Top 5: UK’s Modern Slavery Act compliance

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The enactment in the UK of the Modern Slavery Act 2015, which aims to tackle the worryingly pervasive issues surrounding forced labor and human trafficking, has been welcomed and proactively backed by many large organizations, including the British Retail Consortium.

The Act requires UK companies with a global turnover in excess of £36 million to produce annual statements regarding the steps (if any) taken by the business to ensure that slavery and human trafficking does not take place in its business or in any of its supply chains, wherever they are based. The extraterritorial application of the Act inevitably brings with it a burden of closely monitoring labor conditions across widespread and often complex supply chains.

Compliance with the Act is hoped to go some way toward suppressing the existence of slavery and human trafficking crimes within many industries - in particular, the retail and fashion sector, where revelations regarding child labor and working conditions have been most prevalent in recent years.

The impact of the Act’s requirements on fashion retailers is likely to require greater awareness and more due diligence regarding suppliers and sub contractors. Some of the steps that retailers should consider to demonstrate their compliance with the Act are:

- Conducting an audit of supply chain so that risks can be identified and mitigated.
- Identifying specific high-risk geographies. Third-party sources (such as the Global Slavery Index) can be used to support any particular selection and to avoid any implied criticism of a particular government or culture.
- Introducing new review mechanisms, processes, policies and procedures and reviewing the adequacy of those already in place.
- Reviewing standard terms with suppliers to secure appropriate commitments from suppliers to uphold acceptable labor standards.
- Appointing a senior manager in the business to take responsibility for compliance.

In light of the Act’s requirements, the Home Office has issued guidance which is intended to assist companies by explaining in more detail which companies have to publish a statement, how to write the statement, and how it should be approved and published.

Whilst this practical guidance is welcome, it leaves much to every organization to consider what is a relevant and proportionate response. Whilst it appears a modest obligation merely to issue a statement, in reality it places an onerous burden on the director who will now be obliged to sign off on this. He or she will need to satisfy themselves that appropriate underlying verification work has been undertaken, to ensure the organization is indeed taking steps to prevent modern slavery and human trafficking in its supply chains.
In truth, the verification required behind making such a statement covering all tiers of a supply chain means this is no small enterprise for any organization and businesses will have to take the generic guidance and adapt it as appropriate for themselves, fully mindful of the reputational risk if they do not.

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