

Eradicating
Modern Day Slavery
in Global Supply Chains

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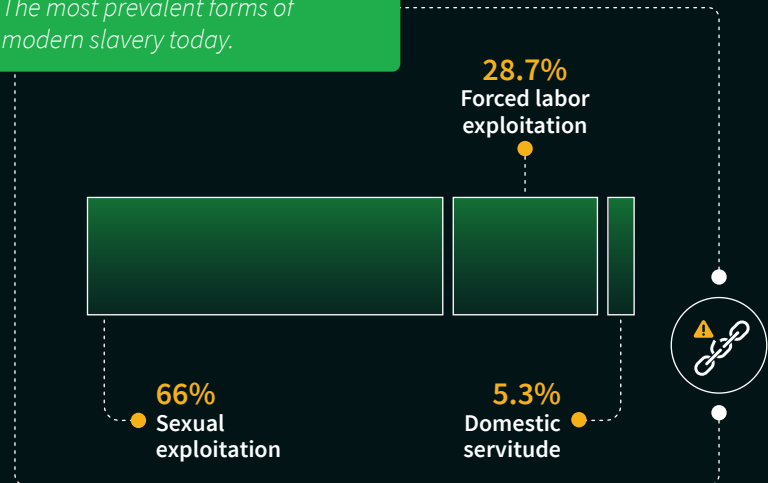
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1 The Invisible Threat Within Global Supply Chains

Slavery and human trafficking, as depicted in literature, movies and academic research, is stark and recognizable. It makes us believe we will know how to act to prevent atrocities when we are confronted with this type of injustice. It can be difficult to pinpoint instances of modern day slavery due to its ambiguous nature. Much of it can be hidden in the far reaches of global supply chains remaining invisible to organizations, businesses, regulatory bodies as well as the consumer. It can also be prevalent in our everyday lives on the high-street in places such as nail bars or hand car washes where the issue of forced labor rarely gets considered.

Figure 1: A Profile of Exploitation:

The most prevalent forms of modern slavery today.



In 2017, the International Labour Organisation (ILO) and the World Economic Forum (WEF) estimated that over 40 million people across the globe were working under duress and various degrees of enforcement.¹

The ILO confirmed exploitative labor practices have earned private businesses almost US \$150 billion in profits.

2 Understanding Modern Slavery

What is modern slavery and how has it become a systemic scourge within modern supply chains? While modern slavery is easily recognizable when identified, it is not easily definable. The Modern Slavery Act Review, an independent report by the government of UK, states, **‘Modern slavery is a particularly difficult crime to detect, investigate, and bring to justice because of the nature of the crime and the impact that it has on survivors.’²**

Our understanding of slavery and slavery-like conditions has expanded over time to include human trafficking, forced labor, child labor, domestic servitude, debt bondage, adults and children alike forced into the sex industry and other human rights violations. The sprawling and complex nature of global supply chains has made documentation and collection of empirical evidence difficult, which results in poor levels of visibility throughout all tiers of the supply chain.

The effort to define modern slavery can be traced back to the Forced Labour Convention of 1930. It defined forced labor as **‘all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.’** While this definition does not specifically address the phenomenon of slavery, it includes within its purview **‘vestiges of slavery or slave-like practices’³**. The 1948 Universal Declaration of Human Rights was the first of many international legal instruments to outright prohibit the continued practice of slavery.

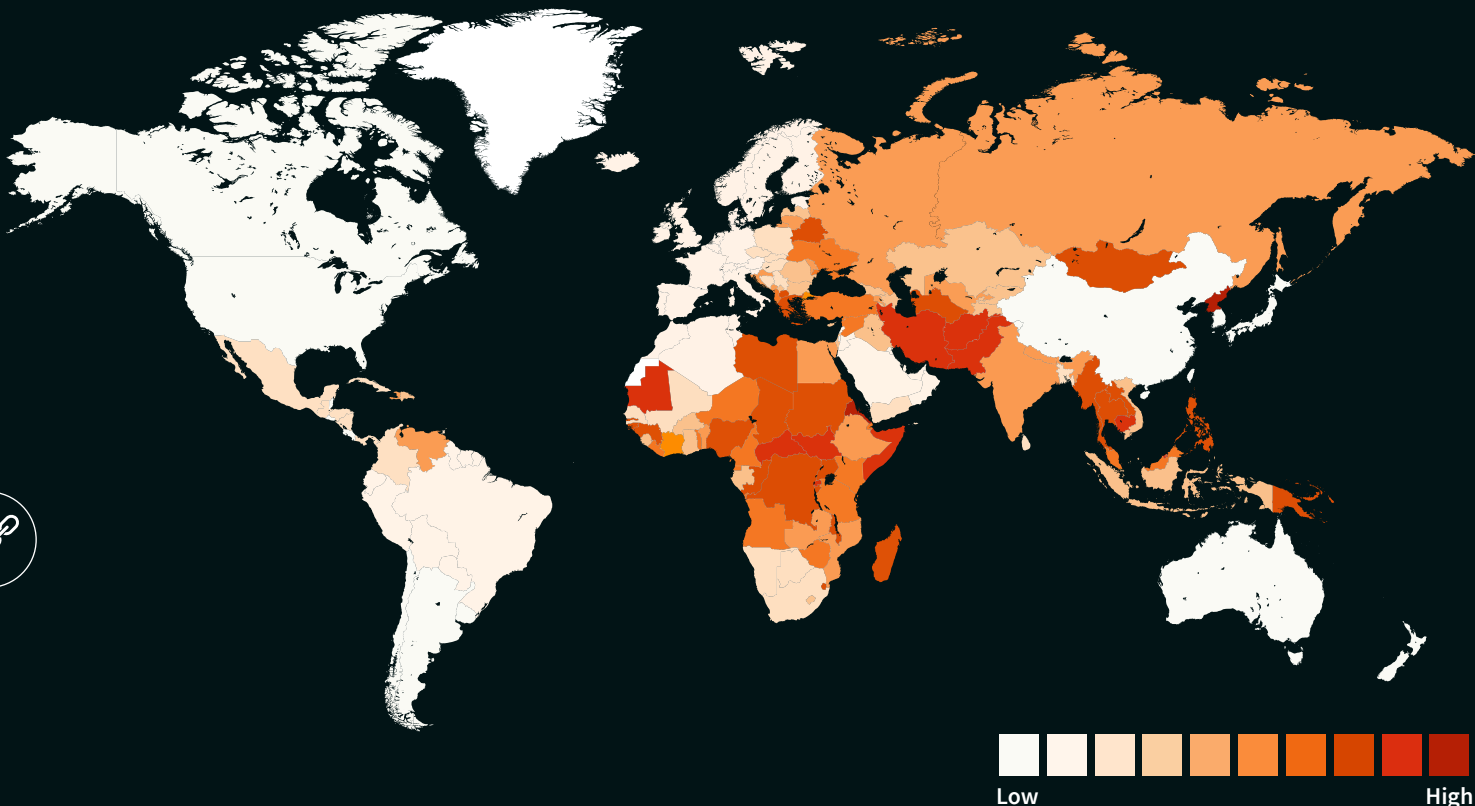
- **At the national level, recent legal countermeasures to combat modern slavery have begun to better shape our perceptions and solutions. For instance, the UK government set up the National Referral Mechanism (NRM) in 2009 to identify victims of human trafficking and provide them with necessary legal recourse. Measures such as this acted as precursors to robust national legislation which was developed to identify and penalise modern slavery. It also pushed companies to confirm what actions they were taking to remove modern slavery within their supply chains.**



They were required to confirm this at the highest level within the business by producing a commitment via a signed statement. With initiatives such as this and the prolific work of non-governmental organizations located throughout the world, key facets of modern slavery have begun to emerge.

Firstly, economically and socially vulnerable populations are more prone to exploitation. For instance, the growing number of migrant workers, cross-border refugees, internationally displaced peoples fleeing their home and country of birth due to internal persecution or conflicts and victims of trafficking have created a ready pool of informal, and in many cases, anonymous workers at risk of being exploited. Secondly, crimes related to modern slavery continue for an indefinite period of time and is difficult to measure. Finally, no matter where it originates, the adverse effects of modern slavery manifests across the entire supply chain.

Figure 2: Global Prevalence of Modern Slavery

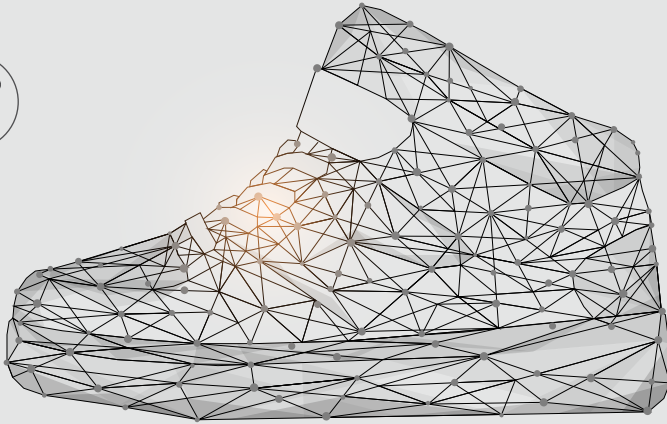


3 Risks to Modern Supply Chains

Dr. Shamir Ghumra, BREEAM Director, points out that modern day supply chains are dynamic and constantly evolving. Even products that are purportedly locally made may contain ingredients and components that are not. The sheer magnitude and complexity of current global procurement practice has made it difficult to trace whether labor and raw materials used in the manufacture or creation of a product are sourced fairly.



As such, major international brands and companies receiving negative press, damage to their brand and constant pressure from consumers for violating working conditions is an oft-repeated story. From the manufacture of sports clothing and sporting goods such as footballs and training shoes to the formation of sports teams, modern slavery is prevalent across all industries.

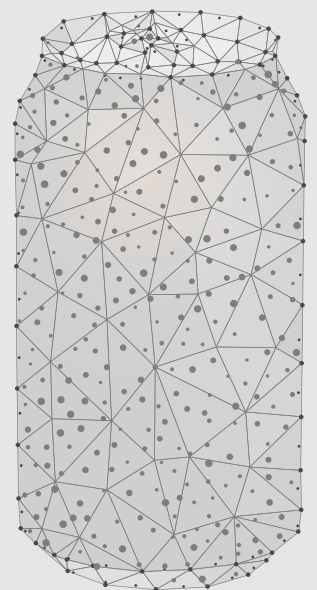


Despite the fact that corporate social responsibility has become a mainstay of many organisations, brands like Nike and Adidas, were found to be non-compliant during the mid-1990's. It was revealed that companies being used to manufacture their branded goods employed child labor and in many cases would have been referred to as a 'sweatshop' working environment. This occurred in spite of many years of implementing strict working practice, use of independent sourcing audits and continual 'spot-checks' on their factories. They still attract negative attention for being associated with sub-contracted factories that once functioned as sweatshops, thus illustrating just how damaging it can be to a brand.

Even though these instances occurred over 20 years ago, a huge amount of money was spent correcting the issue and mitigating repeat instances. Moreover these brands have found it hard to shake off the associated impact to their **brand equity.**

Coca Cola continues to fight a maelstrom of allegations which charge the company with severe worker rights violations. Additionally major beauty brands often draw the ire of consumers due to the use of mica mined by South Asian children. According to a report by the Overseas Development Institute, child laborers in Bangladesh work an average of 64 hours every week, much of which is work connected to top global brands.⁴

Even the procurement of African and South American minors by European football clubs have come under fire for their resemblance to human trafficking. **The Conversation reports, 'Fraudulent individuals posing as football agents target young foreign players and lure them abroad with false promises of trials at top European football clubs...In reality, there is often no club waiting for the player abroad and they are either abandoned on arrival or subjected to slavery, prostitution, and drug dealing – some even end up as victims of sexual exploitation.'**⁵





Slavery and Small Businesses: Strange Bedfellows

At the same time, modern slavery is not just the bane of big businesses. Local businesses too may play an inadvertent role in propping up slavery-like practices. In the UK, hand car washes and nail bars have become havens for worker exploitation often harbouring underpaid, overworked workers who are housed in dilapidated conditions.

This also serves to highlight the fact that supply chain violations do not always occur a world away but may be prevalent in our own backyard.

4 Prominent Forms of Modern Slavery

As a potential consumer whose actions may actually encourage or help to maintain current modern slavery practices, or even as an individual who may be employed in recruiting for the business supply chain, it is essential to understand how to easily identify the different forms modern slavery.



Bonded Labor

Bonded labor has remained one of the primary forms of slavery after the trans-Atlantic slave trade was abolished. Unfortunately, in spite of legal deterrents, it continues to persist. People typically become bonded laborers after falling into debt and being forced to work for free to repay the lender. Many will never pay off their loans, and debt can be passed down through the generations. Bonded labor has existed for hundreds of years and flourishes in sectors like agriculture, brick manufacturing, mills and tea plantations.

Descent-Based Slavery

According to the World Economic Forum descent-based slavery exists in countries that have strict hierarchical social structures. Even though this practice has been legally banned for over 80 years, it continues to remain an intrinsic and informal characteristic of certain economic systems. It is understood that people are born into slavery because their families belong to a class or caste of 'slaves'.

Forced Labor

This happens when people are forced to work, usually for no or inadequate payment, as a result of violence or intimidation. Many find themselves trapped, often in a foreign country, with their passports confiscated by employers, and unable to leave. Sex work is often also classified as slavery and can be found in communities such as hostess bars, exotic dancing locations, etc.

Child Labour

The ILO estimates that there are currently 64 million girls and 88 million boys engaged in child labor.⁷ About half of them work in severely hazardous conditions. From beauty to brick kilns, there aren't very many industries that haven't been charged with employing child labor. Agricultural suppliers specifically, have come under fire for employing children on farms and plantations. Children in several African countries are still trafficked to work on cocoa farms with global supply chain networks. Indian tea plantations have also been exposed for employing children as tea pickers.

5 Why Modern Supply Chains Are Broken

The complex and multi-tiered structure of global supply chains have created ‘blind spots’ that have allowed trafficking and forced labour to exploit these gaps and in some areas of the world the issue has become endemic. Awareness, or the lack thereof especially in the case of some of the individuals who are subject to this practice complicates matters.

Supply chain links are often geographically dispersed, making it difficult for companies to identify exactly where the problems lie and how to tackle them. Businesses could unwittingly be involved in forced labour if they partner with vendors or suppliers engaged in illicit practices.



Executives aren’t always aware of the consequences. In the 2016 Thomson Reuters Global Third Party Risk Survey, **62% of the global leaders surveyed revealed that their organisation conducted due diligence on only the first tier of their third-party networks. Only 16% claimed to be sufficiently knowledgeable about forced labour and slavery.**⁶

On the demand side, the current situation is a result of several intertwined factors including increased use of offshore suppliers in an effort to reduce costs, differences in cross-country labour standards, and cultural differences between developed and emerging economies.

For instance, in recent times, ‘fast fashion’ has come under fire for its less-than-ideal business model: affordably priced clothing mass-produced in factories thousands of miles away. When the Savar Building collapsed in Rana Plaza, Bangladesh in 2013, it became obvious for the first time that many of the traditional ‘high-street’ brands were linked to the manufacturing process within the building. Objective evidence such as brand labels and product ranges were present, and the main brands had to accept they were complicit, all be it possibly without their knowledge. Even worse, the site had recently been subject to an ethical sourcing audit which should have identified the issues that caused the huge death toll.

The tragedy claimed close to 1,200 lives in less than two minutes and has remained an indictment of modern business practices and wilful ignorance among decision-makers managing global supply chains. Subsequent interviews with survivors have revealed how a large number of these ‘workers’ were working under duress – conditions that would qualify as forced labour, one of the many forms of modern-day slavery.




Figure 4: Industries With the Highest Levels of Child Labour

6 Strengthening the Links

Greg Gardner, President and CEO at ARCHE Advisors, points out that while legislation is a key factor that has pushed global enterprises to combat modern slavery, the other compelling reason is changing consumer preferences, especially among millennials. Consumers make more informed and mindful choices about their purchasing habits. They want to know whether the brands they invest in, source their ingredients properly, pay fair wages and adhere to good human rights practices.

The customer's goodwill, trust and affinity to a specific product helps build a brand's reputation. To function and maintain longevity in a highly competitive market, preserving the brand equity is key. In fact, in an Avetta and Verdantix study, 53% of respondents listed damage to reputation as the second most critical reason for conducting third-party due diligence.⁸

Consumer pressure can drive change ensuring the responsibility ultimately lands at the threshold of the organization in revising their procurement policies and making headway against trafficking and human rights violations. For instance, global tech giant Apple has pledged to employ former trafficking victims in 'behind-the-scenes' roles at their stores.⁹ The company's '2018 Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains' lays out their supplier code and fair labor practices in great detail. Among other things, their supplier code of conduct invokes the ILO's labor standards, the UN Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the OECD's 'Due Diligence Guidance' on sourcing minerals from high-risk and conflict-affected areas.



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7 Law and Supply Chain Resilience

International regulations, while effective, only exist as guidelines to be enacted into law by member countries. They attempt to safeguard the political and economic rights of individuals. However, lawmakers, academics and business decision makers continue to grapple with the underlying economic motivation behind such practices. As a result such egregious activities continue to go undetected or under-punished. This is where the latest legislations on modern slavery differ from their previous iterations. Regulations at the local and national levels exist at the confluence of governance and business.



The United Kingdom

The United Kingdom was one of the first developed economies to introduce legislation to address the issue of modern slavery. The legislation was introduced in 2015 and proposed that all companies with a turnover of £36 million or higher should produce a corporate statement to confirm their supply chain practices as defined under the Transparency in Supply Chains Provision (TISC).¹⁰ In mid-2019 it was confirmed that of the potential 17,000 participants that fell under the parameters of the legislation nearly 4000 had still not developed or uploaded a corporate commitment statement on prevention of modern slavery. Currently this is still a voluntary requirement in that no fines can be generated by not producing a statement. But the UK government as part of their legal review suggested that a ‘name and shame’ exercise should be an option applied to companies that do not actively participate.

France

In February 2017, the French Parliament adopted a new law — the Duty of Vigilance Law (Devoir de Vigilance) — that enforces the need for businesses to constantly monitor their operations and supply chains for any sign of environmental or labor violations. To perform their due diligence, companies have to not only track risks, but proactively suggest controls and alerts to mitigate them. While it resembles the UK’s anti-slavery law in many aspects, it seems to target a smaller pool of companies with size being the primary determinant instead of profits. If a company fails to submit their risk mitigation report, victims can report them, and the company may even incur a fine of 10 million euros.¹¹



Australia

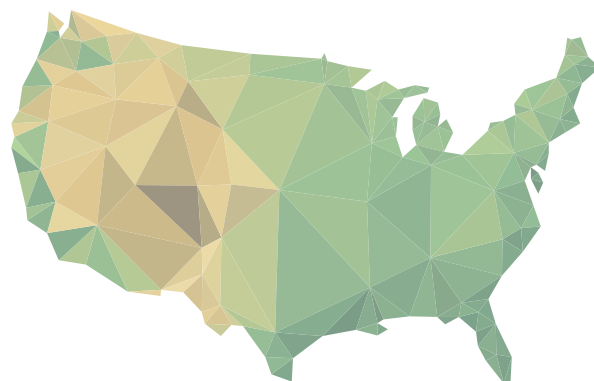


Australia's Modern Slavery Act is another recent addition to the growing number of anti-slavery legislation being introduced. The Act which came into effect on January 1, 2019, requires companies earning a consolidated revenue of AUD 100 million to audit their supply chains and supply chain partners for any risk of slavery or exploitative practices.¹² Companies are also expected to submit assessment reports similar to the statement defined in the UK legislation. This requires a delineation of the risks identified and how they intend to tackle them. The first of such reports is due in mid-2020. Smaller companies can volunteer to provide a risk assessment report. At this time the Modern Slavery Act does not prescribe any penalties for violators.

The United States of America

In the U.S., several regulations such as the U.S. Trafficking Victims Protection Act (2000), U.S. California Transparency in Supply Chains Act (2012) and the U.S. End Modern Slavery Initiative Act (2015) enforce stringent requirements for both mid-sized and large enterprises when it comes to supply chain sustainability.

The Department of Homeland Security has also partnered with NGO Liberty Shared to root out forced labor from corporate supply chains.



Canada



While introducing Canada's Modern Slavery Act on the floor of the Parliament, MP John McKay noted, 'There are more people enslaved now than there ever were at the height of the Atlantic slave trade.'¹³

Canada introduced a private member bill on the floor of the Parliament on December 13, 2018. Bill C-423, entitled the Modern Slavery Act, which applies to all businesses that are incorporated in the Canadian Stock Exchange or meet the following requirements: holds \$20 million in assets, has reported \$40 million in revenue or has at least 250 employees.¹⁴

Does Legislation Make Any Difference?

Although all these regulations serve as a step in the right direction, they are often heavily focused on policing and don't provide sufficient protection to the victims. A report published last year by the Sheffield Political Economy Research Institute highlighted that the efforts made by governments to combat forced labor are falling short mostly because they fail to address deeper problems such as poverty and illegal sourcing practices. Another issue not addressed by the legislation is the mechanism by how companies can address this issue. What actions can they take? The bigger the supply chain, in terms of geography, the harder it is to manage issues. Also, the farther down you go in the supply chain, especially in many emerging economies, the more fragmented they become. This is especially true when organizations utilize agents or parties acting as introductory agents.

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8 The Need to Wipe Out What is Hidden in Plain Sight

Ideally, organizations need to take the following steps to make their workplaces safer and minimize the risk of modern slavery creeping into their supply chains. There is no one-size measure that will address this issue, but the following provides a guide to the various stages that need to be considered when implementing this type of program. Using a program like the Avetta supply chain risk and supplier management solutions will help to not only facilitate a clear and decisive strategy but also provide an independent evaluation process.



Codes of Conduct

Companies should develop codes of conduct clearly defining corporate policies on the engagement of suppliers, what the minimum standards are regarding sourcing of materials and the treatment of workers employed by the suppliers. Implemented standards, whether they are constant or improve over time, should be achievable. While there is nothing wrong with aspiration, the goals must be realistic and proportional. If they are written simply to make the company appeal to consumers and shareholders, companies will not be able to make sufficient impact. Failure to address pertinent issues will have a negative impact on the brand. Policies should clarify what the company's position is on all aspects of slavery and should, where possible, implement contractual provisions to communicate these intentions.



Leadership Within the Business

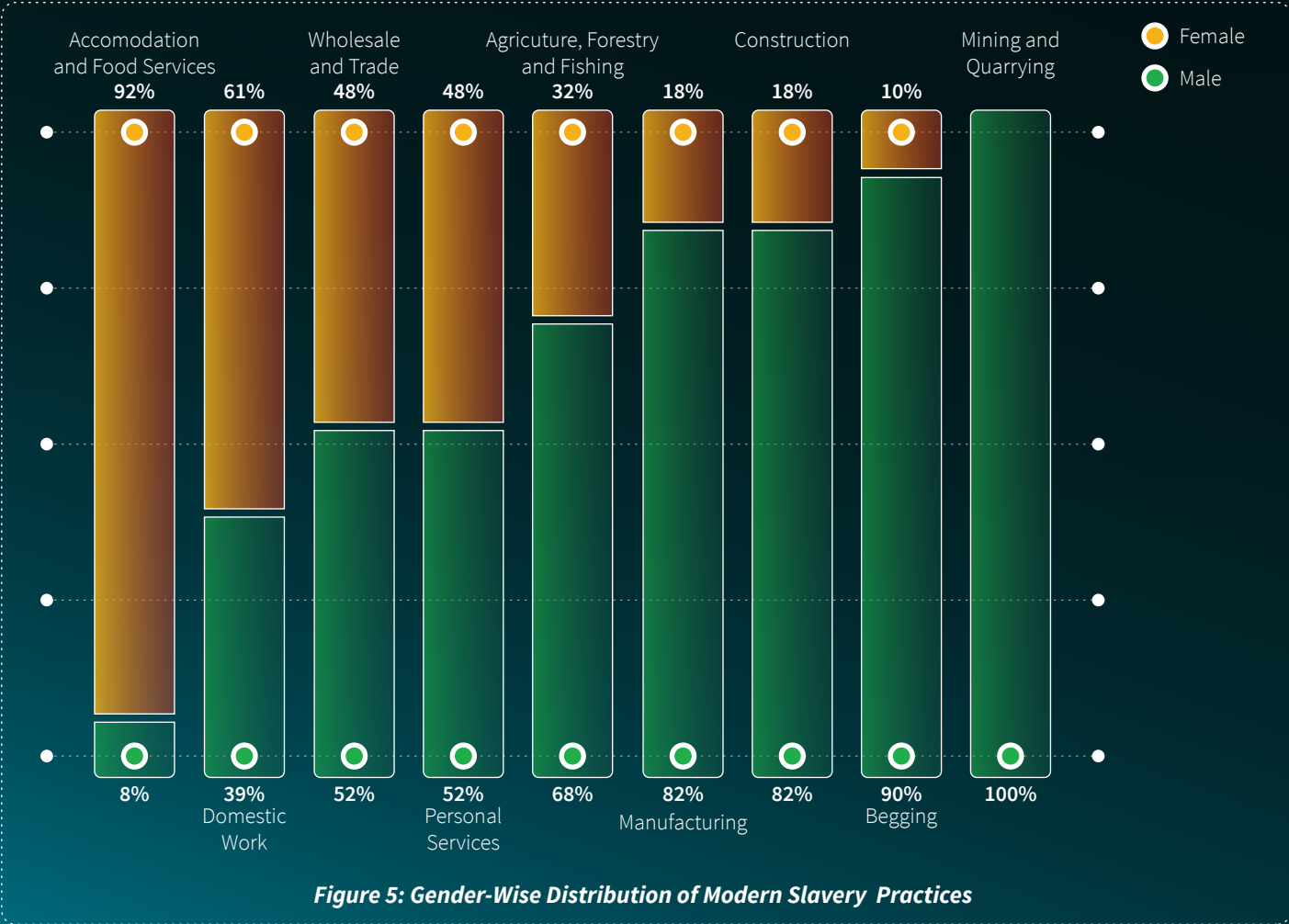
For any corporate initiative to be effective it is essential that the senior executives within the business not only recognize the importance of addressing modern slavery and how it could potentially be present within their supply chain but also the importance of putting into place mitigation measures that are supported at the highest level of management.



Supplier Support

It is important to engage the supply chain. If this is not addressed the initiative will fail. It is important they understand why your company has taken the stance they have, and they should be given simple guidance that can be understood on how they can comply with the code of conduct, laws, and rules.

Appoint in-house champions who not only support the requirement, but also understand the cultural requirements in the countries where you source your products. What may be accepted in one country may be deemed totally unacceptable in another based upon your corporate goals.





Prequalification

It is essential that before any supplier engages with you they are subject to appropriate levels of evaluation based upon specific selection criterion. These criterion should assist in meeting the code of conduct and demonstrate that the supplier recruitment process can withstand independent scrutiny and assist in providing the business appropriate due diligence.

The assessment and evaluation programs provided by Avetta can facilitate the necessary due diligence required to show compliance to country specific legislation, industry specific rules and also globally recognized specific ethical codes of conduct.

The evaluation process will confirm independent review and will also demonstrate to your stakeholders a robust approach in your attempts to address this issue. The analysis will gauge their compliance status and allow greater levels of transparency when engaging with suppliers. Additionally it will help when determining their capability as a strategic supplier to your business.

Potential suppliers will fill out a prequalification form asking relevant questions about their recruitment practice, their health and safety performance, how they manage risk within their work activity and their environmental impact. It is essential that the supplier evaluation process not only provides a visual confirmation that something is being done, but also adds value to your business, from a compliance, risk and procurement perspective.



Utilizing a configured approach will allow relevant data to be collected and analyzed. This approach, found in the Avetta supply chain risk program, removes the ‘shotgun’ approach used by many proprietary programs. This will also simplify the collection and verification of risk-based data.



Identify Risks Through Self Assessments

One of the solutions that can potentially identify modern slavery traits is mandating all suppliers, irrelevant of where they sit in your supply chain to complete a self-assessment registration. Obviously at this stage the level of verification is minimal, but it will demonstrate the items that you as a business will be looking at to understand the potential risk levels that can be introduced if opting to use that supplier. While the jury is out on the effectiveness of such measures, it is at least a start. As Dr. Ghumra points out, the idea is to include more stakeholders in the supply chain risk management processes and a supplier, irrelevant of their size, is a business stakeholder. While some may not be a hundred percent honest, others will get a genuine baseline from which to start and it will allow specific risk strategies to be prepared and implemented based on specific factors such as: location, type of service provided and quality of empirical evidence based on the potential for modern slavery in that sector and location.



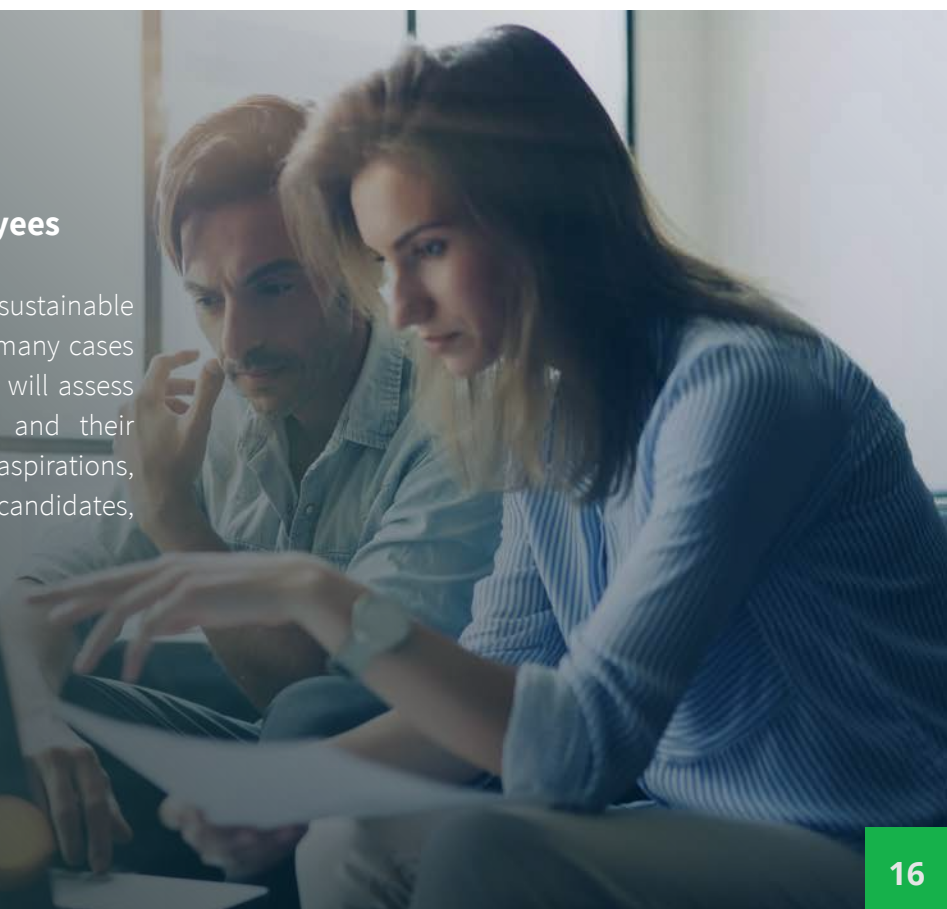
Collaborate with NGOs

It is important that all areas of the evaluation process are conducted using the most up to date 'thought-leadership' government and non-governmental organizational evidence. This means the assessments will reflect current risk levels as much as is practical. Avetta is forging relationships with other leading global sustainability organizations to provide their client base with added value, this includes being a signatory within the United Nations Global Compact.



Recruitment and Retention of Employees

A fact often overlooked when introducing a sustainable sourcing program within a business, is that in many cases individuals who are looking to join a company will assess their credibility in relation to sustainability and their corporate objectives. If it meets their personal aspirations, in some cases, it can mean attracting the right candidates, and even retaining their professional services.



9 Conclusion

The effort to combat supply chain violations remain fervent and ongoing. Legislation has laid the groundwork to take on the issue of slavery in all its guises. Technology combined with mitigation, planning and assessing foreseeable risk will provide the necessary tools to tackle these issues on the ground.

Furthermore, industry analysts are optimistic that once big brands begin to enforce fair procurement practices, in time it will trickle to smaller supplier companies as well. Investors and stakeholders are becoming more cognizant of the risks of modern slavery. As a result, issues of supply chain sustainability and fair work practices are coming to the fore. A 2016, survey by the Ethical Trading Initiative (ETI) saw an increased interest in environmental, social and governance (ESG) issues.¹⁵ This combined with changing consumer preferences are critical first steps in altering the status quo.



Links for further reading:

1. The Global Slavery Index: <https://www.globalslaveryindex.org/>
2. The Modern Slavery Map: <http://www.modernslaverymap.org/>
3. Forced Labour, Modern Slavery and Human Trafficking: <https://www.ilo.org/global/topics/forced-labour/lang--en/index.htm>

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- ³ **Source:** What is forced labour, modern slavery and human trafficking;
<https://www.ilo.org/global/topics/forced-labour/definition/lang-en/index.htm>
- ⁴ **Source:** Child labour and education: a survey of slum settlements in Dhaka;
<https://www.odi.org/publications/10654-child-labour-and-education-survey-slum-settlements-dhaka>
- ⁵ **Source:** How the search for football's next big thing is fuelling a modern-day slave trade;
<https://theconversation.com/how-the-search-for-footballs-next-big-thing-is-fuelling-a-modern-day-slave-trade-121350>
- ⁶ **Source:** Companies are Sinking in Risk: Thomson Reuters 2016 Global Third Party Risk Survey;
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<https://www.ilo.org/global/topics/child-labour/lang-en/index.htm>
- ⁸ **Source:** How can you eliminate modern slavery in complex supply chains?;
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- ⁹ **Source:** Apple Stores to employ human trafficking victims;
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- ¹⁰ **Source:** The Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015;
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- ¹¹ **Source:** French Corporate Duty Of Vigilance Law;
<http://corporatejustice.org/documents/publications/french-corporate-duty-of-vigilance-law-faq.pdf>
- ¹² **Source:** Australia Starts Tackling Modern Slavery;
<https://www.hrw.org/news/2019/01/09/australia-starts-tackling-modern-slavery>
- ¹³ **Source:** Bill C-423 Modern Slavery Act;
<https://openparliament.ca/bills/42-1/C-423/>
- ¹⁴ **Source:** Modern slavery legislation – Canada may follow the global trend;
<https://www.nortonrosefulbright.com/en/knowledge/publications/ee653db4/modern-slavery-legislation---canada-may-follow-the-global-trend>
- ¹⁵ **Source:** Modern Slavery Risks, Rights & Responsibilities;
<https://assets.kpmg/content/dam/kpmg/au/pdf/2019/modern-slavery-guide-for-companies-investors-feb-2019.pdf>



About Avetta

Avetta connects leading global organizations with more than 85,000 qualified suppliers, contractors, and vendors across 100+ countries. We support the sustainable growth of supply chains through our trusted contractor prequalification, supplier audits, insurance monitoring, robust analytics and more. With real results in helping companies reduce TRIR, our highly configurable solutions elevate safety and sustainability in workplaces around the world—helping workers get home to their families each night.