



ARE YOU AWARE OF MODERN SLAVERY IN YOUR SUPPLY CHAIN?

Modern slavery affects every UK and European business at every level in the food supply chain. With the introduction of tough new legislation, tackling the issue is imperative. Here's how.

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Introduction

For today's food industry practitioners, sourcing responsibly in the food supply chain is arguably the most important aspect of creating and maintaining business sustainability. Responsible sourcing helps to ensure the security, safety and consistency of supply, meet consumer expectations, increase business resilience and ultimately retain or enhance competitiveness and brand reputation. There are many facets to responsible sourcing which include environmental and sustainability factors, social and ethical practices, and animal welfare standards. The overarching principle is transparency.

Modern slavery has been under the spotlight for the last two years due to a heightened focus on ethical considerations driven by growing consumer awareness in developed countries, the pressures caused by a wave of refugee immigration and, finally, the enactment of U.S., EU and UK legislation that has brought home to businesses that not addressing this issue proactively is no longer an option.

The purpose of this paper is to help senior practitioners in the food industry, especially those in the food service sector, understand what modern slavery is and the issues it creates for supply chain sourcing and management. It also describes some of successful approaches and techniques that are available to help develop strategies, policy frameworks, plans and monitoring controls to stamp out modern slavery.



How Does Modern Slavery Fit Within Responsible Sourcing?

Responsible sourcing is the commitment that your business makes to address the social, economic and environmental risks that impact on your supplier relationships and the products you source.

The better you understand and address the risks inherent in your supply chain the better position you will be in to protect your brand and gain competitive advantage in your sector, compared to those sourcing from the same supply chains but without the level of understanding or management practices in place.

In today's complex and extended supply networks, the issues are myriad, interconnected, complex and dynamic, and often lack visibility. Sourcing product responsibly is one of the key ways to mitigate your business risks and make both your supply



chain and your business more resilient to failure of supply through catastrophic or unforeseen events, or incidents that could cause a devastating loss of consumer or stakeholder confidence.

GOOD SOCIAL AND ETHICAL PRACTICES

Operating to 'good' social and ethical standards – most broadly defined as 'doing the right thing' – is a multifaceted and complex issue for all businesses. In practice, it requires the building of a set of separate, but interrelated policies and procedures that must roll horizontally across all aspects of your business and vertically back through your supply chain. They must address, for example, not just human and worker rights and protections, but also bribery and corruption, fraud, fair trading and sustainability practices.

In this context, modern slavery is a broad and generally used term that embraces the separate legal definitions of forced labour, servitude, slavery, debt bondage and human trafficking. It includes exploitation of many kinds such as sexual and criminal exploitation (e.g. forced benefit fraud), begging or pickpocketing, organ removal, child marriage and forced marriages. It implies psychological imprisonment through intimidation as well as physical imprisonment.¹

¹ The Modern Slavery Act Review: www.gov.uk/government/uploads/system/uploads/attachment_data/file/542047/2016_07_31_Haughey_Review_of_Modern_Slavery_Act_-_final_1.0.pdf

In addition to physical detention, tactics used include:

- > Removal and detention of travel and identification documents
- > Confiscation of mobile phones
- > Denial of unfettered access to communication with family or friends
- > Accompanying the victim at all times outside of the premises
- > Deprivation of money
- > Threats made about family or friends if the victim fails to comply with the criminals' directions
- > Physical and sexual harassment

The victims can be reluctant to report the crime either because they have been threatened or because, for example, they think that their current conditions are better than those in their country of origin or former life conditions.

This is not just a crime that happens in faraway, less developed countries. In August 2016 a UK family was convicted of holding two vulnerable men enslaved for 26 years. The family forced them to labour in the construction trade and live in appalling conditions with no running water, electricity or heat, and regularly humiliated them for entertainment. The four family members were jailed for a total of 27 years.

Types of Modern Slavery²

Bonded labour: People become bonded labourers after falling into debt and being forced to work for free in an attempt to repay it. Many will never pay off their loans, and debt can be passed down through the generations.

Forced labour: People are forced to work, usually with no payment, through violence or intimidation. Many find themselves trapped, often in a foreign country with no papers, and unable to leave.

Descent-based slavery: People are born into slavery because their families belong to a class of 'slaves' within a society. The status of 'slave' passes from mother to child.

Trafficking: The transport or trade of people from one area to another and into conditions of slavery.

Child slavery: Children are in slavery as domestic workers or forced labour (in, for example, the cocoa, cotton and fisheries industries), trafficked for labour and sexual exploitation, and used as child soldiers.

Early and forced marriage: Women continue to be married without their consent, often while still girls, and forced into sexual and domestic servitude.

Modern slavery can be close to home or buried deep in the global supply chain. Either can ruin reputations (see *Case Studies* on page 9).

² www.theguardian.com/global-development/2013/apr/03/modern-day-slavery-explainer



The Extent of Modern Slavery

Currently it is believed there are 29.8 million people worldwide in modern-day slavery.³ The UK government estimates that there were from 10,000 to 13,000 potential victims of slavery in the UK in 2013, including women forced into prostitution, domestic staff and workers in fields, factories and fishing. The [Human Trafficking Foundation](#) estimates the figure in the UK to be even higher, with 20,000 people working in slavery, and many of the cases reported are thought to occur within the food and agricultural sectors.

Many victims come from countries such as Romania, Poland, Albania and Nigeria. One of the most recent issues in the UK has been cheap young male labour from the Middle East, but vulnerable British adults and children are also systematically exploited by traffickers and slave drivers.

INDICATORS OF RISK

The International Labour Organisation (ILO) has defined specific indicators to help identify instances of forced labour. Individuals most at risk include migrant workers, illegal migrants, asylum seekers and vulnerable individuals such as the homeless and people with learning difficulties.

Forced labour is most prevalent in labour intensive sectors where regulatory oversight is weak and include agriculture, apparel and footwear, construction, food and beverage, manufacturing and mining.

MODERN SLAVERY IN THE FOOD INDUSTRY

In 2013, 19 percent of all potential forced labour victims identified came from the food industry or agricultural sector (8 percent in food processing,

³ Modern slavery: a briefing for the food industry (manufacturing, processing) www.gov.uk/government/uploads/system/uploads/attachment_data/file/345314/WhatsModernSlavery.pdf

How to Spot Potential Victims³

Legal Documents: Is the person in possession of their legal documents (passport, identification and their own bank account details) or are these being held by someone else? Victims will often be forced to use false or forged identity documents.

Pay: Are there a group of workers who have their wages paid into the same bank account? This may be a sign of an illegal gangmaster collecting all their wages. Are they having wages taken off them for accommodation or food, or to repay supposed debt?

Transport: Are a group of workers dropped off or picked up at unusual times of the day, and are they all taken to the same property?

Appearance: Does the person look malnourished or unkempt, or appear withdrawn? Are they suffering physical injuries? Do they have few personal possessions and often wear the same clothes? What clothes they do wear may not be suitable for their work.

Behaviour: Is the person withdrawn or do they appear frightened? Are they unable to answer questions directed at them or to speak for themselves and/or an accompanying third party speaks for them? If they do speak, are they inconsistent in the information they provide, including basic facts such as the address where they live? Do they appear under the control/influence of others and rarely interact with colleagues?

Medical Care: Does the person have old or serious untreated injuries? Have they delayed seeing a healthcare professional, and are they vague, reluctant or inconsistent in explaining how the injury occurred?

Fear of Authorities: Is the person afraid of the authorities (police, immigration, the tax office)? Are they scared of removal or what might happen to their families?

Debt Bondage: Does the victim perceive themselves to be in debt to someone else or in a situation of dependence?





10 percent in agriculture and 1 percent in non-residential catering). Although the numbers are small (136 potential victims in 2013), the percentage increase is quite large year to year (136 is a 47 percent increase from 2012) and slavery's hidden nature means actual numbers are likely to be much higher.⁴

Even well-managed organisations can be targeted by unscrupulous gang masters who may offer a ready supply of labour at cheap rates.

Anyone can become a victim of modern slavery. However, victims of this crime in the food industry are often Eastern European men and women who are promised a job in the UK and then forced by traffickers to work in fields or in food processing factories for little or no money. Through threat, violence or coercion they may be forced to live in squalid accommodation and have their identity documents taken from them.⁴

Legislation and Penalties

The United Nations Guiding Principles on Business and Human Rights states that companies have a responsibility to respect human rights within their operations and wider areas of impact. The EU Non-Financial Reporting Directive (2014) and the UK's Modern Slavery Act (2015) have now forced businesses to look at issues in their operations and supply chains and increased the financial and reputational risks for companies continuing these practices.⁵

EU NON-FINANCIAL REPORTING DIRECTIVE

Introduced in November 2014 by the Council of Europe and EU Parliament, the directive requires large public-interest entities (listed companies, banks,

insurance undertakings and other companies that are so designated by Member States) with more than 500 employees to disclose in their management report relevant and useful information on their policies, main risks and outcomes relating to at least:

- > Environmental matters
- > Social and employee aspects
- > Respect for human rights
- > Anticorruption and bribery issues
- > Diversity in their board of directors

The new requirements came into force in 2016, with companies required to publish their first reports in 2017. EU member countries are required to transpose this into national legislation and the UK Modern Slavery Act, which came into force in October 2015, takes the legislation further and signals the UK government's intention to stamp out slavery.

THE MODERN SLAVERY ACT 2015: IS YOUR BUSINESS COMPLIANT?

From October 2015, commercial organisations represented in the UK with a global turnover of £36 million or more are required to publish an annual statement of the steps taken to ensure that slavery and human trafficking are not taking place in their supply networks or in any part of their business.

The annual statement must cover five areas, although these are not prescribed in detail:

- > A brief description of an organisation's business model and supply chain relationships
- > Policies relating to modern slavery, including due diligence and auditing processes implemented
- > Training available and provided to those in supply chain management and the rest of the organisation
- > The principal risks related to slavery and human trafficking including how the organisation evaluates and manages those risks in its own organisation and supply chain
- > Relevant key performance indicators (measures to assess the effectiveness of the activities described in the statement)

⁴ www.nationalcrimeagency.gov.uk/publications/399-nca-strategic-assessment-the-nature-and-scale-of-human-trafficking-in-2013/file

⁵ shareaction.org/wp-content/uploads/2016/06/ForcedLabour-InvestorBriefing.pdf

Statements have to be signed off by the company board of directors. Qualifying companies that do not comply potentially face a high court action.

Moreover, in July 2016 the UK Prime Minister, Theresa May, announced the setting up of a taskforce to coordinate the government's responses to slavery, including more inspections of police force activity, and dedicated an extra £33 million in funding to help target the routes of the people trafficking trade in countries such as Nigeria, one of the biggest sources of slave labour in the UK.

One year after the Modern Slavery Act came into force the Home Office commissioned and published in July 2016 an independent review of its impact to date. The report finds that while there have been improvements in awareness and better understanding by the police, judiciary and lawyers, leading to more prosecutions and convictions, slavery is still being under-reported. One of the greatest obstacles to justice for victims and eradicating the crime is the clandestine nature of slavery itself.

For those held accountable, the maximum sentence has increased from 14 years to life imprisonment.

CONVICTIONS ARE ON THE INCREASE

The Modern Slavery Act does appear to be making inroads with 884 modern slavery crimes recorded between April 2015 and March 2016. In 2015, 117 offenders were prosecuted for modern slavery offences in the UK, which is 19 percent higher than the 98 prosecuted in 2014. A total of 289 offences were prosecuted in 2015: 27 offences under the Modern Slavery Act (cases ongoing) and 262 under previous slavery and trafficking legislation.⁶

Modern slavery is now a boardroom issue, as businesses that transgress face severe consequences. For those held accountable, the maximum sentence has increased from 14 years to life imprisonment. If a company defendant knew, or ought to have known

(i.e. if a reasonable person would have known that an offence was being carried out), the offence can be proved without evidence of actual knowledge.⁷

Modern Slavery Impacts on Investment and Share Value

Investors are increasingly scrutinising companies' supply chain working conditions and checking that safeguards are in place to rule out forced labour or slavery. From the investment point of view, a company tainted by modern slavery risks supply chain disruption, loss of revenues and damaged brand reputation. Even if not directly implicated, high street brands can be hit by allegations of mistreatment in their supply chain.

The UK National Association of Pension Funds (NAPF), which advises UK funds managing the savings of 16 million pensioners, has called on pension schemes to demand more information about the risks that might be present in companies' global supply chains, recommending that its members question companies and city fund managers about the use of cheap labour, inhumane working conditions and other abuses in the production of goods sold by UK, U.S. and European companies.

On the other side of the coin the International Labour Organisation (ILO) reports that although improved labour conditions in the supply chain have nearly always been associated with unwanted higher costs, in fact a well-treated workforce brings stability, lower worker turnover and improved productivity, not to mention reputation benefits for the companies operating further down the supply chain.



⁶ www.gov.uk/government/uploads/system/uploads/attachment_data/file/542047/2016_07_31_Haughey_Review_of_Modern_Slavery_Act_-_final_1.0.pdf

⁷ www.fcsi.org/foodservice-consultant/eame/modern_slavery_act/





Where Are the Greatest Risks?

The 2014 Global Slavery Index reports that five countries alone account for 61 percent of all people believed to be living in modern slavery, and 70 percent of all enslaved people live in 10 countries. India had the highest number of people living in modern slavery, at over 14 million. It is probably not surprising that the countries posing the greatest risks in the food industry are those in Southeast Asia, China and South America. The fishing industry is particularly problematic in Thailand (see *Case Studies* on page 9) and Indonesia, where the Walk Free Foundation reports that modern slavery is characterised by forced labour in domestic work, agriculture and the fishing sector. In Indonesia palm oil, which is used in many cosmetic and food products, is often produced by workers who are trapped on plantations.

poultry industry, one of the world's biggest chicken exporters, which sends about 41 percent of its entire broiler poultry meat production to Europe and supplies 40 percent of the UK's imported processed poultry meat. In August 2016, the Guardian reported a case where workers from Myanmar claimed to be working up to 22 hours a day, without holidays, sick days or overtime. Their passports were confiscated and they were paid far below the Thai minimum wage with deductions for utility and accommodation fees, while sleeping on the floor next to 28,000 chickens.

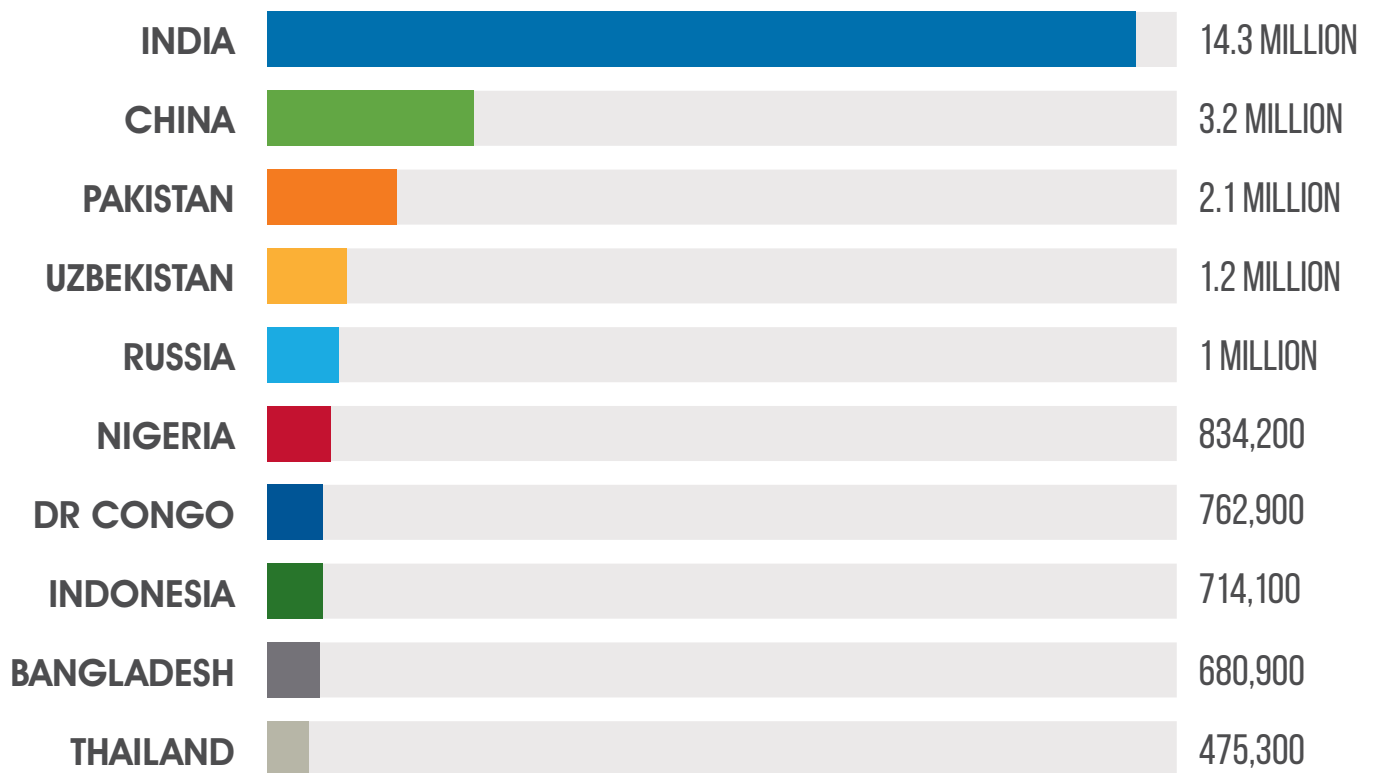
Risk indicators for supplying countries include the level of social and economic development, average wages and GDP, political instability and corruption – see *Top 10 Countries for Modern Slavery*.

However, in all countries rogue suppliers will go to great lengths to cover up their activities, even using techniques such as double books and coaching workers in how to respond to auditors, making slavery even harder to detect.

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Although the labour issues in the Thai seafood industry have been extensively profiled, less well known are the appalling conditions widely found in the Thai

Top 10 Countries for Modern Slavery



Estimated Number in Modern Slavery by Country

Top At-Risk Food Commodities by Country⁸

⁸ Data extracted from the U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor (2014): www.dol.gov/ilab/reports/pdf/tvpra_report2014.pdf

Bangladesh	Dried fish	Malaysia	Palm oil
Bolivia	Brazil nuts/chestnuts, cattle, corn, peanuts, sugarcane	Mali	Rice
Brazil	Cattle, sugarcane	Niger	Cattle
Burma	Beans, physic nuts/castor beans, rice, sesame, shrimp, sugarcane, sunflowers	Nigeria	Cocoa
Dominican Republic	Sugarcane	Pakistan	Sugarcane, wheat
Ghana	Fish	Paraguay	Cattle
India	Rice	Peru	Brazil nuts, chestnuts
Ivory Coast	Cocoa, coffee	South Sudan	Cattle
		Thailand	Fish, shrimp





Case Studies

SLAVERY AND TRAFFICKING IN THE SEAFOOD SUPPLY CHAIN

The Food and Agriculture Organization (FAO) of the United Nations estimates that over 58 million people worldwide are involved in fishing and aquaculture, of whom 84 percent are in Asia and 10 percent are in Africa. The fishing is dangerous work, often carried out without protective clothing, adequate food and rest, or medical care. In processing plants conditions are appalling with exposure to toxins and denial of access to sanitary facilities.

Both the U.S. and Europe import the majority of their fish, about half of which is sourced from aquaculture.

The Guardian reported in November 2015 that a major multinational organisation set up a year-long investigation into alleged abuse of migrant workers in its seafood supply chain and found that it exists in nearly all U.S. and European companies sourcing from Thailand. Workers from Myanmar and Cambodia are subject to horrific work conditions by illegal gangmasters in Thailand, both at sea and in processing factories. Abuses include underage workers, labour without proper breaks, and insufficient food and water. Workers are isolated with outside contact cut off and fake identities issued in order to hide that they are working illegally.

The company outlined plans to protect workers by imposing new requirements on all potential suppliers and training boat owners and captains in human rights, with rewards for altering their practices. It will also set up outside audits and appoint a manager to oversee the implementation.

Both retailers and brand owners have been subject to class actions brought in the U.S. to force them to admit that their seafood is sourced from supply chains where modern slavery is present. More of such actions are likely in the future.

Human trafficking has also been reported in the UK in the Scottish and Irish fishing industries, where instances of underpaid wages, physical abuse and intimidation have been found. In one case, Filipino men were recruited illegally on transport visas and charged fees for recruitment, and had their passports confiscated and their wages withheld upon arrival.

Nigerian fishers in UK waters have also reported exploitation, and a recent report suggested that migrants from North Africa, Russia and Turkey may also be vulnerable.⁹

MODERN SLAVERY ON UK EGG FARMS

In June 2016 a judge found a British company liable for modern slavery in a landmark civil ruling. A group of Lithuanian migrant workers on egg production farms sued a UK company and its directors for forced labour. The farms were producing premium free-range eggs for several of the major retailers, product brands and food service chains.

Compensation is expected to amount to hundreds of thousands of pounds for unpaid wages alone.

Thirty workers were released following a police raid on the farms. They had been debt bonded, subjected to violence, given unfit accommodation riddled with bedbugs and starved. The owners assaulted the workers and threatened them with dogs. The Lithuanian workers brought the case because more than three years after their arrest (prior to the introduction of the Modern Slavery Act) there had been no prosecution of the owners.

Compensation is expected to amount to hundreds of thousands of pounds for unpaid wages alone. A personal injury claim will be assessed this year.¹⁰

⁹ Allamby et al. Forced labour in Northern Ireland: exploiting vulnerability. Joseph Rowntree Foundation. June 2011. www.jrf.org.uk/sites/files/jrf/forced-labour-Northern-Ireland-full.pdf

¹⁰ www.theguardian.com/world/2015/aug/10/lithuanian-migrants-chicken-catchers-trafficked-uk-egg-farms-sue-worst-gangmaster-ever





How Can My Business Reduce Its Vulnerability to Modern Slavery?

STANDARDS AND TOOLS

A number of publicly available social and ethical standards and tools can help you identify and monitor risks in your supply chain. Some of the major schemes required by retailers now include additional checks of suppliers on social and ethical issues, such as GLOBALG.A.P. and BRC, and there are also standards with specific scopes, such as Fairtrade and the Association of Labour Providers' (ALP's) innovative Clearview scheme developed in conjunction with NSF International. Clearview is a global social compliance certification scheme for labour provider businesses. The scheme provides certification that goes beyond measurement of base-level compliance and drives behavioural change and continuous improvement in labour provision.

The Sedex Ethical Data Exchange is a useful voluntary supplier management framework which enables supplying and buying companies to self-report, store and share information in four areas: labour standards, health and safety, the environment and business ethics. While a useful indicator of performance, it is not an independent reporting system. The Sedex Members Ethical Trade Audit (SMETA) audit procedures can be used in conjunction with other more mainstream audit standards and are aimed at reducing duplication in audit.

Stronger Together Slavery Toolkit

Stronger Together is an initiative sponsored by the UK's nine largest supermarkets and other stakeholders including the British Retail Consortium. The supermarkets have agreed common principles which they expect their supply chain partners to adhere to when they report under the Modern Slavery Act. These common principles support the UK government's objectives for introducing the legislation and are in line with the UK Independent Anti-Slavery Commissioner's position on reporting.

Stronger Together have produced a best practice toolkit to help consumer goods businesses tackle modern slavery in their global supply chains. The guidance can be downloaded for free from www.stronger2gether.org.

It aims to help businesses shape their response to this problem across their global supply chains and provides practical resources and training to help businesses to comply with the UK Modern Slavery Act requirements.

Corporate Human Rights Benchmark

The [Corporate Human Rights Benchmark \(CHRB\)](#) is currently working on the first-ever ranking of the world's largest publicly listed companies on their human rights performance.

It will rank the top 500 globally listed companies on their human rights policy, process and performance. The initial ranking of the first 100 companies is expected to be available on 13 March 2017.



ARTICULATING YOUR POLICY

However useful these discrete tools, businesses will still be vulnerable if they do not put in place a clearly articulated and communicated policy upon which a structured programme of risk assessment and monitoring can be built.

Some of the issues that need to be addressed include:

- > Policy development with clear compliance standards and codes of conduct supported by service level agreements
 - > Communication and training of required compliance standards through the supply chain
 - > Close work with suppliers to put in place voluntary standards and self-audit or second- or third-party audits
 - > Risk assessment of suppliers and ingredients/products supplied to understand the vulnerabilities. This requires a thorough and up-to-date understanding of local legislation and labour practices such as trade union laws in the supplying country, as well as of individual supplier practices.
- > Is the labour provider licensed with the Gangmasters Licensing Authority?
 - > Is there a well-communicated policy and service level agreement in place, which includes statements of who is responsible for all elements of your workers' welfare?
 - > Is the cost unexpectedly low or promises of productivity unexpectedly high?
 - > Who holds the workers' identity documentation?
 - > Do your workers have legal contracts of employment?
 - > Are workers transported en masse?
 - > Do you have a number of workers sharing the same address?
 - > Do your workers know their statutory rights – sick pay, holiday pay and other benefits entitlements?

RISK INDICATORS

For all companies, wherever in the supply chain, employing local labour there are a number of specific risk indicators to look out for^{11,12}:

- > Are you or part of your supply chain using a third-party labour provider?

Forensic auditing techniques can be important in helping to identify fraudulent activity along the supply chain, for example where the output of product or usage of ingredients exceed what could be expected from a legal workforce in the time available.

Deeper in the supply chain the risk indicators are often seen in the wider economic and social scene. For example, if you are sourcing from countries where there has been a recent influx of refugees, it is possible that your supply chain is vulnerable to slavery risks. This may only become evident from mapping the overall economic and political refugee patterns of movement.

¹¹ www.theguardian.com/global-development/2013/apr/03/modern-day-slavery-explainer
¹² www.adas.uk/News/modern-slavery-act-2015-how-will-it-impact-the-food-and-beverage-industry-and-what-action-can-be-taken



Conclusion

Businesses sourcing in the food supply chain will always be vulnerable if modern slavery issues are not embedded in business strategy as part of a responsible sourcing policy. A key requirement is a clearly articulated and communicated policy, together with compliance specifications, upon which a structured programme of risk assessment, monitoring and continuous improvement can be built.

Reducing corporate risks from issues in the supply chain – from food fraud, to corruption, through to slavery – all come back to the same fundamental starting point: the need for trusted, long-term and transparent supplier relationships, with visibility into even the deepest tiers of the chain, and effective monitoring and controls.

Whether or not it is a legal requirement for your business, the preparation of a well-researched and thoughtful modern slavery statement representing your business's approach to driving out the risk from your supply chain is a valuable milestone on the journey of responsible sourcing.

About the Author



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