

Sancroft

The Sancroft-Tussell Report

Eliminating modern slavery in public procurement

Second edition

tussell^o

Foreword

From Baroness Young of Hornsey

Whenever there is an opportunity, we should place front and centre the reality of life for the 40 million – the estimated number of people treated more or less explicitly as objects to be exploited, abused and robbed of their right to self-determination. Government ministers, officials, policy-makers, and business leaders – we all need to remind ourselves continually to focus on what is at stake for those trapped in these unacceptable conditions. Whole communities are being destroyed by working conditions that should no longer exist, let alone be tolerated in the 21st century.

This second Sancroft-Tussell report, *Eliminating Modern Slavery in Public Procurement*, contributes towards the improvement of companies' responses to the challenges posed by the widespread labour exploitation of women, children and men across the globe, and our attempts to eradicate it. Details revealed here regarding the government contracts awarded to private sector suppliers is invaluable for those of us with an interest in improving ethical practices and transparency in public procurement. In the hands of campaigners, and change-makers, rigorous research that probes and analyses businesses' supply chains is not an abstract, academic exercise: it is a valuable tool in working towards the elimination of modern forms of slavery.

The effective implementation of the letter and spirit of the law embodied in Section 54, Transparency in Supply Chains of the Modern Slavery Act (2015), is critically important in the struggle against abhorrent labour practices. Of course, legislators are well aware that Acts of Parliament alone will not put an immediate stop to these crimes. But equally they will know that an effective legislative framework can serve as a deterrent. Alongside relatable research data, departmental guidance, and ministerial support and leadership, changes in perceptions, attitudes and behaviours may be achieved.

We can talk about UK leadership as much as we like but it is the action we take that makes the necessary difference. In my view and that of many respondents to the 2018 independent inquiry into the effectiveness of the Modern Slavery Act, the omission of public authorities from Section 54 is a major flaw. While including public bodies in the legislation would not necessarily improve compliance at a stroke, it would send a very strong signal that, because government departments would be under an obligation to report under the Act, businesses would be under further sustained scrutiny.

Both the first Sancroft Tussell report, published in 2018, and this second report provide evidence that much more could be done both by businesses or government to drive improvement in supply chain reporting as is required by law. It is quite shocking to note that the list of companies to which the UK government has awarded several billion pounds worth of contracts includes too many examples of non-compliance with the Modern Slavery Act due to clear omissions in their statements and/or presentation of their statements: there are even some companies that had no statement at all.

Both businesses and central government have an opportunity, and an obligation to demonstrate real leadership in the fight against modern slavery. Those of us who campaign and argue for more accountability and responsibility in supply chain management need facts and figures that help us to understand what is going on in terms of public expenditure and supply chain transparency. NGO's, policy-makers, legislators and civil society campaigners made good use of the first Sancroft-Tussell report and I have no doubt we will also draw extensively on the content of this second report.

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Executive summary

Procurement is the single biggest component of government expenditureⁱ. In 2017/18, the government spent around £284 billion buying goods, services and works from external suppliers, accounting for around one in three pounds of public sector spendingⁱⁱ. The money is spent on everything from schools, medicine and social care, through to roads, defence and IT. The public sector has always bought from the private sector, particularly since the introduction of compulsory competitive tendering in the 1980s, as a means of reducing cost and improving efficiency. However, there is increasing public debate about the quality of government supervision of its suppliers and its ability to manage risk, particularly in instances like the collapse of Carillionⁱⁱⁱ.

With regards to modern slavery, this weak supervision raises a particular concern. There is growing awareness that modern slavery not only exists on an unprecedented scale, but it is estimated that around 40% of the 40.3 million victims of modern slavery around the world are in the private sector. The UK's Modern Slavery Act 2015 (MSA) marked a turning point in the fight against modern slavery and recognised the role of the private sector, through mandating the publishing of a slavery and human trafficking statement for businesses with a turnover of £36 million and over. Given the vast spending power of government, combined with the prevalence of modern slavery in the private sector, it is essential that everything possible is done to enforce the provisions of the Act and ensure spending on public services does not inadvertently enable modern slavery. For this to happen, the right checks and balances need to be in place.

Building on this and the recommendation from the independent review of the MSA that public sector entities publish a statement on a mandatory basis, Sancroft and Tussell have produced this second report. The Sancroft-Tussell reports examine the modern slavery reporting of central government's top 100 contractors, which in 2018 accounted for £9.3 billion worth of government contracts. And this year's assessment reveals that a stark reality remains. There has, on the one hand, been a 34% increase in the number of legally compliant MSA statements since 2017. However, at the same time, almost a third of the modern slavery statements produced by the top 100 suppliers to central government were not legally compliant. This report has found that this non-compliance is the result of weak enforcement from government, a lack of serious repercussions for non-compliance and an ongoing hesitancy to report from some businesses, meaning the Act has fallen short of expectations.

Four years on since the Act's launch, this report explores how central government's top 100 suppliers are tackling the challenge of identifying, managing and eliminating modern slavery risk in their operations and supply chains. Moving beyond legal compliance, it analyses how companies are using performance indicators to demonstrate commitment to tackling this serious crime and measure progress over time. It sets out some of the key drivers for both non-compliance and good practice. It also provides practical guidance for business to develop better statements and for government to improve legislation that levels the playing field and enables business to protect vulnerable people.



Key findings

- **Government spending is a key factor in the fight against modern slavery:** UK government spent £9.3 billion on its top 100 suppliers in 2018.
- **Legal compliance remains low:** almost 1/3 of the UK government's top 100 suppliers were not compliant with the MSA.
- **Suppliers with no-statement:** Three companies supplying government have no statement at all.
- **Spending on non-compliance:** Government spent £2.8 billion on non-compliant suppliers within top 100.
- **Failure to measure performance:** Only nine companies reported on progress in preventing modern slavery over the last year.
- **Few businesses committing to operational change:** Just 34% of compliant companies state plans for coming year that involve a change in business practice.

Endorsement

From Alison Scowen, The Co-Operative Group

“Once again Sancroft-Tussell have produced a powerful piece of research. This report shines a bright light on the failure to date of UK Government to lead by example and ensure that its own suppliers are legally compliant with the requirements of the Modern Slavery Act 2015”

Introduction

The UK's Modern Slavery Act (MSA) was passed in 2015 to give law enforcement agencies the tools to fight modern slavery and ensure that victims have the right support and protection. It is estimated that out of the 40.3 million people living in modern slavery globally, around 40% of victims are in the private sector^{iv}. A central pillar of the MSA involved recognising the prevalence of modern slavery in the operations and supply chains of businesses and, consequently, the need for them to take action.

Sancroft, a leading sustainability consultancy, and Tussell, the authoritative source of data on UK government contracts, have produced the second Sancroft-Tussell Report on eliminating modern slavery in public procurement. As with the first report published in 2018, this second edition starts from the position that business can, and should, be at the forefront of tackling modern slavery. But it is also critical for governments and businesses to work together. Government, as both a powerful economic actor and law maker, needs to lead by example and drive change. And there is no greater opportunity to drive this change than through the thousands of companies from which it purchases goods and services worth tens of billions of pounds every year.

The purpose of this report, therefore, is to advance and accelerate the efforts of central government's top suppliers to more effectively manage the risks of modern slavery in their direct operations and supply chains. This report sets out:

1. Our assessment of legal compliance with the MSA in the top 100 suppliers to government, and how this has changed since the first report in 2018.
2. Analysis of quality in modern slavery reporting, focused on how companies are using performance indicators to demonstrate and measure progress over time. Performance measurement was the weakest area in our assessment last year, so we are taking a deep dive this year to identify improvements.
3. The drivers for non-compliance and good practice, providing recommendations for government and business to strengthen their approach to eliminating modern slavery.
4. Practical guidance for practitioners developing their modern slavery statements, and recommendations for government to improve legislation that levels the playing field and enables business to act to protect vulnerable people.

The Sancroft-Tussell reports are intended to provide an alternative perspective to the modern slavery debate at a time when there is heightened public interest in government procurement and growing calls for greater transparency in how taxpayers' money is spent^v. Given the size of many government suppliers, their complex and global supply chains and the high-risk sectors many operate in, modern slavery is a real risk. Therefore, those suppliers, and the government procurement departments which contract them, have a responsibility to work together to ensure that taxpayers' money is not inadvertently being used to enable modern slavery.

What is modern slavery? (Box 1)

Modern slavery is an umbrella term comprising the offences of slavery, servitude and forced or compulsory labour; and human trafficking. It covers instances where one person deprives another person of their liberty, in order to exploit them for personal or commercial gain. Examples of modern slavery include^{vi}:

- Forced labour: People are forced to work against their will under the threat of some form of punishment.
- Human Trafficking: the crime of buying and selling people, or making money from work victims are forced to do.
- Debt bondage: People are forced to work in order to pay back a debt or loan.

The UK's Modern Slavery Act 2015 – Where are we now? (Box 2)

2019 marks four years since the UK Modern Slavery Act was introduced and could be a turning point for the legislation. The purpose of the Act is to consolidate and clarify modern slavery offences, toughen penalties and prosecution and introduce greater support and protection for victims. Section 54 of the Act, the Transparency in supply chains provision, includes a legal requirement for all commercial organisations with an annual turnover in excess of £36 million to publish an annual slavery and human trafficking statement. However, government is now under increasing pressure to strengthen the Act.

Although once a first mover in terms of introducing the legislation initially, the UK is now at risk of lagging behind other countries who are bringing in more stringent legislation. Australia, for example, has introduced stricter legislation around transparency in supply chains. This includes reporting obligations for the public sector and establishes a government-run repository of statements that is accessible to the public free of charge.

In September 2018, the UK government commissioned an independent review of the Act to establish where components of the current legislation should be strengthened. The review corroborates the widely acknowledged view that the impact of the Transparency in Supply Chains section of the Act has been limited to date, as a result of the ambiguity of the reporting obligations and lack of enforcement. A series of recommendations has been advanced to improve this provision, including clarification on which companies are covered by this section, mechanisms to improve the quality of disclosure statements and provisions to ensure modern slavery reporting is embedded into business culture. One recommendation is to extend section 54 of the Act to the public sector, whereby government departments would also have to publish a statement. If embraced by politicians, the recommendations should enable business and government to drive changes more effectively.

The context around modern slavery is changing rapidly, as the legal and regulatory framework continues to evolve. Over recent years, we have seen a proliferation of modern slavery legislation across the world, with France and Australia introducing legislation of varying strength and further legislation expected in Hong Kong. There is no doubt that these developments represent a positive step to addressing the issue, but it requires government to enforce the legislation and business to take responsibility for not just their operations but their supply chains. Modern slavery is an issue that needs to be tackled in a coordinated way, by government and companies coming together.



The Modern Slavery Act's intersection with public procurement

In 2018 the UK public sector issued contract awards with a lifetime value of £20.07 billion to third party suppliers. This was shared among 4,202 suppliers. Around £9.3 billion was awarded in contracts by the central government to its top 100 suppliers^{vii 1}.

Such large sums of money and high numbers of suppliers demonstrate the significant power and responsibility government has to ensure that their procurement of goods and services is not only efficient and effective but does not inadvertently support illegal activities. The private sector is increasingly involved in delivering goods and services in the UK from defence, infrastructure and utilities to hospitals, schools and social care. Therefore, the effort that suppliers put into tackling modern slavery in their operations and supply chains is significant for several reasons:

¹ Data provided by Tussell. 'Value' reflects the total lifetime value of contracts awarded to these suppliers in 2018. Framework contracts are excluded from this analysis.

- Firstly, it presents an **opportunity for government to lead by example**. There is pressure for the government to prosecute non-compliance with the MSA, to make the Act stricter and to increase pressure on business to do more through a public register that would, in effect, serve to name and shame poor performance^{viii}. It is reasonable for the business community to expect the government to first lead by example and ensure that its own suppliers are legally compliant.
- Secondly, taxpayers should feel confident that their **taxes are not inadvertently funding or contributing to instances of modern slavery**. It is also, therefore, reasonable to expect that companies in receipt of public funds will demonstrate not only basic legal compliance with the MSA, but that they are doing everything in their power to ensure modern slavery does not exist in their operations and supply chains.
- Thirdly, **government suppliers are often associated with higher risks of modern slavery**, by virtue of the size of the organisations and the sectors they operate in. High-risk sectors include construction, security and facilities/building services^{ix}. Moreover, the fact that the government issues fixed-term contracts to suppliers increases the likelihood of sub-contracting and/or recruitment of temporary workers through agencies. In an analysis of 43 commodities and sectors, the US Department of State identifies these sectors and practices as high risk due to prevalence of vulnerable groups – for example migrant workers in temporary working arrangements, tendency to recruit low-skilled workers that are easily replaceable and increased likelihood of unfair working practices such as zero-hour contracts^x.
- Finally, the **risks increase with the size and complexity of global supply chains**, and the government's supplier base consists of many such businesses. These supply chains can extend down many levels and across multiple countries. The challenges of managing multiple suppliers, the lack of visibility of lower-tier suppliers and their activities, and variations in governance and regulation to protect workers across different jurisdictions all contribute to the increased risks.

The government has, however, recognised some of the shortcomings of the MSA and has committed to doing more to regulate its own supply chain. For example, an independent review of the MSA was recently completed (see Box 2) and included recommendations to strengthen enforcement and develop a central registry of statements. Moreover, at last year's G20 summit in Argentina, Prime Minister Theresa May made a commitment to publishing the steps government takes to eliminating modern slavery in its supply chain but the government has yet to publish this^{xi}. If the government fails to implement recommendations and send a strong message that it is leading by example, levels of compliance are likely to continue to fall short of expectations.

The survey

Identifying the top 100 suppliers

Significant effort goes into identifying the top suppliers to UK government – contracts can be awarded at any time, and may cover multiple years. From time to time, joint ventures or special purpose vehicles may be established with the sole purpose of bidding for and delivering on government contracts. Companies move in and out of the top 100 regularly.

Tussell assembled a ranking of the top 100 suppliers to central government in 2018, using open data sourced from official procurement notices published on Contracts Finder^{xiii} and Tenders Electronic Daily (TED)^{xiii}. This information was then collected and normalised². The list of suppliers is based on the total lifetime value of contracts awarded by central government buyers in the calendar year 2018 and does not include the estimated value attached to framework contracts, providing a more accurate picture of spend. Each of the top 100 suppliers was classified by Tussell into one of 12 sectors, based on a list of the Standard Industrial Classification (SIC) descriptions attached to each supplier by Companies House.

To verify that each company was obligated under the Modern Slavery Act (MSA) – reaching the £36 million threshold – Tussell used turnover figures from Bureau van Dijk, with any gaps in private company reporting filled by Bloomberg, DueDil and Companies House.

The data provided by Tussell offers a snapshot into government procurement. As different contracts are awarded each year, sometimes once every few years, the list of contracts and their values change. The list of the top 100 suppliers in 2018 varies from 2017 for this reason, as they are based on highest award value. This means that the analysis is not a like-for-like comparison, however there are still key trends that can be examined.

Analysing the top 100 suppliers

Sancroft analysed the modern slavery and human trafficking statements of every company in the list of the top 100 suppliers to UK Government in 2018³. Using the most recent version of each company's statement, we assessed whether the company was legally compliant, and reviewed quality and commitment to continuous improvement. To ensure as fair an assessment as possible, all statements were assessed on the same day, 10 April 2019.

² Normalising matches suppliers and buyers listed on contracts to specific entities as they are listed on Companies House.

³ Within the top 100, two sets of companies share Modern Slavery Act statements with their parent or subsidiary company, who are also in the top 100 – Royal Mail and Parcelforce share a statement, and Wavemaker and WPP share a statement.



Assessment of legal compliance

To determine whether or not a company's statement was legally compliant with the Act, we followed official guidance from the Home Office:^{xiv}

- **Signature:** Statements must be approved by the board and have the signature of a person with appropriate seniority (i.e. Director), accompanied with their name and title. Statements with only the name and title of an individual with appropriate seniority, but without signature, also satisfied requirements. A title or signature alone was not sufficient.
- **Website:** A link – clearly labelled as relating to modern slavery – directing to the statement or a landing page for the statement had to be on the company's homepage. A link to the statement within a drop-down menu on the homepage of the company's website was also considered sufficient. The statement must always be present, and if it was not there at the time of assessment then the company has been deemed non-compliant.

Assessment of continuous improvement

A key driver behind the Act is to drive transparency on modern slavery and improve risk management continuously, so we assessed companies' efforts to measure their performance in this area, looking at compliant companies only. We focused the qualitative assessment on performance indicators – evaluating any indicators or measures of performance reported. We also assessed evidence that the business is implementing change in internal practices and operations that aim to tackle modern slavery, for example introducing a new approach or policy.

We assessed each statement against five key questions:

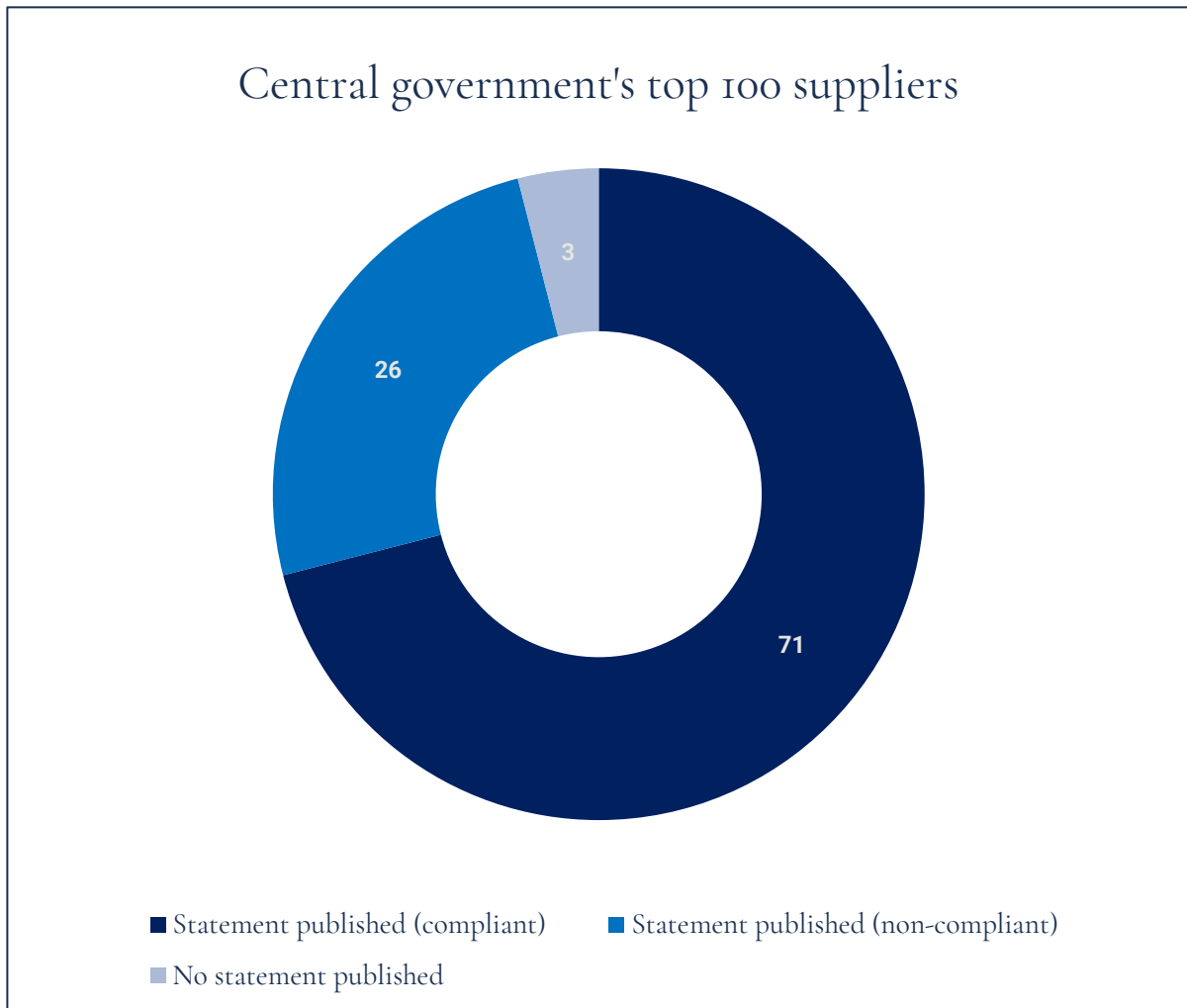
1. Does the statement include performance indicators?
2. Does the company refer to them as performance indicators, and are they visibly highlighted?
3. Does the company report on progress against any previous year's indicators?
4. Are the indicators focused on activity (e.g. training) or outcome (e.g. increased worker representation)?
5. Is there evidence of change in business practices or commitment for the year coming (e.g. implementation of a policy or new approach)?

Building on this, we also looked for any stand-out examples of innovation or action that we believe would be of interest to readers.

Findings in depth

Compliance with the Modern Slavery Act

Nearly all the top 100 – 97% – published a modern slavery statement, the same percentage as in 2017. We found 71 of these to be legally compliant compared to only 53 in 2017.



Central government's top 100 suppliers	2017	2018	Percentage change
Statement published (compliant)	53	71	+34%
Statement published (non-compliant)	37	26	-30%
No statement published	3	3	0%

Barriers to legal compliance

We looked into the instances where companies that met the threshold at which modern slavery reporting becomes mandatory did not provide a legally compliant statement. Three out of the top 100 did not produce a statement at all, despite meeting the reporting threshold – these companies were from aerospace & defence, utilities, and recruitment & employment sectors.

While the rate of legal compliance in the top 100 has measurably increased since 2017, non-compliance still stands at 29% – in our view, a very high failure rate given the simplicity of the legal requirements. So why the persistent problems? We found the failures to comply broadly fall into three main categories:

- Administrative or presentation problems
- Intrinsic motivation for compliance
- Lack of legal enforcement

Administrative or presentation problems

Out of the 26 companies that published non-compliant statements, the most common reason for non-compliance was failure to correctly display the statement on the website homepage, applying to 22 companies. 15 companies were non-compliant because the statement failed either to be approved by the board or appropriately signed. A total of seven companies failed in both of these requirements.

Website

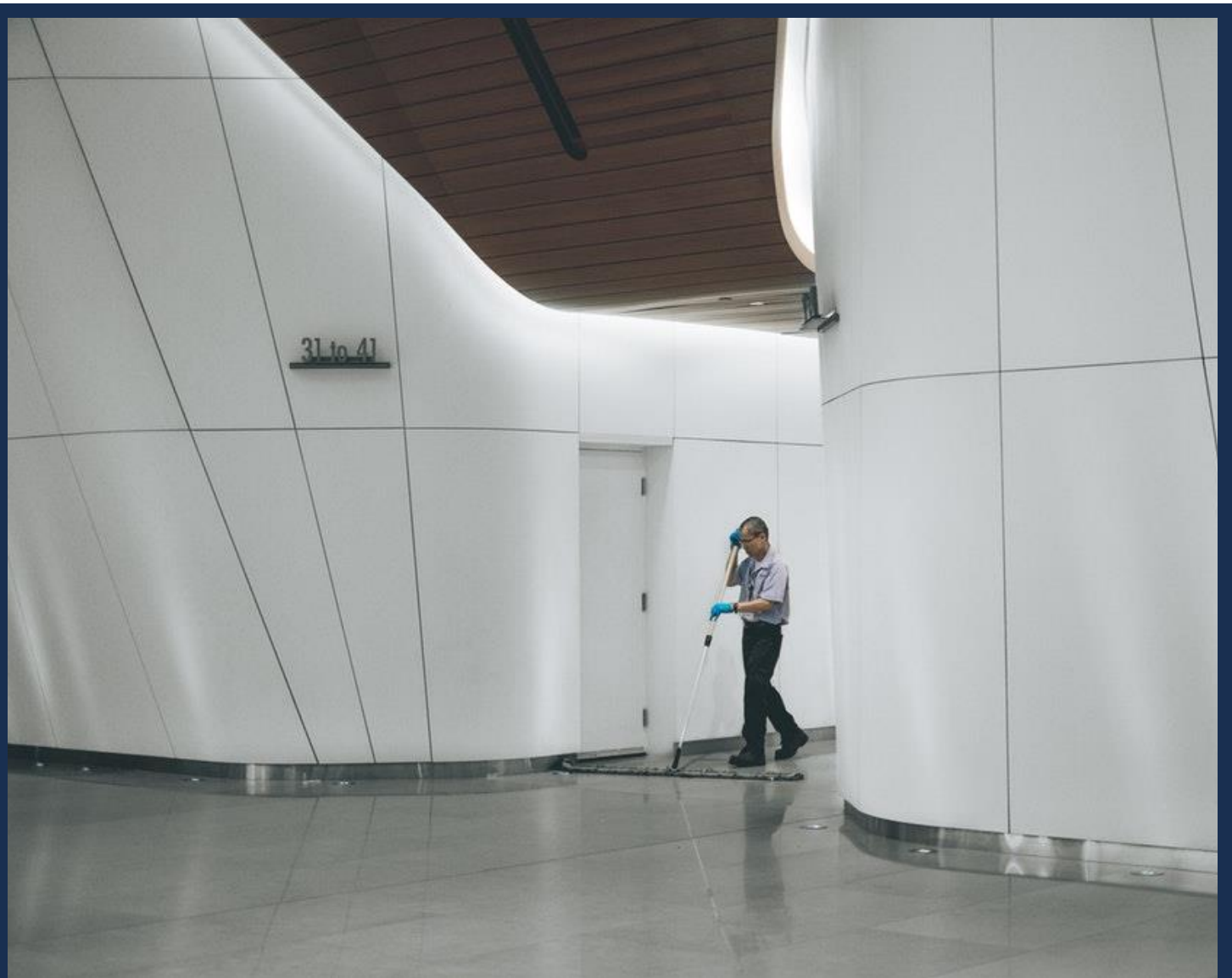
There were several ways in which companies had incorrectly published their statement online. The law requires statements to be provided via a link directly on the company's homepage. Some companies in the top 100 included the statement online within the sustainability or compliance page, without placing a link on the homepage. There was also a discrepancy between UK and global websites. For many companies, the statement was only visible on the company's UK homepage, which meets the legal standard, but as we discuss in the following section, transparency and coherence could be improved by aligning disclosures across global activities.

Signature

Fewer statements were non-compliant due to not having been appropriately signed or approved by the board. Achieving board recognition, approval and sign-off is in general more difficult than simply resolving correct placement on a website. Achieving this sign-off is a key part of the Act as it ensures modern slavery is considered, understood and prioritised internally at the most senior level possible. It also shows that the company has grasped the seriousness of these risks and how they might affect operations. Although the rate of non-compliance has improved, companies still have more to do, particularly in preparation for the impending recommendations from the Act's review^{xv}.

Intrinsic motivation for compliance

Although there has been an improvement in the number of compliant statements from 2017 to 2018, the overall finding of a high number of non-compliant suppliers in the government's supply chain remains. Non-compliance suggests a lack of understanding of the Act, insufficient checks and balances – both internally and externally – and/or a lack of engagement with the issue of modern slavery. We explore potential drivers of non-compliance in more detail below.



Awareness of the Act and its requirements

Companies without a statement may not be aware of the requirements of the Act. This can be particularly relevant for companies that have experienced rapid growth and pass the £36 million turnover threshold without paying due attention to regulation and compliance issues. Companies in their first year of reporting could be unaware of the deadline for publishing a statement (six months after the end of the financial year). However, this situation applies to none of the top 100. Furthermore, with the Act now in its third year of applicability, lack of awareness of the Act and its detailed requirements is rapidly losing legitimacy as a means of explaining non-compliance.

Understanding of modern slavery and how it applies to the business

Modern slavery is a complex and challenging issue, and one that many companies may not associate with their business operations. Surmounting this hurdle may be the most important step in eliminating the compliance gap – companies must recognise not only that the law applies to them but that the issue of modern slavery affects their business. This could be particularly challenging for companies that do not have existing social/ethical trade programmes or in-house expertise. However, since the Act was introduced in 2015, a growing number of initiatives and resources has been introduced to help business, as well as examples of best practice, which companies can use to better understand their responsibilities (see the section on recommended reading).

Risk averse approach to reporting

Not all companies are open to being transparent about their supply chains and may have minimal public disclosure about business operations. This could be particularly relevant for companies that do not have extensive engagement with the general public, or that are involved in potentially sensitive operations. Modern slavery exists today because it is hidden – this is exactly why the Act places such emphasis on transparency. Moreover, the Home Office guidance provides a base level of disclosure for companies to follow that can help companies to find an appropriate starting point for their reporting.

Co-ordination across the business

Businesses vary in their approach to tackling modern slavery and the responsibility to publish a modern slavery statement may sit with different departments from human resources, to legal, to procurement. If the development of a modern slavery statement is not a cross-functional exercise it is less likely to reflect a real ownership and understanding of the issue. This can lead to difficulties with obtaining required information, reviewing and amending relevant policies and processes, securing sign-off at the appropriate level, and even ensuring its correct placement on the website homepage. Furthermore, if the company's strategy is joined up globally, it will demonstrate a more aligned and integrated approach to tackling modern slavery and forced labour company-wide.

Lack of legal enforcement

The MSA has not been accompanied by a comprehensive enforcement programme – there is no central registry or disclosure of non-compliant companies, fines nor legal action. This can have three consequences:

- 1) Businesses do not comply with the requirements of the Act.
- 2) Businesses do not strive for best practice.
- 3) Businesses that make the effort to comply see no consequences for non-compliance nor reward for compliance, thus undermining their commitment to remain compliant or to provide anything beyond perfunctory updates from year to year.

The Home Office has begun to signal its intention to strengthen the enforcement of the MSA. At the end of 2018, the Home Office wrote to the chief executives of 17,000 businesses with operations in the UK, asking them to detail their efforts to reduce modern slavery in their supply chains. Coupled with the independent review's recommendation (see Box 2) that the government develop a central registry for statements, there will be an increasing pressure for companies to report. However, until changes are made, we see lack of enforcement as a key driver for non-compliance.

Continuous improvement

A significant addition to our analysis of modern slavery reporting for 2018 is a deep dive into the ways in which companies measure and manage their performance.

The role of performance indicators

To reduce the risk of modern slavery in supply chains, businesses cannot consider the development of a modern slavery statement to be a static process. Instead, this should lead a business to continuously review risk, develop and/or review appropriate policies and processes, and build staff capacity. Performance indicators can help a business to set a target and focus initiatives around a shared objective. They also demonstrate best practice by clearly stating commitment, being transparent with stakeholders and building internal accountability for action.

For these reasons, the Home Office guidance for the MSA suggests the inclusion of performance indicators to measure progress against actions taken to reduce the risk of modern slavery and facilitate accountability and performance improvement over time. In this year's survey, we looked to see how companies were taking up this recommendation, and what this tells us about the state of modern slavery risk reduction and management.

Inclusion of performance indicators

Thirty-five percent of the top 100 followed the Home office guidance and included reference to performance indicators in their statements. Eleven companies devoted a section of the report to these indicators, where others make general statements of ambition for future reporting around training, for example. The trend in this area shows no improvement from 2017 reports, where 12 companies referenced performance indicators. In addition, where performance indicators are not clearly identified, it can make it harder to report on progress in the future, reducing transparency and accountability.

Activities vs outcomes

As most corporate practitioners will be aware, designating, using and benefiting from a robust set of performance indicators depends in part on measuring what is most important. In the case of modern slavery, the purpose is to reduce the risks to vulnerable people and protect the business interests affected.



Therefore, performance indicators should be designed to measure a meaningful balance of activities and outcomes.

All performance indicators reviewed in our analysis focused on activities as opposed to outcomes. For example, companies have put in place KPIs relating to the number of employees trained on modern slavery awareness, as opposed to measuring the change in awareness in identifying signs of modern slavery. Companies should shift their focus to reporting on outcomes, as they show impact and encourage continuous progress the following year, so are considered best practice.

Evidence of performance

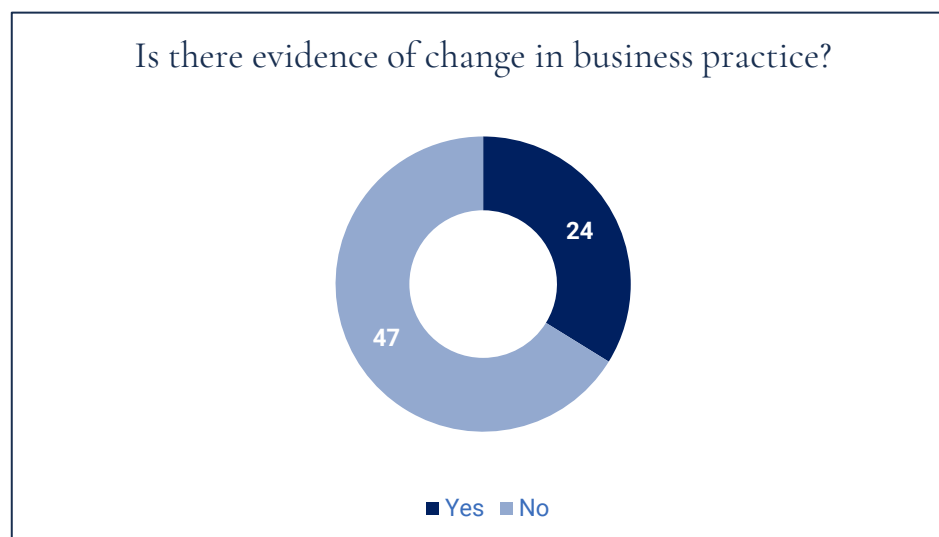
Several statements appeared to follow the Home Office guidance of including performance indicators in their statements without providing detail on how they applied to their operations and/or commitment to improvements. For example, in a few statements, indicators were listed with no detail on how commitments will be/have been met. These statements could be improved with the addition of detail on how indicators are measured as well as evidence of performance against indicators, to increase the transparency of the statement.

Reporting on progress

Just nine companies reported on progress against targets from previous years' statements. This is a crucial step in demonstrating continuous improvement as well as being transparent where targets have not been met. It is also important for reports to be clear on what is being measured and how. This is the company's way of demonstrating progress to its stakeholders, as well as reinforcing the idea that tackling modern slavery is a continuous process, not just a one-off statement.

Commitment to business change

In 2018, there was a 34% increase in the number of compliant statements compared to 2017, and there were some interesting examples of best practice, notably on commitment to a change in business practice designed to improve the business' approach to tackling modern slavery. This could include committing to conducting a supplier risk assessment in the coming year, implementing a new human rights policy that crosses the whole business, or agreeing to participate in a collaborative industry initiative to tackle modern slavery.



There are several factors that fuel these commitments and drive good practice.

Reputational risk

Many of the top 100 operate in a business-to-business capacity, as opposed to business-to-consumer. Where companies have a stronger public presence, they tend to have higher stakeholder expectations and can face a more significant risk to their reputation if an instance of modern slavery is uncovered. Where this is the case, businesses were more transparent about this possibility, and demonstrated the proactive steps being taken in order to reassure stakeholders and reduce risk.

Pre-existing commitments

Companies with strong commitments to continuous improvement tended to have more established social responsibility teams and/or programmes in place. This can make it easier to integrate actions and commitments to prevent modern slavery with existing strategies and using existing resources.

Strong leadership and governance

Changes to business practices are often implemented more easily when there is buy-in from senior levels, particularly members at board level who are keen to push the issue and show leadership in the area. Often, when this is the case, a working group or committee is established so that there is clear governance and accountability around actions to eliminate modern slavery. This helps to drive the agenda internally, particularly where human rights teams report into steering groups, the executive committee and the board.

The business case for action

Legal compliance

It is in a business' interest to comply with the legal requirements of the Modern Slavery Act (MSA). Although the government has not yet introduced a process of public disclosure of non-compliant statements, fines or legal action against non-compliant companies, it is likely that stronger enforcement measures will be implemented in the future. It is also clear that the UK is not alone in legislating against modern slavery, as we have seen from legislation being implemented in France and Australia and expected in Hong Kong. It is therefore important for business to comply across its operating countries in order to move with the direction of travel and successfully navigate the evolving global legislative landscape and ensure they are not in breach of the law.

Moreover, by not complying with the legal requirements of the MSA, companies are exposed to legal and public scrutiny. This could have a serious impact on business operations, relationships and brand reputation.

High-level endorsement leading to improved outcomes

One of the benefits of the UK's MSA is the fact that, when businesses follow the requirements of the law, the issue of modern slavery is raised at boardroom level. This not only raises the issue of publishing a modern slavery statement but can build a stronger business case for implementing changes to business operations. This has been seen in cases where senior leadership recognises the risk of non-compliance as a driver for action, understands the reputational risk of inaction and the potential to differentiate from competitors by demonstrating leadership.

In addition, when modern slavery becomes a high-profile issue within a company, this often leads to improved cross-function collaboration for example through modern slavery working groups that include representation from procurement, legal, human resources and sustainability teams. This ensures actions are embedded within the organisation and that responsibility is shared. Moreover, collaboration across different business functions can lead to broader consideration of issues relating to business and human rights risk. This, combined with continued endorsement by a business' leadership, can drive forward a comprehensive approach to building transparent and resilient supply chains.

An example of where this has worked in practice is through Marks and Spencer's high-level endorsement and cross-functional approach to tackling modern slavery. Marks and Spencer clearly outlines its governance structure and strategy for modern slavery in its modern slavery statement. This includes a dedicated human rights practitioner that supports each Director and sits on a human rights practitioner committee. This committee reports to a human rights and modern slavery steering group which is co-chaired by two directors, and which in turn reports to the company's operating group. The final responsibility lies with the board which is chaired by the Chief Executive. In addition to this cross-functional governance structure, Marks and Spencer has appointed a Human Rights Advisory Group comprising leading subject matter experts, giving an external steer on policy as well as supplementing in-house expertise.

Managing risk

By complying with the requirements of the MSA and taking meaningful steps to addressing risks of modern slavery in supply chains, businesses can reduce reputational and financial risk. Businesses face reputational risk if they are non-compliant, due to scrutiny from customers, investors and stakeholders such as NGOs. From a customer perspective, this is particularly prevalent as public awareness of modern slavery and trafficking increases – from nearly 1,000 reports of slavery made in the first five months of the Safe Car Wash app^{xvi}, to one of the most-watched television dramas in the UK featuring a storyline on modern slavery and trafficking^{xvii}.

The growing number of benchmarks that review and score business action can also pose a risk to reputation. The direction of travel of benchmarking has been set and we are seeing more sophisticated reviews ranging from the Corporate Human Rights Benchmark^{xviii} that assesses broader human rights policy, due diligence, grievance mechanisms and remedy to specific analyses of modern slavery statements by both the Business and Human Rights Resource Centre⁴ and Development International. A low score on these lists can lead to pressure from investors and/or civil society, as well as the risk of customers no longer feeling an affinity with a brand's values.

There is also a financial interest in identifying risks and developing mitigating actions. By putting preventative measures in place, businesses can avoid subsequent issues that may have an impact on profits. For example, the right policies and processes that involve supplier training and improvement plans could prevent disruption to the business that could occur if suppliers were changed frequently.

Competitive advantage

With the rise of benchmarks and public scrutiny of business action against modern slavery, businesses that demonstrate best practice and commitment to continuous improvement can gain a competitive advantage. Businesses that exceed the requirements of the Act and innovate in this area can also future proof their operations by anticipating further changes to the Act and being ahead of the curve. Showing leadership by increasing transparency around the issue of modern slavery can also help businesses to connect with existing and potential customers by demonstrating alignment with their priorities.

Research from the Global Slavery Index^{xix} demonstrates the relevance of modern slavery in supply chains to consumer behaviour. The survey found that in the UK and USA 66% of consumers would stop buying a product if slavery or exploitation was found in its supply chain. In addition, more than half of respondents stated that they would agree to pay more for slavery-free goods. An example of this can be seen with the Dutch chocolate brand Tony's Chocolonely, which is working towards the goal of making "chocolate 100% slave free"^{xx} by working closely with its suppliers and adding a premium to the price of its chocolate bars. Since it was founded in 2003, the brand has seen sales rise and in 2018 it overtook Milka as the Netherlands' leading chocolate brand^{xxi}.

⁴ See the Business and Human Rights Resource Centre 'FTSE 100 & the UK Modern Slavery Act, 2018' <https://www.business-humanrights.org/sites/default/files/FTSE%20100%20Briefing%202018.pdf> and Development International's 'Compliance and Conformance with the UK MSA and Good Practice in Human Rights, 2018'

Practical guidance for business

The Home Office guidance suggests a structure for a modern slavery and human trafficking statement. Below we provide our recommendations on the main areas of the guidance and best-practice suggestions for business. We re-examined our recommendations from the 2018 Sancroft-Tussell Report and offer updated guidance below.

A leading-practice Modern Slavery Statement should cover:

1. The organisation's structure, its business and its supply chains

Companies should provide a detailed overview of the organisation and its supply chains in this section, which can serve as a useful starting point for determining how well a company knows its supply chain. This should include details on:

- Sourcing countries
- Numbers of suppliers by country and by product/sector
- Relevant information on internal governance such as procurement and/or buying teams

Companies with stronger statements include detailed information about their supply chains, wherever possible beyond tier 1 suppliers, and show evidence of routine data collection and strong governance systems in place to manage supplier compliance.

2. Company policies in relation to slavery and human trafficking

This provides an opportunity for companies to demonstrate the checks and balances it has in place to manage risk as well as to identify and remedy issues of modern slavery and human trafficking in its supply chain. There are two common pitfalls to avoid in this section:

- A modern slavery statement is not a policy; the two must be treated separately
- Policy disclosure must be specifically relevant to modern slavery and trafficking – detail on policies that do not relate to these issues will not meet transparency expectations

Statements demonstrating best practice provide specific reference to policies with hyperlinks as well as details on how these policies are communicated and embedded across the company. If relevant policies are under development, it is good practice to disclose this and provide an indication of when they will be implemented.

- 3. The organisation's due diligence processes in relation to slavery and human trafficking in its business and supply chains, and**
- 4. The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk**

This section is often a useful trigger for a comprehensive review of risk assessment and supplier due diligence in a company's supply chain. A strong modern slavery statement should include information on the risk assessment methodology for modern slavery and human trafficking, and importantly, how findings are used to inform policy and decision-making. It is also important to include information on how compliance is effectively monitored – for example through audits and grievance mechanisms – and what action is taken should a supplier not meet expectations. This is also an opportunity for companies to consider their broader human rights due diligence approach through human rights impact assessments that look at actual or potential impacts and that can reduce vulnerability to risk of slavery and human trafficking for all rights-holders affected by a business' operations.

5. The company's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate

This is a potentially sensitive area, as it can require companies to be transparent about cases of modern slavery that have been found in their operations or supply chain, and the level of risk they are exposed to. Nevertheless, a company is more likely to exceed stakeholders' expectations if it is forthright about any such instances that are found and, importantly, how these were remedied. This can also increase trust in a business and its genuine commitment to tackling modern slavery. As highlighted throughout this report, the inclusion of performance indicators that measure a company's progress in taking steps to eradicate modern slavery and human trafficking in its supply chain demonstrate commitment and increase accountability. Companies looking to develop best practice KPIs should seek to measure progress on outcomes rather than outputs.

6. The training about slavery and human trafficking available to staff

Information provided here should not only include number of staff trained, but also which staff have been trained, what the intended objectives of the training are and how outcomes will be achieved down the supply chain. This will vary between organisations which is to be expected, however it is important for all companies to explain why some staff have been prioritised for training. For example, statements may explain that all staff have been given training on the UK's Modern Slavery Act but that training on new supplier questionnaires that include questions on modern slavery has been delivered to buying teams, because of their particular role and responsibility in this regard. Companies should also publish their evaluation of the effectiveness of training.

This overview represents a starting point. There are numerous ways for a company to demonstrate and communicate their commitment to eradicating modern slavery from its operations and supply chains. It is an opportunity for a company to show progress and improvement in the quality of their reporting over time.

It should be emphasised that writing a modern slavery statement is part of an ongoing process and a company's actions should be continuous. Given the hidden, dynamic and widespread nature of modern slavery and human trafficking, the greatest mistake a company can make is to remain static. Regardless of the stage at which a company finds itself on its journey to tackle modern slavery, meaningful change and risk reduction can be achieved throughout the process.

Conclusion

This report has provided an insight into the quality of the slavery and human trafficking statements of the top 100 suppliers to government in 2018, with the purpose of advancing and accelerating efforts of the government's top suppliers to more effectively manage the risks of modern slavery in their direct operations and supply chains.

We found that 97 of the top 100 published a statement in 2018. 71% of suppliers were determined to be compliant with the Act's mandatory reporting requirements, publishing a statement that was successfully approved by the board, signed by a director (or equivalent), and signposted on the company's website homepage. 29% of statements were therefore found to be non-compliant, including three companies failing to publish a statement at all.

There were three main barriers for companies in meeting legal requirements. Over twenty companies faced administrative or presentation problems, where the statement was incorrectly signposted on the website homepage, with fifteen statements failing to be appropriately approved and signed. Non-compliance suggests a general lack of awareness of the Act and its requirements and a low appreciation of the importance of the issue of modern slavery and how it applies to business. This is particularly relevant for companies that lack in-house expertise.

Not all companies approached the development of the statement as a cross-functional exercise. In these cases, there is likely to be a lack of effective engagement and understanding of the issue, which in turn makes it harder to obtain required sign off, review and approval. The aim of the Act is to improve transparency through reporting, but not all companies are open about their supply chains and may have minimal public disclosure about their operations. This requires a significant cultural shift which is can be difficult in large companies. Finally, a lack of legal enforcement of the Act has resulted in companies failing to comply with key requirements, not striving for best practice, and reluctance to provide anything beyond perfunctory updates from year to year.

Our qualitative assessment of the statements found that there is still room for companies to improve. We focused our research on the role of performance measurement and business' commitment to continuous improvement. Performance indicators were used by a minority, and just eleven companies devoted a section of their statement to outline indicators used to evaluate progress in reducing the risk of modern slavery. Even fewer companies reported against targets from previous years – an important step in demonstrating improvement and showing that tackling modern slavery is a continuous process.

It was encouraging to see that in 2018, there was a 34% increase in the number of compliant statements compared to 2017, with several factors driving this improvement. Companies concerned with reputational risk chose to be more transparent about the risk of modern slavery and demonstrated proactive steps taken to mitigate against this. This was further driven by companies with more established social responsibility programmes in place and in businesses with more buy-in from senior levels keen to show leadership in the area. Statements that stood out outlined a strategy for the following year, committing to concrete actions to improve the business' approach to tackling modern slavery.

With more countries passing legislation, the likely strengthening of the Act to include public disclosure of non-compliant companies, and ever-increasing public awareness of the issue, the business case for action is getting stronger. We agree with the recommendations of the home office review and think that if these changes are implemented, government suppliers may re-think their approaches to fighting this serious crime.

At the same time, we urge government to review its own supply chain management and accelerate plans to put more stringent requirements on suppliers and mandate compliance with the MSA before they can be granted a contract. We also welcome the commitment for government to publish its own transparency statement. Until we see government leading by example, we are unlikely to see a major change in compliance.

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Recommended further reading

As discussed throughout this report, many businesses remain unaware of the risks of modern slavery in their operations and supply chains. Those looking to start compiling content for their first modern slavery statement can benefit from a plethora of resources and an emerging number of best practice statements. This is helpful to facilitate internal engagement and build internal knowledge about modern slavery and forced labour. The following three resources provide an excellent starting point:

- The Business and Human Rights Resource Centre offers a [comprehensive library of resources](#) – from reporting guidance to benchmark reports.
- The office for the UK's Independent Anti-Slavery Commissioner has a collection of [helpful resources with guidance and insights](#) for businesses across various sectors.
- The Home Office has published all reports as part of the Independent review of the Modern Slavery Act, [available here](#).
- The guidance on writing modern slavery statements from the Home Office is available to [download here](#).
- The Chartered Institute of Procurement & Supply (CIPS) covers all aspects of supply chain management, including [guidance on modern slavery](#) and reporting requirements.

About Sancroft

Sancroft was founded in 1997 by former Secretary of State for the Environment, The Rt. Hon John Gummer, and has been at the heart of sustainable business ever since. We are sustainability experts, the trusted advisors to scores of the world's largest brands and companies. We challenge businesses to think differently, empowering them to make sustainable profits.

We work with businesses that recognize the opportunities in sustainability, and want to make profits they can be proud of. We provide bespoke insight and strategy, driven by values and purpose, which help you achieve your objectives. Our work helps you succeed.

www.sancroft.com

About Tussell

Tussell uses intelligent data to drive growth, enabling businesses everywhere to reap the benefits of public procurement. By turning open data into useful data, Tussell increases the visibility of government contracts and equips businesses the reliable information they need to make the right decisions.

Whether it's a large or small government supplier, an advisor, investor or business service provider, Tussell's intelligence allows organisations to stay ahead of the competition and proactively discover new opportunities. Founded in London in 2015, Tussell is an entrepreneur-led tech firm with a mission to unlock the potential of government procurement.

www.tussell.com

Appendix

List of compliant and non-compliant companies

Compliant

Accenture	Chemring	Kier	Remploy
Adecco UK	Colas	Leidos	Roche
Amey	Costain	Leonardo MW	Rolls-Royce Holdings
ATOS	Crown Agents	Lockheed Martin	Royal Mail
Babcock International	Deloitte	McKinsey & Company	SAAB
BAE Systems	Emcor	MEC (now Wavemaker)	Scot Group
Balfour Beatty	Fujitsu	Methods	Serco Group
Boeing Defence	G4S	Mott MacDonald	Sodexo
Bond Dickinson	Galliford Try	Northstone	Software Box
BT Group	Gemalto	NSL	Sopra Steria
Bytes Software Services	General Dynamics	Oracle	Thales Group
Capgemini	Graham	Oxford Policy Management	Trant Engineering
Capita	IBM	PA Consulting	Turner & Townsend
CBRE	IMC Worldwide	Palladium	Ultra Electronics
CDW	Ingeus	Parcelforce	Virgin Media
Certas Energy	Interserve	PwC	Wates Group
CGI	IPE Global	QinetiQ Group	WPP
	ISG Construction		WSP
	J. Murphy & Sons		

Non-Compliant

Since contacting the top 100 suppliers to inform them of their non-compliance, a number of companies have informed us that they have made changes to comply with the Act's requirements. These companies are marked with an asterisk.

Company	Reason		
	No-link on website homepage	No signature & approval	No statement
A&P Group	X		
AECOM*	X		
Airborne Systems		X	
Airbus*	X		
Alexander Mann Solutions	X		
CACI		X	
Cammell Laird	X	X	
DXC Technology	X		
EY*	X		
Hydroid			X
Insight Direct		X	
Lapua			X
London & Quadrant*	X		
Man Truck & Bus UK		X	
Marston Holdings		X	
Mastek	X		
Microsoft	X		
Mitie*	X		
Northrop Grumman	X		
OMD Group	X		
Parker Hannifin Manufacturing	X	X	
Penna		X	
RM Education		X	
Resource Solutions Limited			X
Syntel Europe	X		
Taylor Wimpey	X		
Teleperformance	X	X	
Viridian Energy Supply	X		
WHP Telecoms		X	

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https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_government_procurement_web3.pdf

iii <https://www.theguardian.com/business/2018/jul/09/carillion-collapse-exposed-government-outsourcing-flaws-report>

iv https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipecc/documents/publication/wcms_586127.pdf

v <https://www.stopthetraffik.org/funding-modern-slavery-uk/>

vi <https://www.antislavery.org/slavery-today/modern-slavery/>

vii <https://www.gov.uk/government/news/government-leads-the-way-in-tackling-modern-slavery-in-public-procurement>

viii

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796500/FINAL_Independent_MSA_Review_Interim_Report_2_-_TISC.pdf

ix <https://www.bbc.co.uk/news/uk-england-47829016>

x <https://www.responsible sourcing tool.org/understandrisk/risks.pdf>

xi <https://www.gov.uk/government/speeches/pm-g20-house-of-commons-statement-3-december-2018>

xii <https://www.gov.uk/contracts-finder>

xiii <https://ted.europa.eu/TED/main/HomePage.do>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/649906/Transparency_in_Supply_Chains_A_Practical_Guide_2017.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796500/FINAL_Independent_MSA_Review_Interim_Report_2_-_TISC.pdf

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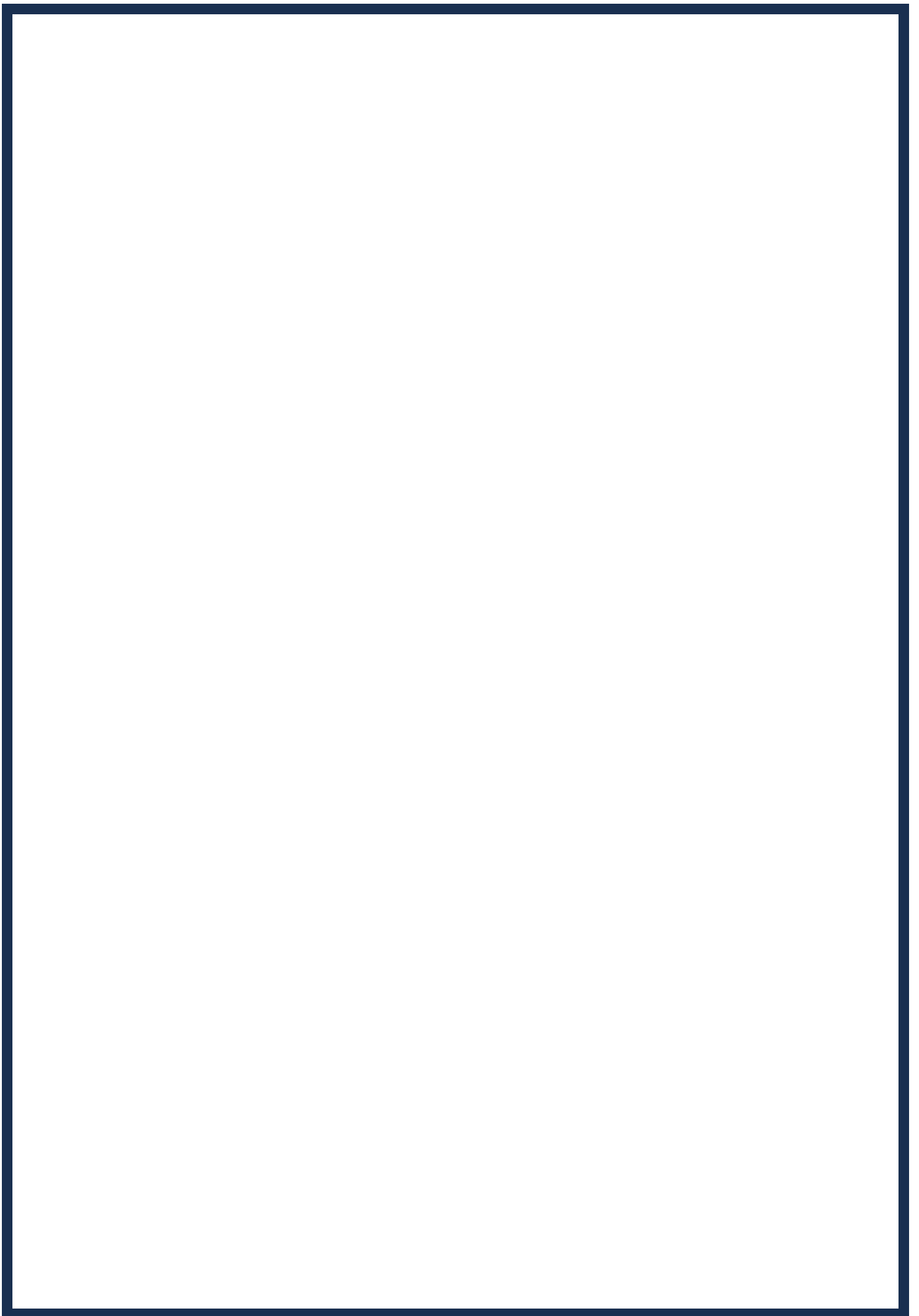
xvii <https://hopeforjustice.org/news/2019/04/uk-soap-coronation-street-raises-awareness-of-modern-slavery/>

xviii <https://www.corporatebenchmark.org/sites/default/files/documents/CHRBKeyFindings2018.pdf>

xix <http://www.lse.co.uk/AllNews.asp?code=c2yx3igq>

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