Modern Slavery Act

How has the tech sector responded?

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Foreword

The 2015 Modern Slavery Act is a global first and the UK should be extremely proud of its role in passing such a monumental law. The tech sector supports the Act and passionately believes tech can play a critical role in eradicating this crime and supporting victims. techUK facilitated a conference on the matter in 2017 at Wilton Park and techUK is on the cusp of creating a new industry initiative on the role of tech in combatting trafficking.

Under Section 54 of the Act, all UK companies with a turnover above £36 million p.a. need to produce a statement setting out how they ensure modern slavery is not taking place in their business or their supply chains. This is a positive step as it means companies who have not considered this previously need to look across their operations to ensure they are compliant. Many in the tech sector have been proactive in tackling the issue.

The Act gives businesses flexibility on how to report. However, this is a new area of reporting for most firms and there are distinct challenges as companies learn how to approach this issue. After comparing dozens of statements, from the broad church that is ‘the tech sector’, we found the quality of statements varies. This report sets out what makes a good statement and provides tips on what could be included in future statements, how risks should be assessed and how companies can improve the quality of their statements.

As well as guidance for tech firms, the report also makes recommendations to the Home Office and wider Government. We have heard from members that there is a real need for sector-specific guidance on companies with complex structures. Similar legislation is being considered in other countries and we ask Government to work across international fora to streamline modern slavery reporting requirements to support compliance and make cross-comparison easier for investors and NGOs. The UK can also play a role in developing international networks of NGOs which companies can use for in-country auditing and to support understanding of their international operations.

Ultimately, the tech sector takes its role in combatting modern slavery very seriously and is keen to work with Government and other third party organisations to do so. This is, however, a new area of reporting with little guidance on what “good” looks like. This techUK report is a first step in attempting to bridge the gap so that the sector can efficiently identify and enact positive change to stamp out any wrongdoing both within their business and across their supply chain.

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Introduction

The Modern Slavery Act has positioned the UK as a global leader in setting out how it seeks to remove slavery from the economy. The tech sector has several roles in this space. It can be an enabler of law enforcement by providing the tools and systems to tackle this crime. It may also, however, be used by traffickers to facilitate their crimes, something the sector strives to abolish.

The core activity for companies obligated under the UK’s Modern Slavery Act 2015 has been to prepare a Modern Slavery Statement every year, setting out the steps taken to reduce the risk of slavery from their operations and supply chains.

In this report we highlight some of the best practice from the tech sector, provide guidance on how to improve future statements and make recommendations to the Home Office on what more can be done to aid compliance and improve statements.
General observations and common themes

techUK collected statements from a range of members, held discussions on the practicality of compliance, analysed case studies and compared many statements from the different parts of the tech sector.

From this analysis, a number of key points emerged:

• There is a high level of compliance within the technology sector but statements vary significantly in detail and quality.

• Multinationals generally have a dedicated resource, are more familiar with managing global risks, and have more experience in public reporting on these types of issues. This shows in the quality of reports.

• Large companies selling products in California have higher quality statements as they already need to comply with the California Transparency in Supply Chain Act, which requires similar statements to be produced.

• Tech cannot, and should not, be defined as one sector as there is huge variation. For example, manufacturers with international supply chains and raw materials are at a closer proximity to areas with a higher risk of slavery in their supply chains in comparison to a UK-based software company.

• Companies that consider themselves as low risk need to improve their statements by defining processes, accountability and systems to demonstrate that they are indeed at a lower risk. They also need to show how they are monitoring and evaluating risks in their operations and supply chains.

• Those with ‘unique’ business models must focus on their ecosystem and suppliers. Online platforms in the ‘gig economy’ often link customers to external businesses (such as food outlets). This means they need to consider how they evaluate their operations as a whole chain, not just their direct supply chains.

Issues in the electronics supply chain

Most tech organisations are at a lower risk due to a smaller physical footprint and headcount compared with other sectors. However, many do not fully appreciate risks of labour exploitation, even in the UK, in areas that enable their work such as catering, security, logistics and cleaning.

Larger firms are more at risk due to the global scale of operations and the complexity of their global supply chains. These companies’ exposure to so called “source and transit countries” (places where vulnerable communities are from and trafficking routes) and use of raw materials means they face a higher risk of having modern slavery upstream and downstream. Labour in the raw materials sector needs to be considered. Several initiatives have emerged to tackle these issues specifically. Notably, the Responsible Business Alliance and European Partnership for Responsible Minerals focus on how companies can use preventative measures and regulation to coordinate responses to the eradication of conflict minerals by pooling resources and expertise. These initiatives are highlighted on the next page.
### Responsible Business Alliance (RBA formally EICC)

The RBA started out as the Electronic Industry Citizenship Coalition, a collaboration between businesses in the electronics supply chain, but is increasingly moving into other sectors such as retail, toys and automotive.

The Responsible Minerals initiative, formally known as the Conflict Free Smelter Programme is managed by the RBA. Focusing on a “pinch point” (a point with relatively few actors) in the global metals supply chain, the RMAP uses an independent third-party audit of smelter/refiner management systems and sourcing practices to validate conformance with RMAP protocols and current global standards. The audit employs a risk-based approach to validate smelters’ company level management processes for responsible mineral procurement. Companies can then use this information to inform their sourcing choices.

Among the RBA’s other work programmes are initiatives focused on responsible labour, student workers, trafficked and forced labour and working hours.

For more information see [www.responsiblebusiness.org/](http://www.responsiblebusiness.org/)

### European Partnership for Responsible Minerals (EPRM)

The EPRM formed as a result of the Conflict Minerals Regulation which has a global remit on sourcing minerals from conflict areas. A key bottleneck in the responsible mineral supply chain is that mines lack the necessary skills, regulations and financial capability to implement good mining practices.

The role of the EPRM is to create partnerships with stakeholders such as international organisations, civil society organisations, and local governmental agencies to increase financial and technical resources and coordinate strategies to support better mining practices on a larger number of mines in targeted countries with the main objective to bring better social and economic conditions for mine workers and local mining communities.

For more information see [https://europeanpartnership-responsibleminerals.eu/](https://europeanpartnership-responsibleminerals.eu/)

Some of the best statements go beyond sometimes narrow definitions of modern slavery and show a commitment to discovering and confronting widespread labour abuse. Examples of abuses and exploitations in tech supply chains primarily stem from using third party factories. These factories sometimes employ staff who have had identity documents taken away from them or have paid a recruitment fee to work there.

Other examples of labour exploitation have been cited that arguably do not constitute modern slavery, but would be illegal in the UK. These include the use of underage or student workers in factories, workers being prevented from joining a union, withheld wages and sanctions for speaking out about conditions. Such examples mean people cannot change jobs and indicate a lax attitude to labour rights and poor regulation that could heighten the risk of modern slavery. Many statements have highlighted these when discussing supply chains in China, Taiwan, Malaysia and Thailand.
How tech has responded and is managing the risk of modern slavery

All of techUK’s larger members with complex manufacturing supply chains have statements setting out compliance processes, auditing, training, and whistleblowing measures. Despite the mixed quality and length/scope of statements, some common approaches emerged:

• **Risk assessments**: using sector-wide intelligence on risk supports a company’s own risk assessment but does not replace it. Company specific risk assessments should be conducted to understand where the risks of modern slavery and trafficking lie.

• **Locally delivered announced/unannounced auditing**: many of the best performing companies used locally-based NGOs and auditing companies to provide better scrutiny as they understand the local culture, language and practices.

• **Specific policies**: banning student/child labour, recruitment fees, specifying specific working practices (such as reasonable working hours) and defining penalties for non-adherence mean suppliers have clear red lines on unacceptable practices.

• **Links to more detailed information and policies**: supplier Codes of Conduct were one of the more common written policies highlighted by companies.

• **Findings of non-compliance**: many disclosed examples of where issues were found (and how they were addressed) together with the number of incidents. This shows openness and could teach others where they may encounter labour exploitation. It further drives openness by showing that few companies with complex supply chains can claim to be 100 per cent free of modern slavery issues.

Governance, responsibility and accountability

It is a requirement to get Board or Director level sign-off for statements, but the best statements set out lines of responsibility and accountability within the business. From analysing tech sector statements, the following accountability measures were highlighted:

• **Detailed lines of responsibility**: the highest quality statements outlined exactly how the reporting process works for managing modern slavery risks, who is responsible for what and what the overall reporting structure looks like.

• **KPIs**: measuring the performance of helplines, the speed of conducting investigations, and resolution of issues found, as well as numbers of suppliers vetted were clear measurable deliverables highlighted in several statements.

• **Qualification through numbers**: as well as setting KPIs to be judged on, the best statements had data to quantify actions and performance against the KPIs. Listing the number of complaints or reports received, quantity of audits and training activities for both staff and supply chains allow for more informed scrutiny and help demonstrate progress over time.

• **Linking corporate governance to international labour standards**: these include the Palermo Protocol, International Covenant on Civil and Political Rights and the Declaration on Fundamental Principle and Rights at Work.
**Working with suppliers**

The tech sector relies on complex international supply chains and a dominant theme faced by companies was the challenge of how to assess where the risks of labour exploitation and potential for slavery lie. Specific actions from the statements are outlined below:

- Holding suppliers to account via a supplier Code of Conduct, with enforcement options including contract termination.
- Promoting top suppliers by setting supplier KPIs and measuring adherence to the Code of Conduct and rewarding best practice.
- Driving up standards by vetting and approving new suppliers ahead of contract signing or in the tender stage.
- Geographically-tailored auditing and standards to reflect risk profiles and the local labour market.
- Supplier engagement sessions, partnerships and good relationships with local NGOs.
- Defining remedial actions such as local auditing and training of staff.
- As well as considering upstream suppliers, consider downstream risks as well, for example waste and recycling contractors, authorised repair or remanufacturer businesses and other partners dealing with end of life products.

**Working with employees**

Companies may rely on staff across multiple countries to make a technology product. The best statements outlined how staff in both corporate offices and the supply chain have a role to play. Initiatives outlined in statements should include both, for example:

- A dedicated whistleblowing line and grievance procedures for all staff, alongside numerical data on how many reports relating to modern slavery were made and resolved.
- Training of corporate staff up to a very senior level and establishing a clear line of responsibility for making sure supply chain risks are being managed.
- Raising awareness internally of the risks of modern slavery.
Collaboration with third parties

Some of the strongest statements were from firms already complying with modern slavery rules in California. But for those new to this area (as the MSA only came into force in 2015) those demonstrating collaborative working or sought external support to advise them of their approach demonstrated a clear commitment to the issue. Statements covered:

- How relationships were established with third party NGOs (such as Unseen).
- Collaboration with international initiatives.
- Where data or resources are poor, work with organisations such as the Human Rights Trafficking Risk Index and RBA to understand risks.
- The use of technology tools to address the wider societal challenge of modern slavery.
- Participation in cross sector initiative’s like Tech Against Trafficking, the Leadership Group for Responsible Recruitment and Children out of Mining.
- Awareness raising exercises and other efforts to combat slavery.
- Collaboration and participation with international initiatives.

Advice to tech firms on writing better statements

The Modern Slavery Act recognises companies are on a journey and statements will improve over time. Considering the above, techUK believes that ‘good’ modern slavery statements should have the following information within them:

- Hyperlinks to more detailed compliance and labour policies, especially if operating globally to provide more detail and accountability.
- KPIs to track performance.
- Numbers and metrics to illustrate progress and compliance.
- Acknowledgement of where and when the organisation is ‘part of the problem’ and how this is being overcome.
- Examples and case studies of non-compliance and how these were resolved.
- Outlined corporate governance structures and reporting methods, even if the company believes it is at a low risk.
- Details of whistleblowing mechanisms and how they have been used.
- Responsibilities that have been assigned to staff, Directors and Board Members.
- Information on how full consideration is given to the entire supply chain, services used and subcontractors.
- Company-specific risk assessments, showing how risk was measured, recognising that being in low risk regions doesn’t mean no risk at all.
Recommendations for Government

- Work with industry to set a high-level reporting framework with sector specific advice. Statements are varying in quality and detail so more guidance on some core themes to be addressed in statements would help companies compile more effective statements.

- Use the insight gained from the UK’s global network of embassies to help companies identify credible NGOs to work with in high risk regions, to understand the challenge and to provide feedback on specific suppliers.

- Create an FAQ on questions received from businesses in respect to MSA reporting.

- Engage with foreign governments and international fora (Commonwealth or G20) developing their own MSA type rules to align and seek equivalence in reporting requirements.

- Hold workshops and events to share best practice across sectors, drilling down on key areas such as procurement, KPIs, the use of third-party auditors and industry schemes.

- Provide guidance on reporting for companies with complex structures. Many organisations have multiple group entities required to provide statements, and guidance is required on when each legal entity should prepare its statement.
techUK represents the companies and technologies that are defining today the world that we will live in tomorrow.

950 companies are members of techUK. Collectively they employ more than 700,000 people, about half of all tech sector jobs in the UK.

These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

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