

Has the Modern Slavery Act had an impact on your business?

October 2016

Historic Futures (String3) and Ergon Associates combined their skills and insight to research what effect the Modern Slavery Act (MSA) is having on businesses across the UK. We asked companies to tell us what impact the Act has had on their business, in particular the degree to which the Act was driving broader changes, for example in their risk assessment, supply chain management and broader ethical trade or human rights processes.

We received 34 responses to our survey from a range of UK and internationally headquartered companies that vary in size and sector. Based on the questions we asked, we were able to pull out some key findings on the impact that the Modern Slavery Act has had on business engagement with modern slavery in supply chains:

Regarding understanding and awareness of modern slavery issues, the Act has catalysed internal dialogue, including at Director level;

In relation to planning and engagement, the Act has led to an increased focus on policy development, risk assessment and monitoring of modern slavery;

In terms of data collection and measurement - information about supply chains and supply chain risk is currently collected in an ad hoc way, and;

Most companies have yet to put in place mitigation and remedial action plans related to modern slavery.

Theme:



Understanding and Awareness

The responses to the survey show that there has been a significant increase in engagement on supply chain risk issues, including from Directors, following the introduction of the Modern Slavery Act. The Act seems to have raised awareness of the occurrence of and potential impact of modern slavery risks within businesses. Below are some findings on how the Act has changed understanding and awareness of the issue:

76%

of responders reported that Directors are now more engaged with issues of risks within supply chains

62%

of responders indicated that buyers are more involved in issues of supply chain risk following the Act

58%

reported that ethical trading teams are more involved

The only group where no increase in engagement was found were with technical teams, with most survey respondents reporting no change in their engagement with issues of supply chain risk.

These findings demonstrate the importance of the requirement that MSA statements should be signed off at board level as a catalyst of change.

Theme:



Planning & Activity Development

The findings from the survey indicate that increased engagement on issues of risk within supply chains has led to a greater focus on policy development, risk assessment and risk monitoring. Fewer companies, however, have taken action to address their identified risks. From our research we have found that:

Almost

77%

of responders reported a greater focus on risk monitoring following the introduction of the Act. This is the area with the highest increase.

74%

of responders also reported an increased focus on policy development and codes of conduct

62%

felt either confident or very confident about where they think their risks might lie.

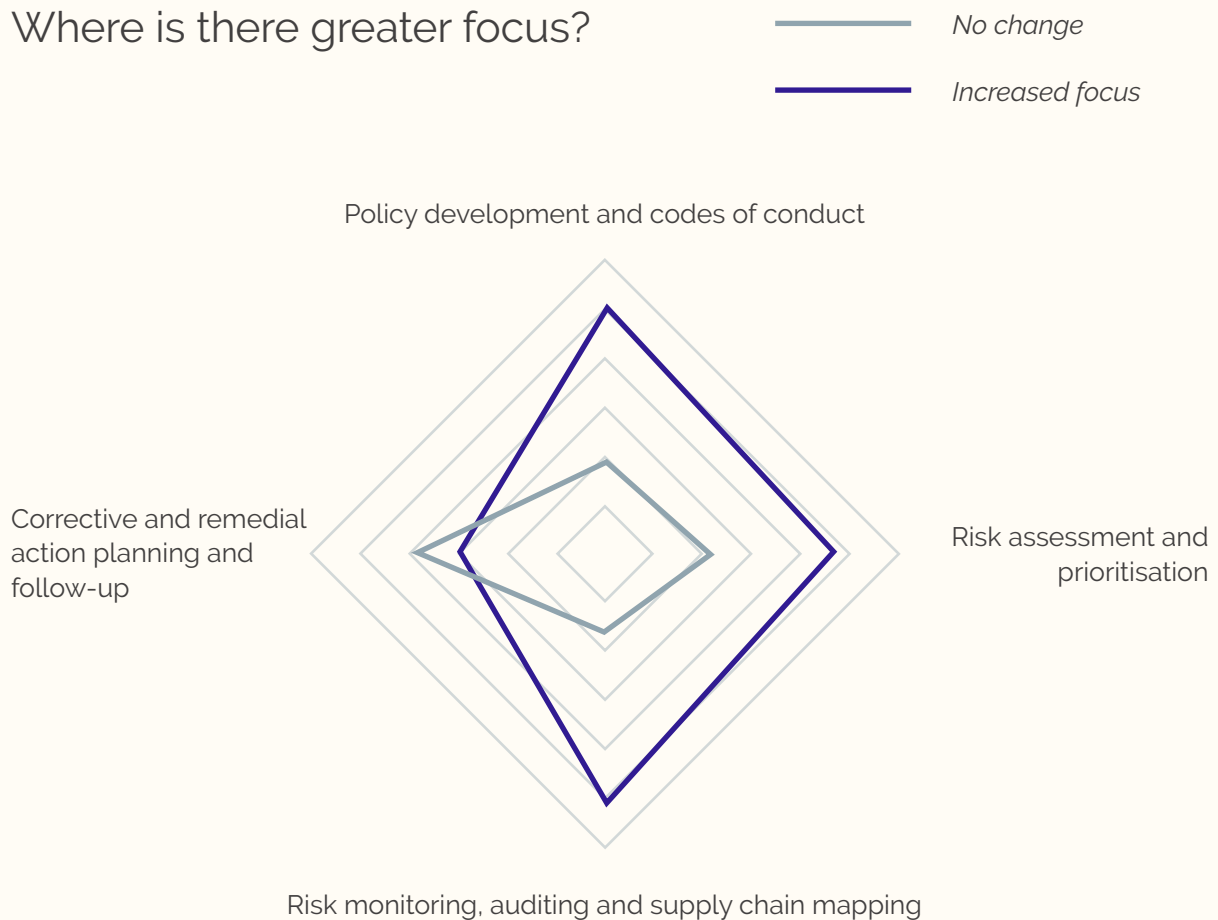
However, in terms of prioritising or defining actions, there was less confidence reported with over half of responders being unsure or not confident in these areas.

Less than half have been able to move to taking more definitive action.

Over half of responders indicated that there is no change in efforts to undertake corrective and remedial action planning and follow-up.

Fig. 1

Where is there greater focus?



It is perhaps unsurprising that the new insight gained about the prevalence of modern slavery globally, and the requirements of the Act to demonstrate taking active steps to ensure modern slavery is not taking place within any part of a business or its supply chain, would lead to companies' developing better policies and procedures that define what standards and values they want to embed within their businesses and then collect more data to assess how exposed they are.

However, because most companies are still at the stage of assessing what policies to put in place and stepping up their risk assessment and risk monitoring activities, there has been less change regarding remedial action. This is because until businesses know whether they have a problem, they are unable to define what steps to take to overcome that problem.

Theme:



Data collection & Measurement

The Modern Slavery Act guidelines indicate that companies need to demonstrate how they collect data about the structure and complexity of their supply chains. However, respondents to our survey indicated that **very little useful data beyond tier one is collected and mechanisms to collect data were ad hoc and not undertaken in a systematic way**. More specifically our findings show that:

82%

of those surveyed received good information about their tier one suppliers

56%

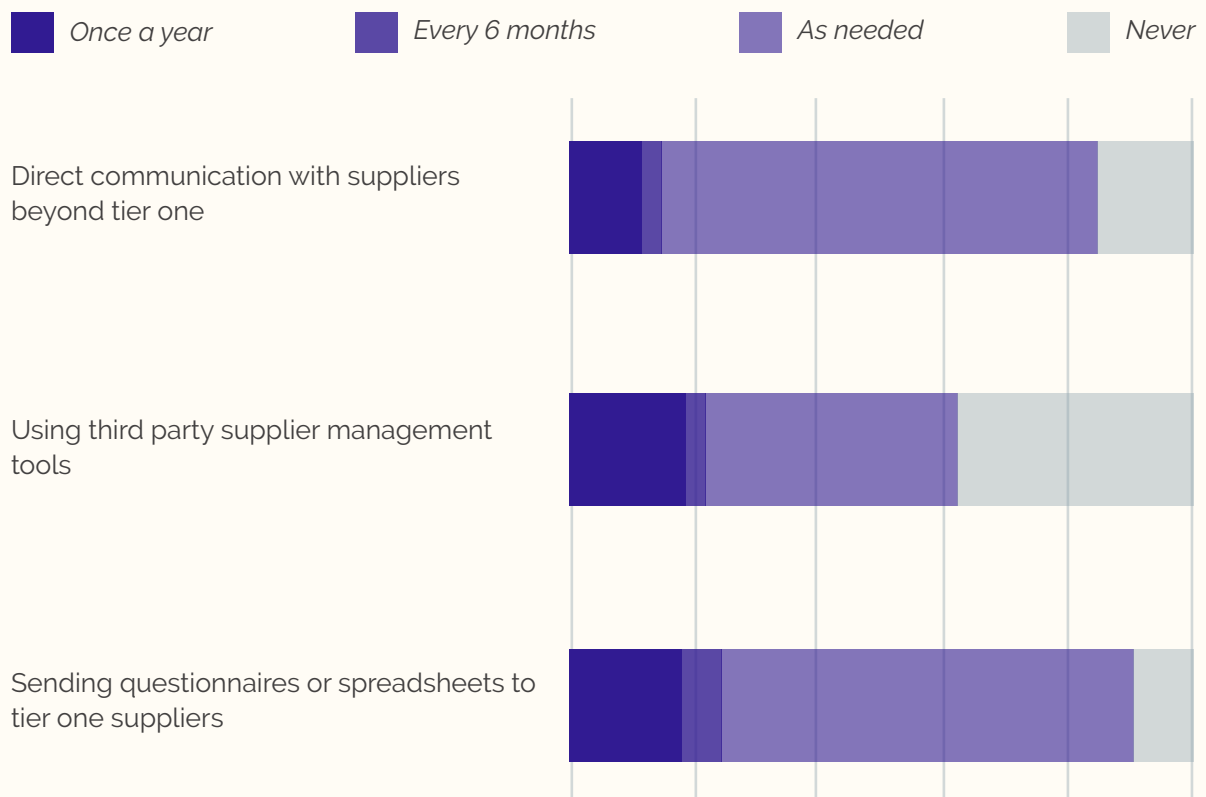
of companies report that they rarely receive information about who is involved in their extended supply chain

29%

reported that they sometimes receive this information

Fig. 2

Regularity of Action



It appears that approaches to data collection by the companies surveyed are heavily reliant on tier one suppliers who are sent questionnaires and spreadsheets as and when needed. Only a handful of businesses took a systematic approach to collecting data about their supply chains by sending questionnaires either every 6 months or once a year. Surprisingly, few companies reported using third party management tools consistently, which indicates that suppliers will be receiving overlapping requests for data from brands, rather than being able to use tools that enable them to reduce duplication efforts.

The insight from our research is that most companies do not have sufficient detail about who is involved in the extended supply chain. This finding highlights that reliable data is not yet available to effectively assess where modern slavery risks in the extended supply chain might exist.

Theme:

4

Mitigation & Remedial Action

The findings of the survey show that mitigation and remedial action plans are not yet in place.

When asked about how confident they were that their actions are effective:

Only

38%

of respondents reported being confident that the actions they take will be effective

44%

of respondents were neutral

12%

reported being not confident

Additionally, when asked about which stakeholders were involved in remedial action:

91%

reported that colleagues in the business were involved

85%

engaged with their suppliers

29%

said that either NGO, trade unions or multi-stakeholder initiatives were engaged with

The low level of confidence in the effectiveness of actions taken is partly because until businesses know whether they have a problem, they are unable to define what steps to take to overcome that problem. Additionally, low levels of engagement with NGOs, trade unions, or multi-stakeholder initiatives when taking remedial action may explain the lack of confidence.

Conclusion

In relation to the sample of companies responding to our survey, it seems that the MSA has, so far, had a positive effect on raising awareness and engagement on the issue of modern slavery within internal teams and has led to development of better plans and improved risk assessment frameworks. A notable finding is the increase in engagement with the topic from company directors, which is aligned with the Act's objectives. These are positive outcomes that have occurred in a relatively short time frame following the Act coming into effect.

What has yet to occur is the collection of sufficient information to effectively identify and monitor risk. Moreover, most data collection approaches are relatively ad hoc and there is little use of defined internal resources or use of third party organisations, either commercial solution providers or collaborative NGO/trade union partners.

It will be interesting to see whether companies start to take a more systemic approach to collecting data about where the risks of modern slavery within their supply chains and direct operations are. Some areas where emerging good practice exist are the following:

- ▶ **Better and more consistent risk assessment**
- ▶ **More use of collaborative risk assessment and due diligence processes, either through NGOs, public bodies and other non-business actors or through commercial service providers**
- ▶ **Detailed action plans and focussed responses to identified risks of modern slavery**
- ▶ **More transparency in MSA statements on specific instances where companies have taken defined steps to prevent the risk of modern slavery or respond to specific scenarios.**

Benchmarking Analysis

Respondents to our survey were ranked according to the stage of the engagement journey they were on. Those at the understanding and awareness stage were termed 'learners'; those at the planning and activity stage 'planners'; those at the data collection and measurement stage 'analysers' and finally those at the mitigation and remedial action stage 'change makers'. A summary of each of these stages is provided below.

Learners:

These companies have, as a result of the Act, stepped up their engagement with issues of modern slavery and supply chain risk. They have absorbed the implications of the Modern Slavery Act and increased their understanding and awareness of what it means for their business. They are widening the range of stakeholders they include in discussions about supply chain risk with a notable increase in the inclusion of Directors. This stage is imperative to set the foundations of policy development and future action.

Planners:

These companies have progressed from the learning stage into determining what policy development, risk assessment and risk monitoring activities need to be undertaken. A significant number of all respondents fell into this stage. They are reviewing and amending policies to ensure they are aligned with their company values and standards with regards to modern slavery risks. Very few however are using the services of third party organisations to help them ensure their policies and risk frameworks will be effective. Only once companies have identified what it is they need to measure will they be able to start collecting the data necessary to determine whether their supply chains are exposing them to risks they have identified as important to their business.

Analysers:

These companies are perhaps those who were already aware of modern slavery risks and are, as a result, already able to know what it is they need to measure to determine how exposed to modern slavery risks they are. They are those that are at the stage of collecting data about the structure and complexity of their supply chain. A smaller, yet not insignificant proportion of survey respondents fell into this stage. However, the data being collected is often not providing enough detail about who is involved beyond tier one because companies are relying on information provided to them from their direct suppliers. Only a handful of companies are able to collect data direct from their supply chains. Only once reliable data is collected are companies then able to take effective mitigation and remedial action.

Change makers:

As yet, none of the companies surveyed were at the stage of being change makers with regards to modern slavery risks in supply chains. This is unsurprising given the very recent introduction of the Act. We anticipate that in time, with more focus on better assessing the complexity of global chains and the introduction of more effective risk frameworks and tools to collect data, companies will be finding innovative ways to be in control of their supply chains. Data will be collected direct from supply chains in a systematic rather than ad hoc manner based on well researched and developed risk frameworks which have been developed in collaboration with all necessary internal and external stakeholders.