# techUK

# SME guide to the Modern Slavery Act and supply chain transparency

# Introduction to the issue

Slavery has never gone away and it is possible that more people – 45 million and growing – are in some form of slavery and forced labour than at any time in recorded history. Different definitions and human rights issues are often used  under the term 'modern slavery' but  the UN uses 'modern slavery' as an umbrella term covering forced labour, debt bondage, forced marriage and human trafficking.

In the UK the official estimate is 13,000 individuals are victims of some form of modern slavery, though even the independent Anti-Slavery Commissioner believes the true number to be in excess of 100,000.

techUK has been working with government, industry and civil society to better understand where the risks are in relation to modern slavery and has facilitated knowledge sharing and focused on helping companies to improve  visibility within their supply chains. However, this has mainly been for larger companies obligated to report on their slavery risks under Section 54 of the Modern Slavery Act, therefore  this guide is tailored for the SME community who may have not come across this before, or have been asked by their customers and investors to provide evidence on efforts to address these risks.

In this guide we set out why addressing modern slavery is important, some of the common modern slavery risks that exist in supply chains and operations and provide advice on how to mitigate these risks and report progress. A list of resources for companies seeking to develop policies or wanting to learn more is also included.

## Why it matters for SMEs

Companies of all sizes are being increasingly asked to provide evidence they have properly considered their exposure to modern slavery risks. This stems from modern slavery reporting becoming compulsory in many countries and a trend towards more due diligence obligations globally. This has led to larger companies passing these requirements down the supply chain as well as investors becoming more focused on environmental, social and governance (ESG) performance when they choose where to invest. As legal requirements, customer/investor and public expectations around modern slavery become more common, companies not taking these risks in to account will be passed over for contracts and lose opportunities for business as a result. Some of the different requirements we are seeing in the market are listed below:

> **Legal requirements.** In the UK, the 2015 Modern Slavery Act requires large businesses to report in an annual statement what they are doing to prevent modern slavery in their supply chains and operations and the rules are soon to be strengthened. While firms turning over <£36m do not have to report, larger companies expect firms they do business with to think about the risk and will introduce requirements across their value chain to demonstrate their own compliance. The EU is also considering new laws around human rights due diligence that will carry major penalties for non-compliance.

> **Increasing customer requirements.** Providing evidence that your company has considered modern slavery and has tried to risk assess against it is an increasing requirement. Public sector buyers will soon expect companies of all sizes bidding for contracts to assess themselves on the UK Government's Modern Slavery Assessment Tool and the new Social Value framework (both linked to below) compels public sector organisations base 10% of a tender award on how a company assesses these risks. This will increase further when public sector organisations come in to scope of the Modern Slavery Act. Private sector buyers may also demand assurances that their suppliers also have written policies and procedures in place.

> **Investor expectations.** Investors are now looking more and more at a business' environmental, social and governance (ESG) performance and may choose not to invest in a firm if there is not a demonstrable commitment to improving consideration of their environmental or societal impacts. Managing modern slavery and wider supply chain risks indicates a well-run business and will see an overall positive impact on business performance.

## What SMEs need to consider

This section looks at what to consider when deciding how to approach modern slavery for in and what constitutes a 'red flag'. More detailed guidance from leading organisations on how to spot the signs of modern slavery is linked to in the resources section.

> **Understand the issue better.** Every sector is different, so SMEs should look at their local police website (as risks vary by region), look at where common risks are (these are listed below) and look at local and national business organisations for support. techUK members are encouraged to join the Sustainable Supply Chain Group where this issue is discussed.

> **Raise awareness among key staff.** Operations, accounts/finance, procurement and HR are probably the teams who combined, could give a good overview of the supply chain.  If these functions are outsourced, make sure the outsourced company has considered modern slavery and for in house teams prioritise training on modern slavery awareness should be prioritised for these teams. A link to free training and awareness is in the resources section at the bottom.

> **Spot the signs.** The next section details where to spot the signs, but potential red flags in the supply chain or with an individual supplier are; poor record keeping; an aversion to invoicing; insistence on cash payments; agency work and compliance with other regulations. Individually signs of being a victim include avoiding eye contact, excessive tiredness, reluctance to seek help, seeming isolated. The Unseen and GLAA guides should be referred to and are linked to below.

> **Develop policies and procedures.** Staff should have a clear idea on how and where to report concerns and have the confidence concerns will be followed up, and teams should build in supplier due diligence and modern slavery clauses into terms and conditions. This should be overseen by a Director level staff member who has responsibility overall. Guides and resources on how to do this are below.

## Where the risks are

Although tech SMEs operating in the UK tend to have lower risks of modern slavery compared with global multinationals with operations in high risk areas such as Asia or Africa, low risk does not mean no risk and this section looks at where modern slavery risks are more likely be found in your supply chain and operations.

> **Upstream in the products you use.** Your laptops, servers, uniforms, branded goods and phones will most likely have been made abroad and it is in the manufacturing stage where the highest risks for tech firms sits. Examples include:

> > A digital device made in a factory has thousands of components sourced from all over the world and is probably assembled in Asia. In some of these sites workers may face forced labour conditions, such as paying recruitment fees, having their passports withdrawn or being forced to work long hours with no breaks.

> > Labour issues. While not strictly 'modern slavery' some factories have been found to use prisoner or student labour, which is illegal in many jurisdictions, considered a human rights abuse and often a red flag for poor labour standards.

> Conflict minerals should be considered too. Devices may have raw materials sourced from conflict affected and high-risk areas where human rights abuses of workers is more likely. The raw material extraction industry is exceptionally high risk as this tends to take place where governments are less stable, corruption is more endemic, there is current or recent armed conflict and where it is more difficult to trace materials down through the supply chain and into the products you use day to day.

> **Downstream and waste.** In the UK most modern slavery prosecutions are in the waste sector, so when disposing of unwanted IT or office goods, it is vital to consider how and where these items go and that they will be disposed of safely and legally.

> **UK service operations.** There are specific risks that UK SMEs should be aware of:

>> Agency work. When work such as cleaning is done via an agency there can be poorer visibility over the working conditions the person actually doing the work agreed to.

>> Low-skilled labour. When using services such as catering, building/maintenance, event staff, car washing or other low skilled (often migrant) work, there is a higher risk of being complicit in modern slavery.

>> Non-compliance elsewhere. A red flag for modern slavery is non-compliance with other laws such as not doing right to work checks, and not following labour, environmental, health and safety laws.

>> Business practices like demanding cash payments, reluctance to be invoiced or provide receipts and not being able to prove they are fully qualified or accredited to do the contract are also red flags.

## Mitigating these risks and understanding your exposure to modern slavery

As highlighted above, the risks are broad and complex, so below are some practical steps to show customers, investors and stakeholders that you are acknowledging these risks and taking proactive steps to mitigate them.

> Map out your supply chain. It is vital to understand your entire supply chain to really join the dots between you as the SME and the people carrying out the work. This means procurement, finance, and operations staff need to work together to compile a list of suppliers to map out:

  > Who is doing what and where do they sit in your supply chain.

  > Are subcontractors and agencies being used and if so can they provide pay-slips, proof of legal employment?

  > Is work being delivered too cheaply and is turnover of staff unusually high in your UK service providers?

If gaps are identified the teams should work with suppliers to address concerns.

> **Supplier screening.** Ahead of appointing a supplier take a look at Companies House or use a third party screening tool (such as the Human Trafficking Risk Index) to ensure the company is properly registered and they look like the type of business you want to be associated with. This can involve looking at Director information, financial data, checking they have not been on the wrong side of the law and are not shell/phoenix companies with no filing history.  An added benefit is that such screening could protect you against liability or fraud risks.

> **Proactive supplier requirements.** Ensuring that the people you are doing business with have considered their modern slavery risks will help to minimise your risks. Some ways to create these requirements can include:

>> Asking your suppliers to provide evidence that they have assessed the risks against modern slavery and set out their own risk assessment policies and procedures.

>> Mandate a modern slavery risk assessment in supplier terms, contracts and in tender documents.

>> If a supplier cannot do any of the above, provide support to help them raise their standards and if they cannot satisfy these requirements make steps to take your business elsewhere.

> **IT and goods purchasing.**

>> When selecting an ICT or electronics product, see what the manufacturer's Modern Slavery Statement says on issues such as recruitment fees, audits/on-site inspections, procedures they have in place for remedies/disclosure, membership of organisations such as SEDEX or the Responsible Business Alliance. As a general rule, Modern Slavery Statements should include policies, a risk assessment, due-diligence, training and processes for addressing issues if found. This can also be applied to other mass manufactured goods too.

> **Policies and training.**

>> A supplier code of conduct and a written human rights policy (a link on how to do this is in the final section) are effective ways to set out your expectation that people you do business with are trading ethically.

>> Staff should be trained to see the signs of modern slavery, particularly when dealing with low-skilled service workers. Resources for how to do this are below and it is vital that staff have the awareness and confidence to report concerns and that companies know how to follow up concerns with relevant authorities (such as the UK Modern Slavery Helpline, local council, Gangmasters and Labour Abuse Authority or the police).

> Benchmark yourself. Take a look at what competitor and other similarly sized businesses are doing in this area, or join industry groups (like techUK's sustainable supply chain group).

> Produce a modern slavery statement. The law says only businesses turning over >£36m need to produce one, however there is no reason why a SME cannot also do so. These are public documents setting out the policies and procedures companies are taking to safeguard against modern slavery, a techUK guide on how to write a statement  is listed below.

## Resources and further help

> [Section 54 of the Modern Slavery Act](#) – the legislation underpinning UK action.

> [Modern slavery training: resource page](#) – Free tools from the Home Office on training and awareness

> [Modern Slavery Assessment Tool](#) – a UK Government tool for businesses to self-assess their exposure to modern slavery risks.

> [Cabinet Office Social Value framework](#) – the new Cabinet Office procurement framework which includes modern slavery

> [Human Trafficking Risk Index](#) – Free Dun and Bradstreet tool to check where the risks are of modern slavery in your supply chain and operations.

> [UK Modern Slavery Helpline](#) – The national line for reporting modern slavery (managed by Unseen.org).

> [Unseen Spot the Signs](#) – A guide from the Modern Slavery Helpline to spot the signs of modern slavery. A similar guide from the [GLAA is here](#).

> [GLAA sector profiles](#) – List of resources and industry specific guides on where the risks are.

> [Publishing a Modern Slavery Statement](#) – Guidance from the Home Office.

> [United Nations Guiding Principles on Business and Human Rights](#) – The UN approach to how businesses should operate in accordance to human rights.

> [How to write a Human Rights Policy guidance](#) – techUK guidance on how to write an effective human rights guide for companies.

> [Tech and the Modern Slavery Act](#) – techUK report looking at how has the tech sector responded and what a good statement looks like.

> [Responsible Business Alliance](#) – the tech sector organisation that audits supply chains.

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# About techUK

techUK is a membership organisation that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. We collaborate across business, Government and stakeholders to fulfil the potential of technology to deliver a stronger society and more sustainable future. By providing expertise and insight, we support our members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.

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