by:**
  - **Applying the TISC requirement to all public and government bodies procuring goods and services;**
  - **Introducing a lower turnover threshold for companies required to comply with the TISC measure**

The Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is a leading multi-stakeholder alliance of companies, trades unions and NGOs focused on improving labour rights and working conditions in global supply chains. ETI's 90 corporate members include major brands and retailers based in the UK and abroad, with a combined turnover of more than £180 billion.

The Modern Slavery Act 2015

ETI and its members and partner organisations played a significant role in advocating for the inclusion and strengthening of Section 54 the UK Modern Slavery Act 2015 focusing on Transparency in Supply Chains (TISC).

The legislation requires companies with a turnover of £36m to make a public statement about the steps they are taking to address modern slavery and forced labour in their supply chains and their own operations, covering goods as well as services. The fact that the statement must be signed by Directors or the Board and published on the home page of their website is an important signal for businesses that they need to recognise modern slavery as a business-critical risk. The Act is

ethicaltrade.org

Ethical Trading Initiative
8 Coldbath Square
London EC1R 5HL
United Kingdom

T +44 (0) 20 7841 4350
F +44 (0) 20 7833 1569
eti@eti.org.uk
ethicaltrade.org

Registered in England No. 3578127

already driving improvements. For example, in Tamil Nadu, southern India, which is the powerhouse of India's garment and textile export sector, its mainly female workforce has been subject to severe labour exploitation, including bonded labour. The Act has resulted in greater attention, focus and resources on tackling forced labour in cotton mills in Tamil Nadu. ETI's local programme can show these results for vulnerable women workers.

ETI's report Corporate Leadership on Modern Slavery with Hult Business School in 2016 highlighted the impact of the Modern Slavery Act on leading companies operating in the UK. Over 50% more CEO and senior executive are now engaged on modern slavery issues than prior to the Modern Slavery Act. The research also indicated that the Act is having a galvanising effect; addressing modern slavery is now becoming a business-critical issue for many companies. 97% of companies worry about reputational risk and a large percentage of companies said that human rights, customer and investor concerns are important drivers for corporate action.

The ETI recognises that the Modern Slavery Act 2015 has prompted welcome action, but further effort is now needed in several key areas to improve implementation of the TISC measure and to strengthen the legal provisions of Section 54.

Reviewing the effectiveness of Section 54 of the Modern Slavery Act 2015
It is estimated that between one third and a half of all companies that meet the £36m threshold requirement to produce Modern Slavery Statements have yet to produce a report. Around 50% of those that have produced a statement have failed to meet the legal requirement, and in the latest two reports from the Business and Human Rights Resource Centre of the top FTSE 100 companies, and the CORE Coalition's review of 50 companies known to be sourcing raw materials that carry high risks of modern slavery, very few demonstrate they are taking their responsibilities seriously. Well-known brands and retailers are more likely to report than B-B companies (those doing business with other companies) that are not in the public eye. Yet this is where modern slavery risks are more likely to be found. **Unless government monitors compliance with the legislation and introduces penalties for those that fail to comply, the legislation will not be taken seriously.** The likely impact is that responsible companies will become disaffected and the quality of their reporting could diminish each year, whilst non-compliant companies continue to flout the law with impunity.

Clarity on which companies are covered by TISC
ETI strongly encourages the UK Government to **publish a list of companies required to report under the TISC requirement**. Civil society organisations, investors and the public at large can only hold companies to account if they know which companies are failing to comply with the law. However, there is currently no list of companies required to report under the legislation in the UK, and no mechanism to check who is reporting and who is not. The UK's admirable commitment to global leadership on modern slavery could have greater impact if it was able to monitor and report on how its own legislation was working in practice.

The need for a central register for TISC statements
A significant weakness of the Act is that there is no legal requirement for companies to place their statements in a central register. This is critical for government, legislators, civil society and investors to hold companies to account if they fail to comply with the law, to track the quality of statements and to assess year-on-year progress in tackling and preventing the risks of modern slavery. In its absence, civil

society has provided this – the most credible of which is the Modern Slavery Registry managed by the Business and Human Rights Resource Centre, which is free, accessible and searchable by company size and sector.

Apply TISC to public and government bodies and procurement processes
Public sector procurement and supply chains face the same risks of modern slavery and forced labour as businesses. **Applying the TISC requirement to public bodies procuring goods and services** would put the onus on them to undertake due diligence on their supply chains. We believe this would be supported by many public bodies and note that some have already taken steps in this direction.

All government departments require would-be suppliers to tell them whether they are compliant with the transparency requirement in the Act. The Home Office, FCO, BEIS and the Crown Commercial Service are all piloting a new detailed questionnaire to get more information about our supply chains. These are welcome measures but **we would like to see the UK Government subjecting its own public procurement systems to the same requirements as those applying to the private sector**.

The scope and scale of government procurement is worth billions of pounds. Some sectors, such as health care, carry significant risks of modern slavery and child labour, and the government could have huge leverage to tackle this. For example, there is strong evidence that there is child labour in the lower tiers of Pakistan's surgical goods supply chain, which supplies at least 10% of the UK's medical instruments. Some authorities are trying to address this, but far more needs to be done to create a level playing field for responsible business to operate competitively.

Contact details
For further information please contact:
Cindy Berman, Head of Modern Slavery Strategy, Ethical Trading Initiative
Tel: 020 7841 4362; Email: cindy.berman@eti.org.uk