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Modern slavery statements: From regulation to substantive supply chain reporting

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ABSTRACT

Recent years have seen a renewed focus on labor standards in the supply chain, prompted by legislation that requires firms to provide an account of their efforts to combat modern slavery.

However, as a common problem of non-financial disclosure regulation, companies can decide the extent and content of their reporting, which could potentially result in merely symbolic disclosures with little substance. We examine the disclosure of substantive actions in modern slavery statements, defined as those disclosures of corporate actions that can positively affect working conditions in supply chains. We examine the corporate disclosure of these actions over time in order to evaluate whether legally mandated disclosure requirements could lead to progress in combatting modern slavery. For this purpose, we collected modern slavery statements from companies that had issued such statements for at least two different years after the introduction of the regulatory requirement in the United Kingdom and performed a content analysis with a coding instrument that captures substantive actions against modern slavery. Our analysis uncovers extremely heterogeneous reporting practices, especially regarding the disclosure of the effectiveness of actions against modern slavery. Based on our analysis, we identify best practices of substantive disclosures to offer a benchmark for corporate self-reports of modern slavery and inform policymaking on modern slavery reporting.

1. Introduction

The past decade has seen an increasing focus on social sustainability in supply chains in order to minimize their social impact (e.g. Joung et al., 2012; Hutchins et al., 2013; Moldavska and Welo, 2017; Hens et al., 2018). More recently, the phenomenon of modern slavery has received attention from governments, supra-national bodies, and companies. Modern slavery refers to forced and compulsory labor as well as dismal labor standards that make workers economically dependent on their employers, which typically occurs at the lowest level in a supply chain (Crane, 2013; Gold et al., 2015; Giuliani, 2018; Smith and Johns, 2019; Caruana et al., 2021). Modern slavery can be seen as the intrinsic result of profit motives and price pressures leading to extreme cost-efficiency and exploitative purchasing practices, embedded in many products of everyday use (Silva and Schaltegger, 2019), which is especially prominent in labor-intensive industries, such as textile, mining, and agriculture (e.g. Gold et al., 2015; New, 2015). Modern slavery is estimated to affect up to 40.3 million people worldwide, 25 million of which are victims of forced labor (ILO, 2017; Smith and Johns, 2019). There are clear challenges in relation to its quantification, as the status of exploited low-wage workers in regard to forced labor changes frequently within short periods of time (LeBaron, 2021).

As part of the 2030 Agenda for Sustainable Development, the United Nations member states adopted 17 Sustainable Development Goals (SDG) and their 169 targets in 2015 with a view to changing the world's development trajectory toward a more sustainable future (United Nations, 2015). These 17 SDG have an implicit focus on modern slavery, as off-shore labor standards in manufacturing are connected to multiple of the SDG, including specifically no poverty (goal 1), good health and wellbeing (goal 3), decent work and economic growth (goal 8), and reduced inequalities (goal 10) (Chesney et al., 2019). Modern slavery can be seen as a "wicked problem" (cf. Rittel and Webber, 1973), as it is associated with high levels of complexity, ambiguity, and interconnectedness. This suggests that multi-stakeholder initiatives are needed to address this challenge. In response to this global issue, several countries have enacted laws that require corporate reporting about the risks of forced labor and other forms of human exploitation in supply chains.

The first initiative of this kind was the Dodd Frank Act (United States

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Congress, 2010), which directed attention towards human rights in conflict minerals' supply chains. Following this, the state of California passed the California Transparency in Supply Chains Act in 2012, mandating that retailers or manufacturers conducting business in California with a global turnover of more than 100 million USD shall, at a minimum, disclose their efforts to combat modern slavery regarding verification, certification, internal accountability, and training (California Department of Justice, 2015). The Californian Act was followed by similar legislation in the United Kingdom in the form of the UK Modern Slavery Act 2015, which was passed with the intention to motivate companies to take action against modern slavery. Since the Act came into force, it has been mandatory for UK companies with a turnover of at least £36 million to publish a modern slavery statement every year, starting from the financial year 2015/2016. The Act explicitly requires companies to report each year on the steps they have undertaken in their own business and supply chains that are intended to eradicate modern slavery or to disclose that they have not undertaken any such steps. The Parliament of Australia (2018) passed similar legislation in 2018, while the European Union (2014) included in its rather broad Directive 2014/95/EU a human rights reporting requirement together with other non-financial information. More specifically, the European Parliament (2018) has passed its Regulation (EU) 2017/821, effective from 2021, focusing on conflict minerals in supply chains (European Union, 2017). Further examples of human rights and child-labor-related regulations can be found in France and the Netherlands (Christ et al., 2019). All these legal acts mandate modern slavery statements, but do not explicitly demand action against modern slavery.

In this study, we focus specifically on the implications of the UK Modern Slavery Act 2015 for supply chain transparency. While a modern slavery statement is a mandatory document for those companies that are subject to this Act, the extent to which they report beyond the formal requirements and statutory guidance is *de facto* voluntary and the content of modern slavery statements is therefore discretionary to a large extent. This discretion may encourage companies to prepare reports that are compliant with legislation without necessarily changing any of their practices, since companies are not forced to address the underlying causes that lead to dismal labor standards (New, 2015). The lack of a specific reporting format and external assurance is a common problem of non-financial disclosure regulation, especially in relation to companies' social responsibility (Jackson et al., 2019). Hence, when engaging in reporting activities in response to a regulatory requirement, such as the UK Modern Slavery Act, companies have two options: (1) Reporting about the actual status quo of their practices and their aspirations for further development, in line with Christensen et al.'s (2013) definition of "aspirational talk" as disclosures with the actual intention and promise of implementing changes; (2) Presenting a picture of compliance without substantive changes in their own practices or only in some areas, e.g. by delegating the responsibility for labor standards to lower tiers in the supply chain. The latter cost-effective "box-ticking" approach can lead to the creation of compliant but ineffective "puppet unions" and "green-light audits", as was the case before the collapse of the Rana Plaza factory building in Dhaka, Bangladesh in 2013 (Siddiqui and Uddin, 2016).

Since mere compliance with the UK Modern Slavery Act does not necessarily have any positive effects on the working conditions in supply chains, our study focuses on the disclosure of substantive content in order to study the prevalence of those actions that might actually have such an effect. Further, reporting of substantive action increases transparency, and independently of whether companies do more or less than reported, they should be motivated to make their supply chains more transparent. The purpose of this study is to understand the impact of the UK Modern Slavery Act and identify practices that could provide inspiration for future substantive action against modern slavery or at least the more transparent reporting of such action. Thus, our central research questions are: *"(1) How substantive is the content of modern slavery statements? (2) How does the degree of substance and the format of modern slavery statements develop over time? (3) How can current forms of reporting on modern slavery be improved?"* Clearly, any discrepancies between what companies report and what they actually do are not directly observable. Therefore, we need to take reported action as a proxy for action (e.g. Hrasky, 2011; Kilian and Hennigs, 2014; Chelli et al., 2018; Meehan and Pinnington, 2021). In the context of the UK Modern Slavery Act, we argue that substance in modern slavery statements can provide some evidence that the Act has an impact on the actual eradication of modern slavery.

For our study, we collected modern slavery statements from 70 firms that had issued such statements for at least two different years after the introduction of the regulatory requirement in the UK and performed a content analysis with quantitative and qualitative components with a coding instrument that captures disclosures of substantive actions against modern slavery. We operationalize substantive content as the disclosed claims of concrete managerial actions (Kim et al., 2007; Hrasky, 2011; Michelon et al., 2015), thus disregarding measures against modern slavery that consist of general policies, values statements, or vague future plans. The rationale behind this is that the reporting of such concrete managerial actions in a modern slavery statement makes it likely that the firm undertakes actions that are capable of eliminating modern slavery and improving employees' working conditions in the supply chain. Meanwhile, reporting general policies and future plans or the common practice of effectively delegating all responsibility for modern slavery to suppliers by means of a code of conduct (see Crane et al., 2017; Antonini et al., 2020) does not require the company to change its own practices and is therefore not considered substantive action on the part of the company.

We study modern slavery statements from the textile industry and the mining and metals industry, as both industries are notorious for production facilities in low-wage countries, subcontracting, and child labor (Crane, 2013). The textile industry has received continued global attention since the anti-sweatshop movement of the 1990s (e.g. Emmelhainz and Adams, 1999; Moore et al., 2012; Colucci et al., 2020). As a response, a multitude of NGOs have emerged over the past decades that scrutinize supply chains in the textile industry in low-wage countries (e.g. Better Cotton Initiative, Sustainable Apparel Coalition, Fair Wear Foundation, Clean Clothes Campaign). The working conditions in the metals and mining industry have been exposed to the public limelight more recently, reinforced by the increased demand for rare minerals in the telecommunications industry (e.g. Reinecke and Ansari, 2016; Giuliani, 2018; Hofmann et al., 2018; Bini et al., 2018; Zufall et al., 2020). Overall, we collected 183 modern slavery statements from 2015 to 2019 to study changes over time.

With its focus on substantive content, our multi-year content analysis is the first to examine the implications of modern slavery legislation for supply chain transparency, as manifested in the substantive content of modern slavery statements. The comprehensive coding scheme we developed for our content analysis can provide a basis for future content analyses of modern slavery statements. Further, our findings provide inputs for the refinement of current modern slavery legislation and policy making as well as guidance and benchmarks for companies wishing to address and report on modern slavery more comprehensively and with higher levels of transparency. The paper is structured as follows: It starts with an overview of previous research on the phenomenon of modern slavery and then moves from the limitations of legitimacy theory as a classic disclosure theory to the concept of substantive content in relation to corporate social responsibility reporting. After a description of our sample of modern slavery statements and the coding procedure, the results of the content analysis are presented. Based on this analysis, we present a number of inductively derived codes and best practices for modern slavery reporting. The paper concludes with a discussion of the findings and their implications.

2. Social sustainability and modern slavery in supply chains

A growing body of research on cleaner production is examining social aspects of supply chains. One stream of research in this area has focused on identifying and managing corporate social risks in supply chains, including not only labor standards but also social issues connected to consumer demand (e.g. Giannakis and Papadopoulos, 2015; Croom et al., 2018; Cunha et al., 2019). In connection with labor standards, such risks include the reputational damage incurred by a company after being exposed in the media for dismal labor standards in its offshore supply chain. Another stream of research has studied social sustainability problems in the textile industry, based on case studies, fieldwork, or surveys (e.g. Huq et al., 2014; Jakhar, 2015; Oka, 2016; Bubicz et al., 2021). This research has highlighted the fragmentation and complexity of international supply chains and the lack of transparency as key reasons for social sustainability problems in the textile industry.

More recently, a nascent stream of research has begun to pay specific attention to the enabling factors of modern slavery (e.g. Stringer and Michailova, 2018; Chesney et al., 2019; LeBaron, 2021). For instance, Antonini et al. (2020) conducted a case study in the textile industry in Bangladesh, illustrating how supply chain complexity increases the difficulty of defining the boundaries of accountability and, therefore, leaves space for manipulation of reporting and possibilities for hiding the responsibilities for poor working conditions in the multinational ready-made garment industry. In this industry, delegating responsibilities of self-regulation in the form of a code of conduct is among the most common practices used by multinational companies (e.g. Crane et al., 2017; Christ et al., 2020). In the same country context, Siddiqui et al. (2020) examine supply chain accountability in their study on the Rana Plaza disaster of 2013, arguing that newly emergent social audit schemes have developed as a result of multinational companies embracing more of their responsibility for the poor labor conditions in their supply chains. Results in line with this were found by Bubicz et al. (2021), who analyzed sustainability reports of six apparel companies over a four-year period, identifying a series of commitments and actions to promote human rights and decent employment conditions in their supply chains. A detailed case study conducted by Benstead et al. (2020) suggests that targeted audits have a higher potential of identifying instances of modern slavery and highlighting evidence about the remediation processes put in place. In response to the general lack of quantitative indicators in relation to social sustainability, Popovic et al. (2018) developed and tested a set of indicators that enable the social sustainability evaluation of a company's entire supply chain.

Furthermore, researchers have also shed light on corporate responses to modern slavery legislation in the form of modern slavery statements. The few empirical studies of modern slavery statements that have been conducted since their inception were conducted in the form of snapshot content analyses, revealing heterogeneous practices (Stevenson and Cole, 2018), low degrees of formal compliance (Business and Human Rights Resource Centre, 2018), a lack of transparency (Christ et al., 2019), and a tendency of larger firms to be more proactive in their reporting of relevant practices (Flynn and Walker, 2020). In the context of conflict minerals, Islam and van Staden (2018) found that collaboration with NGOs and activist protests lead to more comprehensive modern slavery statements. However, with the exemption of Stevenson and Cole (2018), Christ et al. (2019) and Meehan and Pinnington (2021), previous studies on modern slavery statements have focused mainly on their formal compliance. Stevenson and Cole (2018) early inductive study investigates the approaches used by textile companies in response to the UK Modern Slavery Act to report on detection and remediation in their supply chains and their own operations. Christ et al. (2019) analyzed trends of modern slavery reporting in response to Australian legislation, finding low volume and quality of disclosures. Meehan and Pinnington (2021) identified the strategic use of ambiguity to defend the current status and delay possible future actions by analyzing if substantive action is taken according to companies' transparency in the supply chain statements. A first attempt to look behind the reports in relation to modern slavery statements has been made by Monciardini et al. (2019). This in-depth study of ten UK FTSE 100 companies proposes a framework highlighting the dynamics that lead to the symbolic structures that are perceived as legally compliant, but *de facto* are inefficient towards the eradication of modern slavery. The authors further underline the risk deriving from the potential "managerialization of modern slavery law", i.e. the mere disclosure of symbolic, but ineffective disclosures with a focus on legal compliance.

Despite the above studies on modern slavery and modern slavery statements, scholars are just beginning to pay attention to the social side of supply chains, and research on the most severe forms of exploitation, i.e. modern slavery, is still underdeveloped to date (Caruana et al., 2021). Thus, more research in this area is needed to make modern slavery statements more effective, especially in light of Cousins et al.'s (2020) findings that companies can derive competitive advantage and thus economic value from the UK Act, if they can demonstrate responsible sourcing practices and a reduced risk of modern slavery in their statements.

3. Theoretical framework: substance in social sustainability disclosures

Legitimacy theory (e.g. Dowling and Pfeffer, 1975; Suchman, 1995) has been used to explain why and how companies *voluntarily* report on their social performance, including modern slavery (e.g. Christ et al., 2019; Flynn, 2019; Flynn and Walker, 2020). Legitimacy is conferred upon organizations by their stakeholders and commonly defined as the perception or assumption that "the actions of an entity are desirable, proper, appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Within legitimacy theory, an institutional perspective and a strategic perspective have formed. The former argues that organizational legitimacy is determined by external pressures from institutional actors in the organization's environment (e.g. Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Zucker, 1987). The strategic perspective, meanwhile, argues that organizations can proactively influence perceptions of their own legitimacy, e.g. by contesting rules or negotiating rules with stakeholders (e.g. Pfeffer and Salancik, 1978; Ashforth and Gibbs, 1990; Oliver, 1991). Further, organizations can seek and control legitimacy by variations of either substantive or symbolic management (Richardson, 1985; Milne and Patten, 2002). Substantive approaches entail that organizations actually change their routine operations and behaviors to ensure community support and align with societal expectations.

Gaining and maintaining legitimacy relies heavily on communication between the company or intermediaries and corporate stakeholders in order to inform these about legitimate corporate practices (Suchman, 1995), which has led to the institutionalization of social and environmental reporting. Disclosing social and environmental statements to stakeholders can reduce information asymmetries between an organization and its external stakeholders, given that the social and environmental performance of an organization is difficult to assess for outsiders. While legitimacy motivations might drive organizations to disclose richer information in such disclosures (Gray et al., 1995), it has also been argued that they might withhold important negative information about their social and environmental impact in order not to jeopardize their legitimacy (cf. Deegan and Rankin, 1996; Nieminen and Niskanen, 2001; Hahn and Lülfs, 2014; Bao et al., 2019). However, purely positive CSR reports can draw suspicions of whitewashing, whereas the disclosure of negative information can enhance trust in the organization (Hahn and Lülfs, 2014). In addition, when negative incidents are disclosed by third parties rather than the organization itself, perceptions of legitimacy can be threatened more severely than when the organization discloses its own negative performance incidents (Reimsbach and Hahn, 2015).

What might be more relevant for legitimacy than positive or negative information in CSR disclosures is the level of substance conveyed in such disclosures. Substance in corporate reporting has been viewed as a useful lens for the study of corporate initiatives and their corresponding impact (Chelli et al., 2018) and is therefore intrinsically linked to substantive CSR action. Substantive approaches to corporate social responsibility encompass concrete actions or changes to corporate actions that align processes and strategies with societal values that confer legitimacy (Michelon et al., 2015). Society would clearly value such substantive actions more (Ashforth and Gibbs, 1990), while the individual company may not derive immediate benefits from such actions beyond heightened legitimacy.

In the context of modern slavery, substantive, i.e. concrete, actions against modern slavery would also lead to substantive content in modern slavery statements (Kim et al., 2007). In our study, substantive disclosures are defined as being reflective of a continuous "behavioral managerial approach" (Hrasky, 2011, p. 183), including disclosure claims about underlying managerial actions or initiatives which have a positive impact on the eradication of modern slavery. Islam et al. (2018, p. 4) provide a clear distinction between substantive and symbolic disclosures, when defining them as "disclosures of fact affecting change" and those "creating the appearance of behavior", respectively. We distinguish between substantive content and non-substantive content, the latter of which denotes statements of a general nature, such as policies or future goals. This is different from symbolic content, which suggests actions that have not actually been carried out to the extent suggested in the report. Rather than exploring content in corporate social disclosures dichotomously as symbolic or substantive, we view substance as a continuum, as companies may implement and report substantive action in those areas that they find important but not in others.

4. Methodology

4.1. Sample

Our sample consists of modern slavery statements issued by those textile and mining companies that had submitted more than one modern slavery statement to the Modern Slavery Registry [1]. The Modern Slavery Registry was maintained by the *Business & Human Rights Resource Centre* and is an independent NGO, which *de facto* represented the central depository for modern slavery statements (Voss et al., 2019), before it was discontinued, as the UK Government decided to launch its own central database in 2021. Companies could voluntarily submit their modern slavery statements to the former Registry, which may entail that it is primarily the particularly committed companies that submit their statements to the Registry. This bias strengthens our research design, as modern slavery statements from the most committed companies are more likely to exhibit best practices and continuously improve their (reported) practices beyond formal compliance, thereby providing useful insights as benchmarks for other companies. We collected the modern slavery statements directly from the Registry, but also searched the websites of the respective companies for additional modern slavery statements that were not in the registry yet. The final sample consists of 183 modern slavery statements from 70 companies, including 46 from the "Textiles, Apparel & Luxury Goods" industry and 24 from the "Metals & Mining" industry, as categorized in the Registry. Table 1 shows the characteristics of the sample.

The reference period of the companies' modern slavery statements varies to some extent, as some statements refer to the calendar year, while others refer to the financial year. Further, in a few cases, companies aligned the modern slavery reference report to the financial statements in a later period. Therefore, for the sake of comparability, all modern slavery statements were assigned to the nearest calendar year [2]. The sample covers, on average, 2.61 reports per company, with a minimum of two and a maximum of four reports. These reports were issued between the years 2015 and 2019 and are all stand-alone modern slavery statements with an explicit reference to the UK Modern Slavery Act 2015 in either the title or the introduction section. Since the COVID-19 pandemic affected and disrupted supply chains and operations, the comparability of reports issued in 2020 with earlier years is arguably difficult. For instance, Trautrims et al. (2020) have studied the challenges in relation to the prevention of modern slavery that companies are facing under the pandemic. Accordingly, we did not include any modern slavery statements from 2020. Our analysis does not draw on other corporate disclosures, such as policy documents, CSR reports, codes of conduct, or ethical standards, since the Act explicitly requires a company to prepare a separate statement each year (UK Government, 2015).

4.2. Content analysis

We used manual content analysis to code the substantive elements of modern slavery statements for each company over time. Content analysis systematically condenses texts into content categories by applying a coding scheme that produces indices of manifest content in documents (Weber, 1985; Neuendorf, 2002; Krippendorff, 2013). Since the purpose of our content analysis is to enable us to compare disclosures of actions against modern slavery over time, we created a coding scheme that contained only codes capturing disclosures of precisely defined managerial actions that companies claim to have implemented in the specific reporting period and whose progress can be tracked over time. For instance, our codes include neither static policies nor memberships in NGOs, since the contribution of an individual company cannot be adequately assessed.

To develop our coding scheme, we first examined the coding scheme for modern slavery statements developed by the *Business and Human Rights Resource Centre (2018)* for their content analysis of the FTSE 100 companies' modern slavery statements. Through this content analysis, the *Business & Human Rights Resource Centre* tracked the compliance of modern slavery statements with the UK Modern Slavery Act in the areas the Act explicitly suggests companies should report on, namely organizational structure, policies, due diligence, risk assessment, effectiveness, and training (Business and Human Rights Resource Centre, 2018). Within these six dimensions, this coding instrument consisted of 65 codes. Based on our definition of disclosures of substantive action provided above, we compiled our own coding scheme from a set of 22 codes derived from the above coding scheme. The reduction in codes was driven mainly by the definition of substantive content, but also by the goal to ensure an adequate degree of complexity of the coding

Table 1
Sample composition by industry.

	Textile	Mining	Total
Number of companies	46	24	70
Average number of statements per company	2.59	2.68	2.61
Companies with 3 statements	23 (50.0%)	14 (58.3%)	37 (52.9%)
Companies with 4 statements	2 (4.3%)	1 (4.2%)	3 (4.3%)

instrument for the manual content analysis and the resulting quality and comparability of the results.

We supplemented these codes with nine codes inductively derived from our data as well as from other sources, including the reporting requirements of UK, Californian and Australian regulation, other early studies on modern slavery statements (Stevenson and Cole, 2018; Christ et al., 2019; Flynn, 2019), as well as case-study and commentary articles (Siddiqui and Uddin, 2016; Mantouvalou, 2018; Chesney et al., 2019). We then refined the instrument by adding codes relating to the disclosure of quantifications of existing codes (e.g. number of training provided was added to the code on training). Further, we added more detailed descriptions to existing codes (e.g. how audits are conducted in addition to whether audits are conducted). Hence, the final coding instrument of 29 codes across 4 of the original dimensions from the Act

Table 2
Frequency of codes and relative increase between first and last reports.

	Codes	T1	T2	Delta
Due Diligence	1 - Active exante assessment	24.30%	27.10%	2.90%
	2 - Passive ex - ante assessment	18.60%	27.10%	8.60%
	3 - Collaboration with suppliers	22.90%	37.10%	14.30%
	4 - Monitoring, audits	67.10%	77.10%	10.00%
	5 - Third party/independent audits	44.30%	50.00%	5.70%
	6 - Unannounced audits	21.40%	21.40%	0.00%
	7 - Direct contact with workers	15.70%	17.10%	1.40%
	8 - Own grievance mechanisms	51.40%	67.10%	15.70%
	9 - Supplier grievance mechanisms	5.70%	17.10%	11.40%
	10 - Third party mechanisms	5.70%	11.40%	5.70%
	11 - Corrective plans	7.10%	14.30%	7.10%
Risk assessment	12 - Supply chain mapping	17.10%	38.60%	21.40%
	13 - Supply chain risk assessment	31.40%	47.10%	15.70%
	14 - Own risk disclosure	7.10%	15.70%	8.60%
	15 - Supply chain risk disclosure	18.60%	27.10%	8.60%
	16 - Priority areas, plans	8.60%	22.90%	14.30%
	17 - Plans of future improvements	48.60%	62.90%	14.30%
Effectiveness	18 - KPIs	27.10%	47.10%	20.00%
	19 - Decisions, consequences	7.10%	27.10%	20.00%
	20 - Track progress, KPIs	1.40%	7.10%	5.70%
	21 - Results of corrective plans	4.30%	14.30%	10.00%
	22 - Grievance cases	8.60%	12.90%	4.30%
	23 - Number of grievance cases	8.60%	21.40%	12.90%
	24 - Review and report on KPIs	1.40%	4.30%	2.90%
Training	25 - Training on policies	61.40%	81.40%	20.00%
	26 - Number of employees trained	11.40%	32.90%	21.40%
	27 - Training suppliers	18.60%	38.60%	20.00%
	28 - Number of suppliers trained	1.40%	8.60%	7.10%
	29 - Effectiveness assessment	0.00%	0.00%	0.00%

0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

	Codes (aggregated)	T1	T2	Delta
Average	Due diligence	25.80%	33.40%	7.50%
	Risk assessment	21.90%	35.70%	13.80%
	Effectiveness	8.40%	19.20%	10.80%
	Training	18.60%	32.30%	13.70%
	Total average	**18.70%**	**30.10%**	**11.50%**

represents the result of a thorough evaluation and consolidation of coding and analysis frameworks used in the few existing studies on modern slavery statements. These codes were complemented with carefully devised codes to capture elements of substance and quantitative indicators of performance. Our coding scheme therefore represents an analysis framework of substantive disclosures, while at the same time maintaining the rationale behind the main dimensions originally listed in the Modern Slavery Act.

Unequivocal and clear coding rules were created for each code, following the guiding principle that a policy or a process description alone would not be sufficient to qualify as a substantive code. Further, we assigned a code only, if the described action is relevant in the current period, i.e. does not merely represent a static policy, a general procedure, or an intention. We also kept the coding open to the extent that we sought to identify new codes, which were not used in the present analysis, but can provide input to future studies. We present these in the qualitative part of our analysis. In addition, we relate our indicator for substantive content to the page counts of each report, which gives an indication of how much substantive information is provided and better accounts for the relative progress companies make over time. Finally, we measure another qualitative characteristic, i.e. whether companies disclose their modern slavery statements in the form of a simple document or as a report containing illustrations and other forms of visual attention-attracting devices (Hrasky, 2011). This is relevant as an indication for the professionalization of these reports and to evaluate whether an increase in visual layout is accompanied with an increase in substantive content.

All code values were recorded dichotomously as being either present (1) or absent (0), since they were designed to represent manifest content (cf. Neuendorf, 2002, p. 31) in the form of precisely defined actions. After several tests of inter-subjective agreement and after having established an appropriate degree of inter-coder reliability (e.g. Guthrie and Mathews, 1985; Krippendorff, 2013), the authors shared the coding work [3].

5. Results of the content analysis

This section is organized according to the research design outlined above: We first analyze the frequencies of the coding categories at the code level and then at the company level. In both cases, changes between the first and last reports issued by each company are investigated, irrespective of the specific year in which these disclosures were made.

5.1. Occurrences at code level

The heatmap in Table 2 shows the relative frequencies of the codes in the companies' first (T1) and last (T2) reports as well as the relative increase (Delta) in the presence of codes from the first to the last report. The four macro-categories of due diligence, risk assessment, effectiveness, and training indicate the average relative frequencies and increases. Differences between occurrences in the first and the last period are highly significant ($p < 0.001$, Z: −4.545), i.e. the codes occur significantly more often in the last than in the first period. It is, however, worth noting that some codes are intrinsically less likely than others to occur in the first period, as the results of actions implemented in one period will only fully materialize in the following periods. Among the 29 codes in our instrument, this could be the case for those relating to progress and reviews between periods, i.e. codes 20 and 24.

Most companies disclose that they monitor and conduct audits on suppliers (code 4), have their own whistle blowing mechanisms in place (code 8) and provide modern-slavery-related training to their employees (code 25). Risk assessments of the supply chain as a whole (code 13) and of individual suppliers prior to engaging in business (code 1 and 2) also appear to be common practice in many companies. The former, however, are often based on secondary data, while many of the latter are conducted by means of self-assessments only. The most conspicuously absent code relates to the assessment of the training provided (code 29). Although companies report substantially on (regular) modern-slavery-related training provided to (portions of) their own employees (codes 25) and suppliers (code 27), disclosures about subsequent assessments are provided neither in the first nor the last periods. Companies seldom disclose whether any cases of modern slavery were identified (code 22 and 23) and what corrective action plans were put in place (code 11). Further, disclosures that report whether these corrective plans have led to the expected results (code 21), as well as those that report their own risk disclosures (code 14), are mostly absent. While most companies report monitoring and auditing activities, only a few empower the workers in the supply chains, either *ad hoc* by interviewing them directly as part of these audits (code 7) or continuously by ensuring that suppliers provide appropriate grievance mechanisms (codes 9 and 10).

On an aggregated level (macro-categories), it becomes clear that the fewest actions are reported in the area of results, i.e. the category of codes pertaining to effectiveness. While the codes in this category are clearly those with the lowest occurrences, as would be expected, their occurrences more than double between the first and last reports. As Table 2 shows, the relative occurrence of all codes increases, yet at notably different rates. Nevertheless, what is still missing to a very large extent is a systematic review and aggregated evaluation of the company's position based on its effectiveness measures (code 24). This can also be seen from the lack of disclosures about how decisions are informed by the measures of effectiveness (code 19).

5.2. Disclosures at company level

To assess disclosures at a company level, we use a classic disclosure index to account for the proportion of possible codes covered in a specific report, with c_i indicating the code$_i$ with value 1, if the corresponding code$_i$ was identified in the respective modern slavery statement (otherwise it equals 0). The total number of potential codes according to our disclosure instrument is represented by M (which equals 29).

$$\textit{Disclosure Score} = \left(\sum_{i=1}^{n} c\imath \Big/ M \right) \times 100\%$$

For all three types of measures (disclosure score, codes per page, reports with attention-attracting devices), we calculate the increases between the first and the last reports (T1 and T2), which are shown in the boxplots in Fig. 1). Here, the relative frequency of codes disclosed per page controls for the differences in length and the fact that the overall number of codes disclosed is likely to increase over time. A relative measure makes comparisons possible between the periods and is more appropriate to answer research questions concerning the increase in specific disclosures. The differences between first and last disclosure scores per company are highly significant ($p < 0.001$, Z: −6.427), i.e. the last disclosure scores are significantly higher than the first disclosure scores. In general terms, the disclosure score increases from almost 20% in the first report to around 30% in the last report, which could indicate organizational learning, as companies are getting acquainted with the new reporting requirements or even increase their substantive actions against modern slavery.

Organizational learning can also be observed in the proportion of modern slavery statements that contain some form of attention-attracting devices (ADD), such as figures and images. The share of statements with ADD increases from 24.3% in the first report to 37.1% in the last report. These measures can be complemented by the ratio of codes disclosed per page and the respective increase of 0.2 codes/report. The main disclosure score ranging from 0% as the minimum in the first period to 76% as the maximum in the last period indicates a very heterogeneous reporting behavior among the companies in our sample, which is confirmed over several periods.

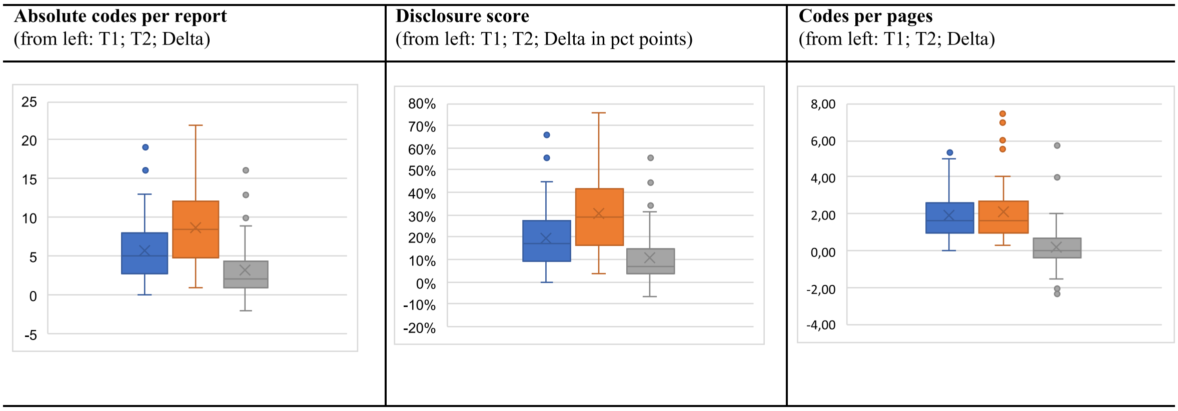

Fig. 1. Disclosure score and disclosure characteristics at company level.

5.3. *Inductively derived codes and emergent practices*

Overall, our initial coding instrument was capable of capturing almost all substantive information disclosed in the modern slavery statements. We identified a number of additional codes inductively in the coding process, which were not covered by those content analysis schemes we used as a basis for our own coding scheme. These additional codes are partly aspirational and have not necessarily been implemented yet by the respective companies. However, these codes can provide inspiration for future substantive action to companies and policymakers. The Appendix presents these codes together with one example from a modern slavery statement in our sample. Given that price pressures are the root of modern slavery, the potentially most impactful codes pertain to corporate purchasing practices and the intention to highlight wages as "itemized costs" as part of the purchasing price (#1). Additional emergent codes include incentives for suppliers (#5) and follow-up inspections (#10). In addition, one company indicated the share of employees that are organized in a union as well as the relative share of contractors compared to its own employees (#11) and requires their contractors to register their workers in social security and pension schemes (#12). Similarly, another company provides details about minimum wages and bank guarantees for local employees' wages, yet only in the form of a policy. Another additional code (#9) proposes the reporting of results as a concretization of the future plans stated in the previous report. Further additional codes pertain to concrete examples of risks identified (#14) and the reporting of concrete remediation results (#8). Finally, we identified a code capturing a reflection on the company's business model in relation to the risk of modern slavery and further steps to strengthen it (#17). While these additional codes do not represent best practices in absolute terms, they can be considered good starting points with a high potential of contributing to the eradication of modern slavery, if adequately implemented.

6. Discussion

Our analysis of substantive action in modern slavery statements over time has highlighted that the fewest actions are reported regarding concrete results, i.e. the effectiveness of the actions taken. In our coding scheme, this category encompasses codes that require numbers and indicators to be linked with concrete underlying actions. While the codes in this category are clearly those with the lowest occurrence, their frequencies more than double between the first and last reports. Beside mimetic behaviors among companies that might lead to an increase in the scope of their reports in general, the rise in codes pertaining to effectiveness can be explained in three ways. First, it might be intrinsically caused by the fact that effectiveness can only be measured after some actions were put in place. This is generally possible only from the second report onwards. Second, companies may actually choose to focus more on measuring and reporting on the results of their actions in later reports compared to the previous period. Third, potential early criticism of a lack of numbers might have driven companies to use numbers persuasively to construct a successful performance rhetorically in later reports (e.g. Boje et al., 2006). The high level of variation across the observed years suggests that some companies are very engaged in the process and report more substantive action with time, while others simply do not report much – and in some isolated cases even less than in the previous period. However, the extent and format of the modern slavery statements become more professional over time. While this is, at first glance, a positive indicator, it could also be a sign of strategic legitimizing activities, where visually appealing presentations are used to obscure a lack of action. Indeed, in other cases of social and environmental disclosures, a reduction in the volume of disclosures or a change in the proportion of specific vs. general types of information has been found as a corporate behavior to achieve legitimizing objectives (de Villiers and van Staden, 2006).

Companies might decide not to fully disclose all positive information, for instance due to proprietary costs, as this might harm their competitive advantage (see Verrecchia, 1993; Li et al., 2013), which would reduce the quality of their disclosures, as measured in our study. An extreme example of the latter is when companies deliberately report less than they could report in order to mislead their competition or other stakeholders, which is also referred to as strategic ambiguity (e.g. Davenport and Leitch, 2005). Companies can also make use of such ambiguity in their modern slavery statements to avoid engaging in actions against modern slavery or to delay them (Meehan and Pinnington, 2021).

The variation in substantive content we found is in contrast to the literature on isomorphic institutional pressures, which lead to the homogenization of practices (DiMaggio and Powell, 1983), but speaks in favor of corporate efforts intended to differentiate the company from competitors on ethical parameters (see Stevenson and Cole, 2018). Such variation could also be the consequence of the rather loose requirements of the Modern Slavery Act, which would indeed be satisfied by reporting one sentence per year. In a few cases, companies in our sample even disclosed a general modern slavery statement on their website, without an apparent reference to a specific period. Such a practice is, however, not compliant with the requirements of the UK Modern Slavery Act 2015, as companies are explicitly required to disclose the efforts they have undertaken in *each* financial year. Together, these points raise some concerns about the enforcement of the regulation and its sanctioning mechanisms. These seem to rely mainly on self-regulation with the intent to allow businesses to develop meaningful best practices under a more flexible regulatory setting as opposed to stricter minimum reporting requirements – the so-called regulatory trade-offs conceptualized by Jackson et al. (2019).

Although a study of disclosures is a suitable option to study companies' responses to modern slavery (Stevenson and Cole, 2018), the question of whether the disclosed actions have a positive impact on employees' working conditions remains only tentatively answered in the modern slavery statements examined. Clearly, an analysis of reported substantive actions does not enable us to conclude with certainty whether companies actually implement the measures they report. Specifically, our results show that only very few companies engage directly with workers in their supply chains and that the diffusion of grievance mechanisms at their disposal is still rather limited. Thus, the reports contain mainly the companies' views, which are difficult to confirm, even with employee interviews as part of audits (cf. Siddiqui and Uddin, 2016), since employee voices might be influenced or biased due to fear of job loss and therefore of limited contribution to transparency. Decoupling behavior (Weick, 1976; Meyer and Rowan, 1977) could, therefore, occur in modern slavery statements, just like in all other forms of CSR reporting. Nevertheless, the low levels of substance identified in our study are not necessarily a sign of lack of interest in eradicating modern slavery, if the modern slavery statements also contain aspirations, i.e. measures promised for the future that have not been implemented yet (see Christensen et al., 2013). Technology is likely to provide new possibilities for companies to implement their aspirations in the future, as it provides opportunities to improve the timeliness and veracity of audits, which are currently costly and complex (Castka et al., 2020).

In addition, our study also offers a number of emergent codes, which have not necessarily been implemented yet by companies or have not been reported in a manner that corresponds to our definition of substantive content, but would be in line with the above mentioned meaningful best practices. These include especially the concrete decisions concerning purchasing practices, which have great potential to improve working conditions. Further, it has been shown that sustainable purchasing practices have positive effects on the performance of purchasing as well as on operational and reputational risk management (Hallikas et al., 2020). The descriptions of the rationale behind the first four of our emergent codes show a certain degree of awareness of the companies' own roles and are therefore in contrast with Stevenson and Cole (2018), who found a lack of such reflections in their study. Similarly, the extension of audits to second-tier suppliers is a major challenge in the prevention of modern slavery (Gold et al., 2015) and therefore considered a best practice in our study.

6.1. Implications for theory and practice

The results of our study form a basis for future research on modern slavery disclosures. The coding scheme we developed based on substantive action together with our emergent codes can provide a basis for future content analyses of modern slavery statements or other documents focusing on social sustainability in supply chains. Our exclusive focus on substantive content is a more insightful approach to measuring content in modern slavery reporting, compared to previous studies, as it captures solely concrete actions that have the potential to contribute to the elimination of modern slavery. The reporting of these actions therefore increases the transparency of supply chains. The variation in reporting practices we identified can serve as a basis for future research on the causes of this variation, e.g. by analyzing firm characteristics and other softer factors such as organizational culture, values, leadership vision, or pressure from specific NGOs. These are not observable in companies' reports, but could be further explored with in-depth studies on the organizational dynamics behind modern slavery reporting (e.g. Monciardini et al., 2019).

We agree with Schauer and Wheaton (2006) argument that simply providing greater policing will not work without changes to the global economic system. Indeed, a successful eradication of modern slavery is unlikely, if predatory and exploitive purchasing practices in globalized supply chains do not change eventually. Scholars have been skeptical of the transformative impact of disclosure-based regulation (e.g. Spence, 2007) and based on our empirical findings, the effectiveness in their current forms in eradicating modern slavery remains at least questionable. We argue that to enhance transparency, such types of disclosures should, as a minimum, be validated with indicators and linked to audited (financial) data. The first step in this direction could be our first emerging code about "wages as itemized costs" in the purchasing practices.

From a practical side, the codes for disclosures of substantial action in our coding scheme and the emergent practices identified as part of the coding process provide insights and benchmarks for companies who seek to improve the quality of their modern slavery reporting and find inspiration for future substantive actions. Further, these codes, together with the best practices discussed above, can be meaningful inputs for policy-makers or organizations providing guidelines for best practices in modern slavery statements. These codes are also potential additions to future content analyses of modern slavery statements, e.g. to capture action against modern slavery in a more nuanced manner.

6.2. Limitations

This study is not without limitations. First, a sample encompassing more than four years would have provided more robust conclusions. Yet, the novelty of modern slavery statements as well as the advent of the global COVID-19 pandemic do not make a longer time period feasible. Nevertheless, our study is the first to provide an indication of the scope of substantive disclosures in modern slavery statements over time. Second, the high degree of variation found in our study can also be caused by the fact that the content required for a modern slavery statement may overlap with other forms of (more established) reporting, such as CSR or integrated reporting (e.g. Bubicz et al., 2021). Thus, we cannot rule out that some companies might report about some substantive actions in these other reports, while only providing a broad summary in their actual modern slavery statements. The reason for this could be that modern slavery statements might be published merely for reasons of legal compliance without an actual audience in mind, whereas CSR reports or integrated reports might be written in a more detailed manner with a concrete and potentially critical audience in mind. For instance, integrated reports aim to describe a company's value creation through the mobilization of its financial, manufactured, human, intellectual, social and relationship, and natural capitals, which mainly address information needs of financial capital providers. In contrast, modern slavery statements specifically focus on the policies and actions against the risk of modern slavery in a company's operations and supply chains. Finally, since our emergent codes are also derived directly from companies' disclosures about their practices, they need to be viewed critically. Indeed, some of these codes might be particularly cost-effective and thus convenient for companies, while other actions that are effective but more cumbersome might not have been addressed in any modern slavery statement.

7. Conclusion

As the first study of its kind in this area, we set out to analyze how substantive the content of modern slavery statements is and how this degree of substance as well as the format of modern slavery statements has developed over the first years after their inception. In addition, we identified a set of measures companies could include in their reporting to make their modern slavery statements more substantive and their actions more transparent. Our findings at the code-level and company-level suggest a significant increase over time, even though substantive disclosures are relatively low in the earlier period. Further, the high share of companies having concrete plans for future improvements suggests that the modern slavery regulation might have triggered processes that go beyond a few reporting periods and are likely to be continued on an ongoing basis. On the other hand, companies seldom disclose whether any cases of modern slavery were identified and what concrete corrective action plans were put in place. Further, disclosures that report whether these corrective plans have led to the expected results and those that report companies' own risk disclosures are mostly absent. The latter is in line with the findings by Stevenson and Cole (2018) about companies not acknowledging how their own behavior contributes to modern slavery. However, a few positive exceptions to this were presented in our emergent codes section.

Overall, our findings suggest that the UK Modern Slavery Act is a first step towards substantive actions against modern slavery in global supply chains, since companies report more substantive action over time. However, the generally low levels of disclosures and the high variation among companies call for future improvements of the legislation as well as corporate practices. The regulation has had discernible effects regarding transparency, since some companies in our sample report in concrete terms how they engage in specific actions against modern slavery, and this information would not be publicly available without the requirement to publish modern slavery statements. It is, therefore, the role of disclosure-based regulation and the stakeholder community to push companies towards further action.

We also found that companies rarely measure their effectiveness systematically. This behavior strengthens the suspicion of a lack of interest in combatting modern slavery and brings to mind Lalwani et al. (2018) critique of companies' lack of transparency between what they say and what they actually do in relation to sustainability practices. Nevertheless, our study only analyses the substantive disclosures of action that companies claim to take against modern slavery, while the verification of their actual existence and the assessment of their effects remains to be studied with other methods. Malik et al. (2021) call for accountants to assume more responsibility in sustainability and its reporting. In this area, CSR professionals could make an important contribution by linking numbers to rhetoric and by providing the assurance that help companies to achieve the required credibility and transparency.

Notes

[1] - Registry for Modern Slavery Statements: www.modernslaveryregistry.org (originally accessed for data collection in December 2019)

[2] - Periods recorded in the registry have been cross-checked with those in the actual reports. In case a report follows the financial year (e.g. FY 04.2015–03.2016), the longest period was considered (in this case 2015). Where this was not possible, the first period was selected instead. That way, the indicated periods reflect as many concluded periods as possible.

[3] - The coding instrument can be obtained from the authors.

[4] - For more reference on the Bangladesh Accord for Fire and Building Safety and respective progress rates: https://bangladeshaccord.org/factories (accessed May 2021)

CRediT authorship contribution statement

Stefan Schaper: Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Project administration, Validation, Visualization, Writing – original draft, Writing – review & editing. **Irene Pollach:** Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Project administration, Validation, Visualization, Writing – original draft, Writing – review & editing.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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Appendix. Emergent codes

#	Inductively derived codes	Quote
1	Purchasing prices include wages as '*itemized costs*' - arguably leading to higher transparency in purchasing practices.	"*ACT Global Purchasing Practices Commitments. As a founding member of the ACT Foundation, we've committed that by 2023 we will: 1. Ensure purchasing prices include wages as itemized costs (…)*" (Pentaland Brands, 2018)
2	Reviewing the tendering and procurement practices	*"In 2016, we began an initial review of our purchasing practices to check they don't inadvertently have a negative impact on suppliers' ability to provide workers with safe and rewarding employment conditions. This includes payment terms that could negatively impact the profitability of our manufacturers. For example, currently 85% of our suppliers are paid within 30 days of receipt of export documents."* (Pentaland Brands, 2017)"
3	Avoiding short-term delivery requests	*" Whilst all overtime in all our factories must be voluntary; there can be an implied pressure, which can be hard to monitor. By avoiding short term deliveries, we reduce the chances of this."* (Equip Outdoor Technologies, 2015/2016)
4	Sourcing certified products	*"In cotton supply chains, we continuously address the challenge of child labor and discrimination against women … by sourcing increasing amounts of Better Cotton"* (Bestseller, 2017/18)
5	Incentives for suppliers	*"Therefore, we seek to incentivize suppliers who understand the value of and work towards making long-lasting sustainable improvements."* (Bestseller, 2016/17)
6		

(*continued on next page*)

(*continued*)

#	Inductively derived codes	Quote
	Publicly available information about factories and supplier networks	*"In 2018, we have continued to advance supply chain transparency by expanding our public supplier list beyond manufacturing and finishing suppliers to include fabric mills"* (Levi Strauss & Co., 2018)
7	Second-tier supplier audits Providing a detailed list of modern slavery indicators that are focused on during the audits	*"In the last year we have expanded our auditing system to our second-tier suppliers - the suppliers .... After visiting all 2nd tier suppliers by our own staff, in 2018/19, we have rolled out a 3rd party auditing programme for the 2nd tier suppliers as well to mirror what we do with or first-tier suppliers. So far 40% of our 2nd tier suppliers have been audited by a 3rd party."* (Regatta, 2018/2019)
8	Concrete examples of cases and remediation	*"Through this year's audits of the product and license supply chains, we have identified instances at 9 facilities where workers have paid fees for recruitment. We have worked with facility management to ensure workers were refunded. We also identified two facilities where management was holding workers' passports. Both instances were resolved within a few days and workers' identity documentation returned."* (Burberry, 2018/19)
9	Concretization of future plans mentioned in previous report	*"As a result of our efforts, we have seen: Suppliers in China strengthen their own control mechanisms around recruitment of agency workers in order to verify employment conditions, as well as to ensure required wages are paid. Suppliers in Thailand are now either employing local staff or directly recruiting migrant workers instead of using recruitment agencies, which has resulted in greater protection of worker rights."* (Dr. Martens, 2018/19)
10	Follow-up inspections	*"Follow-up from local sourcing officers and sustainability teams is a key part of our effort to prevent negative impacts on human rights and modern slavery in our supply chain."* (Bestseller, 2017/18)
11	Workforce composition indicators	*"Our workforce is distributed across our explorations, mining operations and development projects. Contractors are key partners representing 73% of our Workforce."* (Fresnillo, 2018)
12	Social security and pension scheme	*"We monitor our contractors to make sure they properly enroll their employees in the (Mexican Social Security Institute) IMSS. … In addition, we monitor the legal compliance of their contributions to the health care and pension funds of their employees. "* (Fresnillo, 2018)
13	Creating organizational bodies and roles with recurring action	*"(…) we have established an internal modern slavery working group that meets on a bi-monthly basis, as well as a human rights working group that meets on a quarterly basis. Our human rights working group consists of cross-functional representatives from both corporate and business unit levels, as well as external subject-matter experts."* (Anglo American, 2017)
14	Details about the use of own risk assessment/exposure	*"The results of our 2016 Corporate Human rights Risk Assessment (…) show that the overall risks for modern slavery are low in our own workforce. Nevertheless, we identified risks as being linked to inadequate working conditions including modern slavery risk at third parties. Those potential risks include inadequate working conditions (…), working conditions for employees of outsourced service firms (…) and working conditions in 'local production', meaning where products are locally manufactured and sold on local markets, in our franchised stores and outsourced warehouses.* (Puma, 2016)
15	Acknowledging the gaps in the current reporting	*"5.2 Gaps in our reporting (…) Our current approach and strategy focuses on our tier 1 suppliers. We recognize that there is risk in the lower levels of the supply chain. (…)" (*Pentaland Brands, 2017)
16	Minimum wage and bank guarantees for local employees' salaries	*"The Group's policy is to ensure that the minimum wage for services provided by employees and third-party services is 50% above the legal minimum wage.* *The Group requires bank guarantees for all service contracts to guarantee the contractors obligations towards their employees during the term of the contract."* (Antofagasta, 2017)
17	Reflection about the business model in relation to modern slavery	*"ECCO has identified its business model as a key strength in terms of its modern slavery risk profile. Operating its own R&D, production, and retail operations gives ECCO full control of the working conditions for its employees. Further, ECCO is reflecting on how to bring more production in-house, including more production of components."* (Ecco, 2016)

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