



KNOW YOUR SUPPLIER'S SUPPLIER

The perils of *Modern Slavery*

DISCLAIMER

This presentation contains general information and does not constitute legal advice, nor does it represent the views of my employer. This presentation is not a substitute for legal advice.





TO BE DISCUSSED

Sourcing and working with suppliers isn't just about costs, delivery and finding ways to collaborate more effectively.

You need to know about risks and in particular, the perils of Modern Slavery (MS) and its reputational impact.

A practical guide to manage the risks associated with this issue.



MODERN SLAVERY

The hidden, ugly truth...

DID YOU KNOW?

- 18 October is Anti-Slavery Day
- By show of hands, how many members of the audience believe that slavery was abolished/eliminated in the 19th century
- Truth is that it has become more subverted and is about exploitation and control

THINK ABOUT IT

**MODERN
SL****VERY**

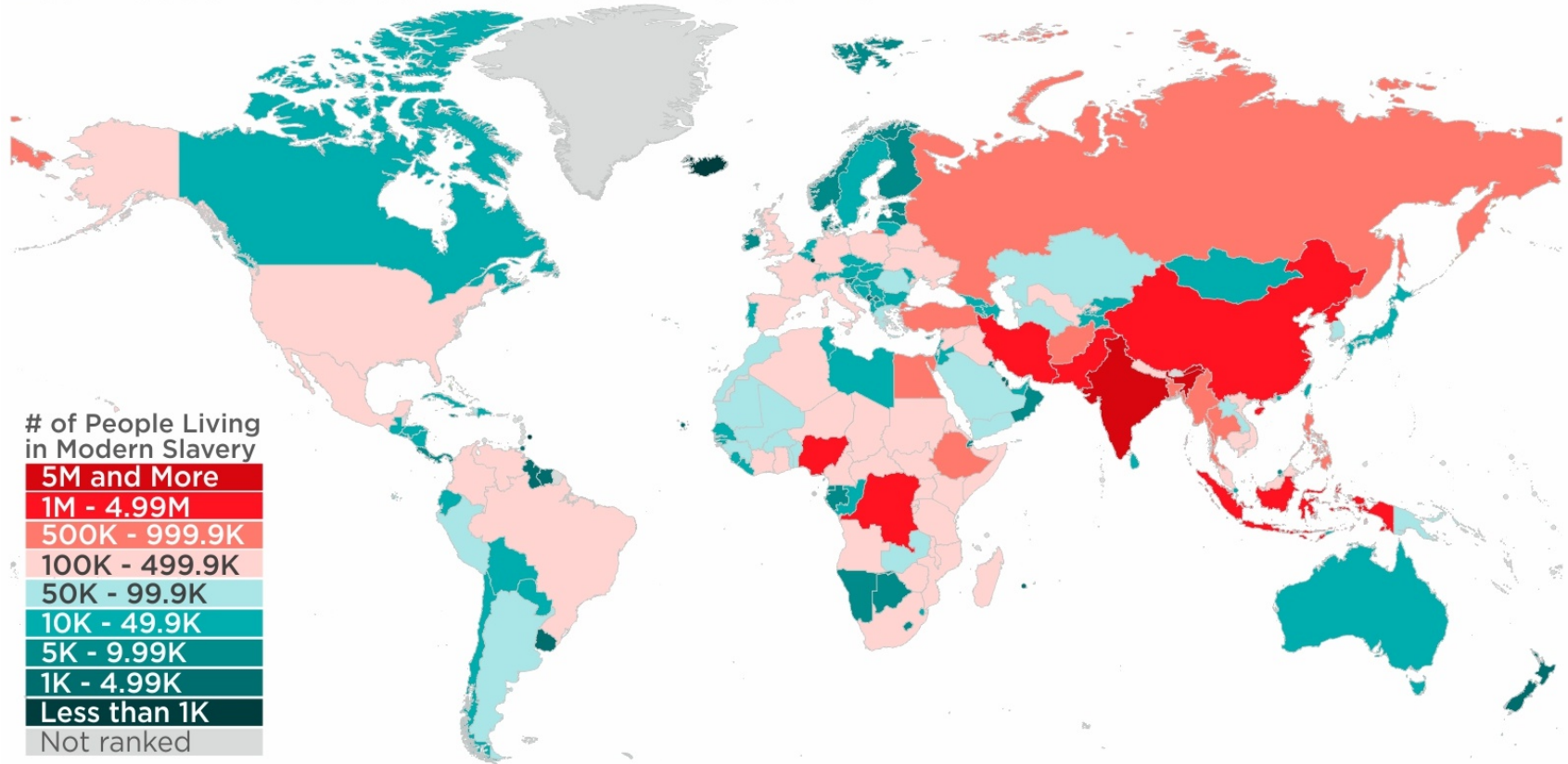
**IT'S CLOSER THAN
YOU THINK**

GLOBAL SLAVERY INDEX

- Developed by the Walk Free Foundation, the International Labour Organisation and the International Organisation for Migration developed global estimates of MS
- These estimates form the starting point of the GSI
- 2018 results – countries with the highest number of people in MS are:
 - China
 - India
 - Pakistan
 - Bangladesh
 - Russia
 - Uzbekistan

World Map of Modern Slavery 2018

Estimated Absolute Number of Victims



Article & Sources:

<https://howmuch.net/articles/modern-slavery-map-2018>

The Global Slavery Index 2018 - <https://www.globalslaveryindex.org>

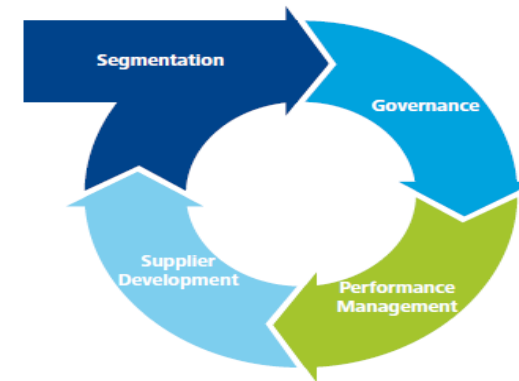
International Monetary Fund - <https://www.imf.org/>

howmuch^{net}

IT IS NOT GOOD ENOUGH

- You cannot only consider price, quantity and delivery date as key supplier metrics
- Consider good governance, ethical and social obligations (supply chain management)
- Take the example of “know your customer/customer due diligence” and get to know your supplier’s supplier

Continuous cycle of Supplier Relationship Management activities



Source: Deloitte Consulting

GSI STATS 2018

- 43 million people are in modern slavery around the world
- 10 million children
- 30.4 million people in slavery in the Asia-Pacific region (bonded labour)
- 9.1 million people in slavery in Africa
- 2.1 million people in slavery in the Americas
- 1.5 million people are in slavery in developed economies
- 24.9 million people in forced labour
- 15.4 million people in forced marriages
- 4.8 million people are being sexually exploited
- **US\$354 billion** – at risk products, which G20 countries collectively import and which are at risk of being produced by modern slavery, annually

FORMS OF MS

Domestic
Servitude



Sex
Trafficking



Forced
Labor



Bonded
Labor



Child
Labor





MODERN SLAVERY

GSI 2018 key findings

2018 FINDINGS



- Countries with a prevalence for MS are marked by conflict
- Prevalence of MS in developed and high-income countries is higher than was previously thought
 - tightening up of migration policies and reduction of migrant protections has made developed countries more vulnerable to MS



MODERN SLAVERY

In the supply chain

THINGS TO THINK ABOUT

- Evidence of MS in different stages of supply chains, from production of raw materials, to manufacturing and end-stage
- Supply chains are complex and involve many role players, making it difficult to track a particular component in the end product
- An organisations manner of operating may increase the likelihood of MS e.g. supplier has limited capacity, but you negotiate down price, require impossible deadlines...

MS HIDING IN YOUR SUPPLY CHAIN

Bloomberg

PRODUCTS AT RISK

- Top 5:

- laptops, computers and mobile phones - \$200.1 billion;
- garments - \$127.7 billion;
- fish - \$12.9 billion;
- cocoa - \$3.6 billion;
- sugarcane - \$2.1 billion.

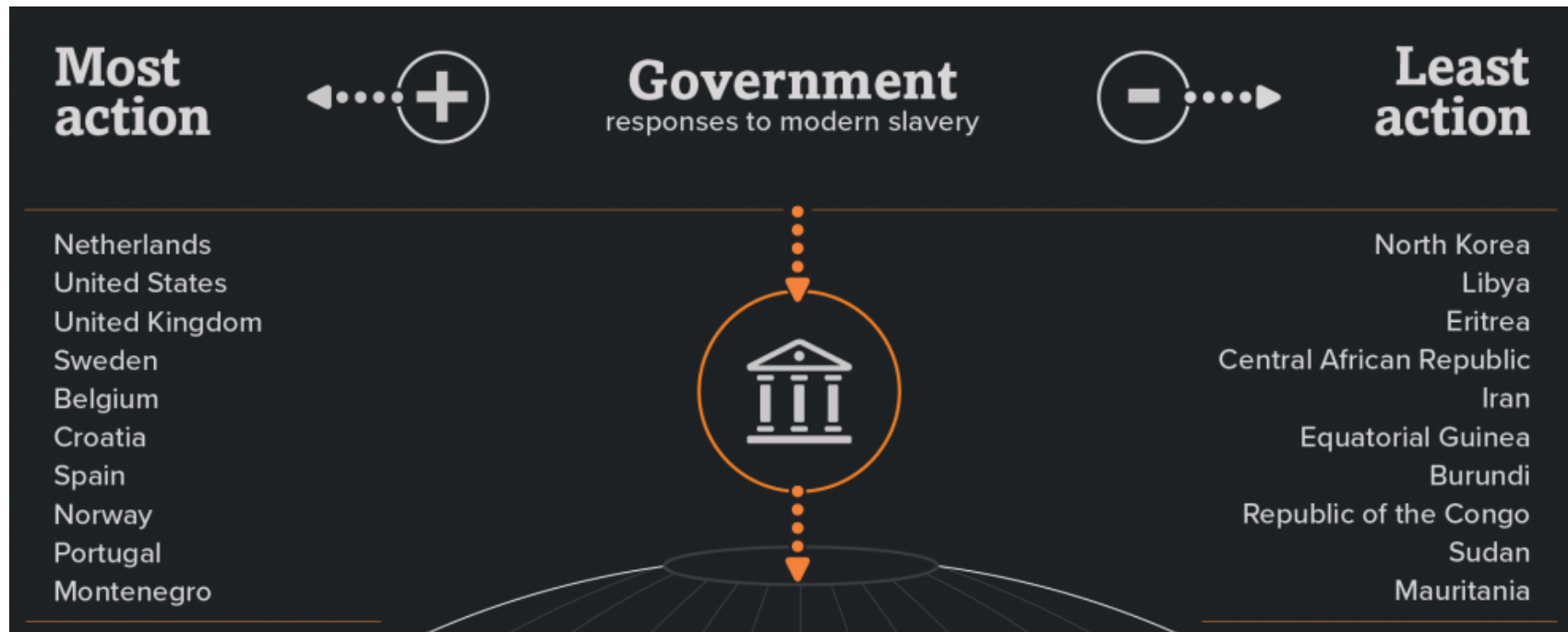


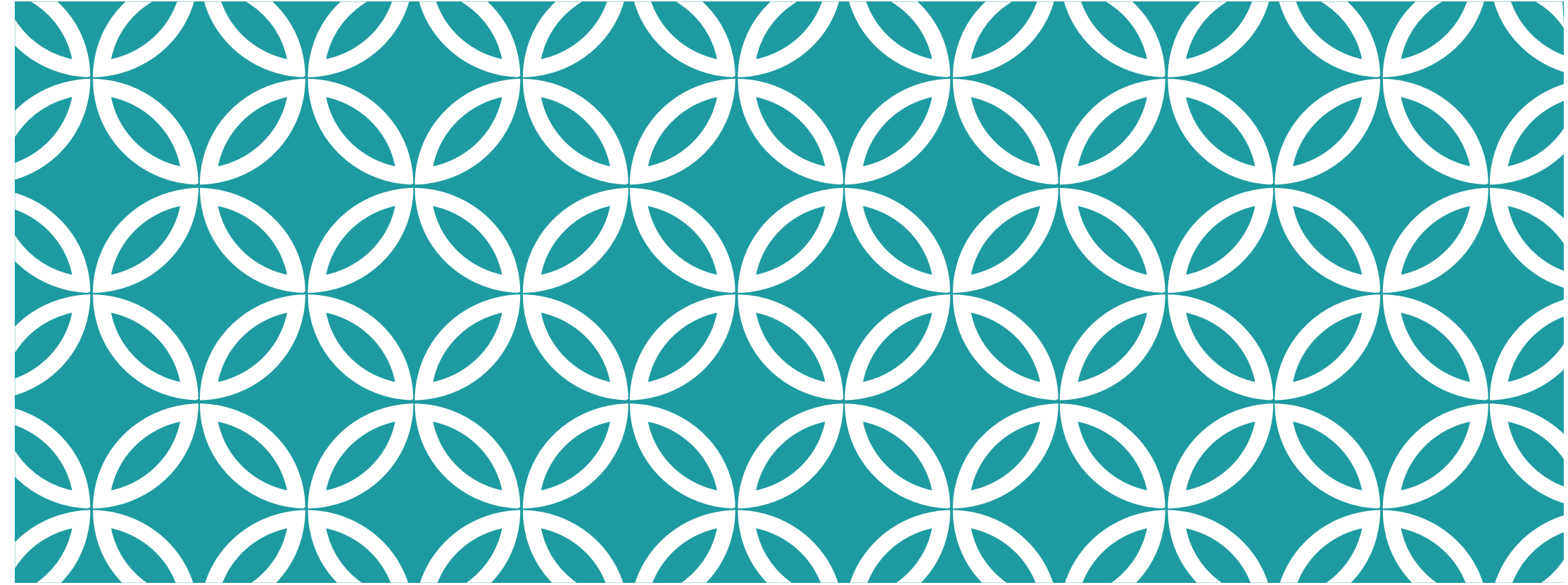


MODERN SLAVERY

Government responses

RESPONSES TO MS





MODERN SLAVERY

Legislation

UK MODERN SLAVERY ACT

- Passed in 2015
- Applicable to businesses with a t/o of £36 million or more
- Must publically disclose steps taken to eradicate slavery from the supply chain
- <https://www.vodafone.com/content/dam/vodcom/sustainability/pdfs/Vodafone-Slavery-and-Human-Trafficking-Statement-2018-19.pdf>
- Act is under review
 - auditors to check whether organisations MS statements satisfy the legal requirements
 - tougher action to ensure compliance

FEDERAL MODERN SLAVERY ACT (AUSTRALIA)

- Effective January 2019 and first reports due by the end of 2020
- Applicable to businesses with a t/o of A\$100 million
- Requires a MS statement which is publically available – overview of entity's processes for assessing, preventing and addressing MS
- NSW Act on hold
 - A\$50 million t/over threshold
 - Biggest difference was the penalty A\$1.1 million



COMPARISON

	<u>Federal Act</u>	<u>NSW Act</u>	<u>United Kingdom</u>	<u>California</u>
Subject Companies	Any entity that meets the turnover and jurisdictional nexus requirements below	Supplies goods and services for profit or gain	Supplier of goods or services, including a trade or profession	Manufacturer or retailer
Annual Turnover Threshold	A\$100 million	A\$50 million	£36 million	US\$100 million
Jurisdictional Nexus	Australia-based entity or carries on business in Australia	Employees in NSW	Doing business in the United Kingdom	California Revenue and Taxation Code
Covered Business Activities	The subject entity's operations and supply chains	The subject entity's business and supply chains	Any of the subject entity's supply chains, and any part of its own business	Direct supply chain for tangible goods offered for sale
Statement Content (Similar, but not identical, across all jurisdictions)	Required topics	Required topics to be provided for in subsequent regulations	Suggested topics	Required topics
Publication	Submission to the Minister, for inclusion in a central Modern Slavery Statements Register	To be provided for in subsequent regulations	Website, with a prominent homepage link, or upon written request	Website, with a conspicuous and easily understood homepage link, or upon written request
Signature/Board Approval	Required	Not specified, but likely to be required by subsequent regulations	Required	None
Frequency	Annual	Annual	Annual	Not specified; on an as-needed basis
Due Date	Within six months after fiscal year-end	To be provided for in subsequent regulations	No mandatory due date; expected within six months after fiscal year-end	Not specified
Specified Penalties	None	Up to A\$1.1 million	None	None



MODERN SLAVERY

Risks and practical guidance

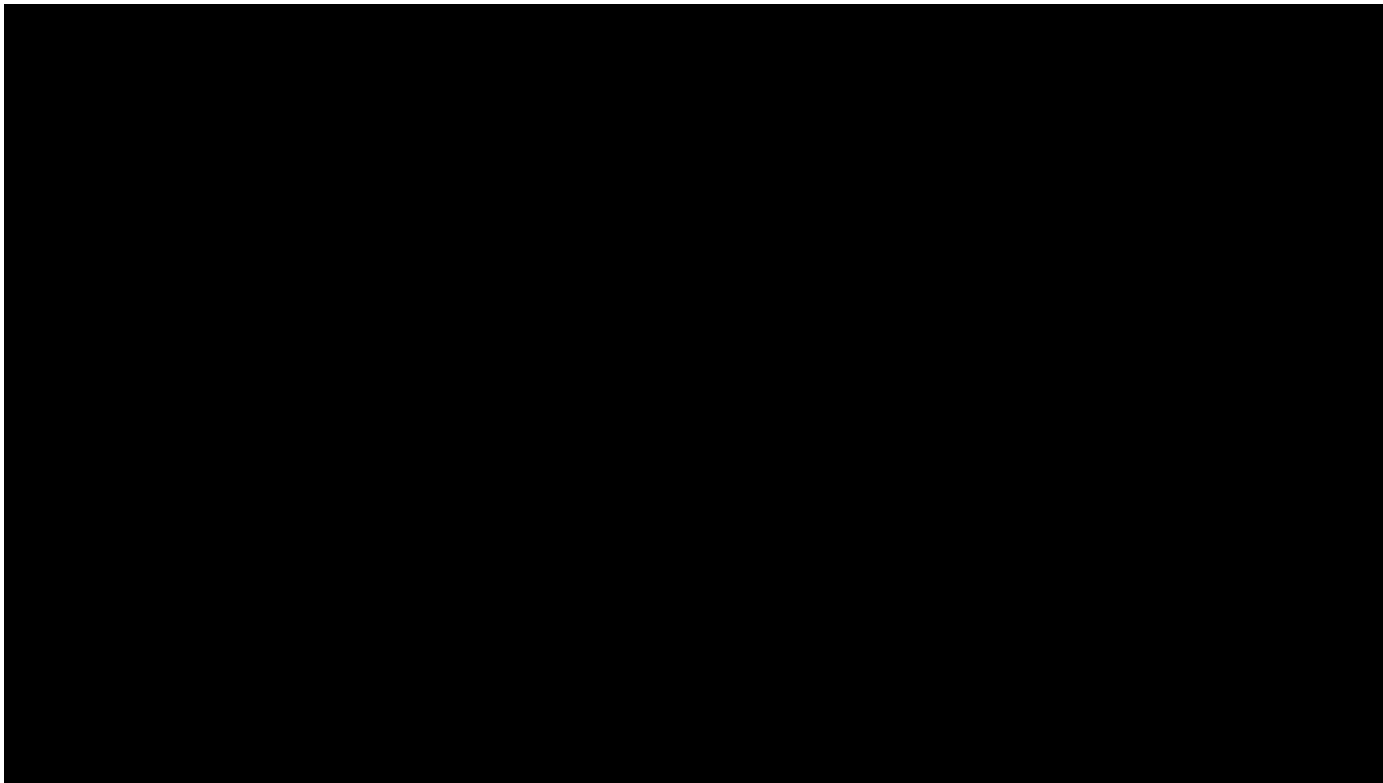
RISKS

- Reputational harm
- Monetary losses
- Could be penalties if laws are breached or contractual liability
- Breach of internal policies and codes of conduct
- Recent UK case – human trafficking ring of more than 400 people

PRACTICAL GUIDANCE

- Identify risks and key suppliers (and review, review, review)
- Supplier audits
- Legalese and indemnities – especially re. subcontracting
- Voluntary MS statement (e.g. Intel – supplier mapping)
- Know your buying power
- Annual disclosure from suppliers
- SEDEX – platform which allows for multi-tier supply chain transparency
- Due diligence solutions such as Exiger, LexisNexis and World-Check

USING DATA TO COMBAT MS

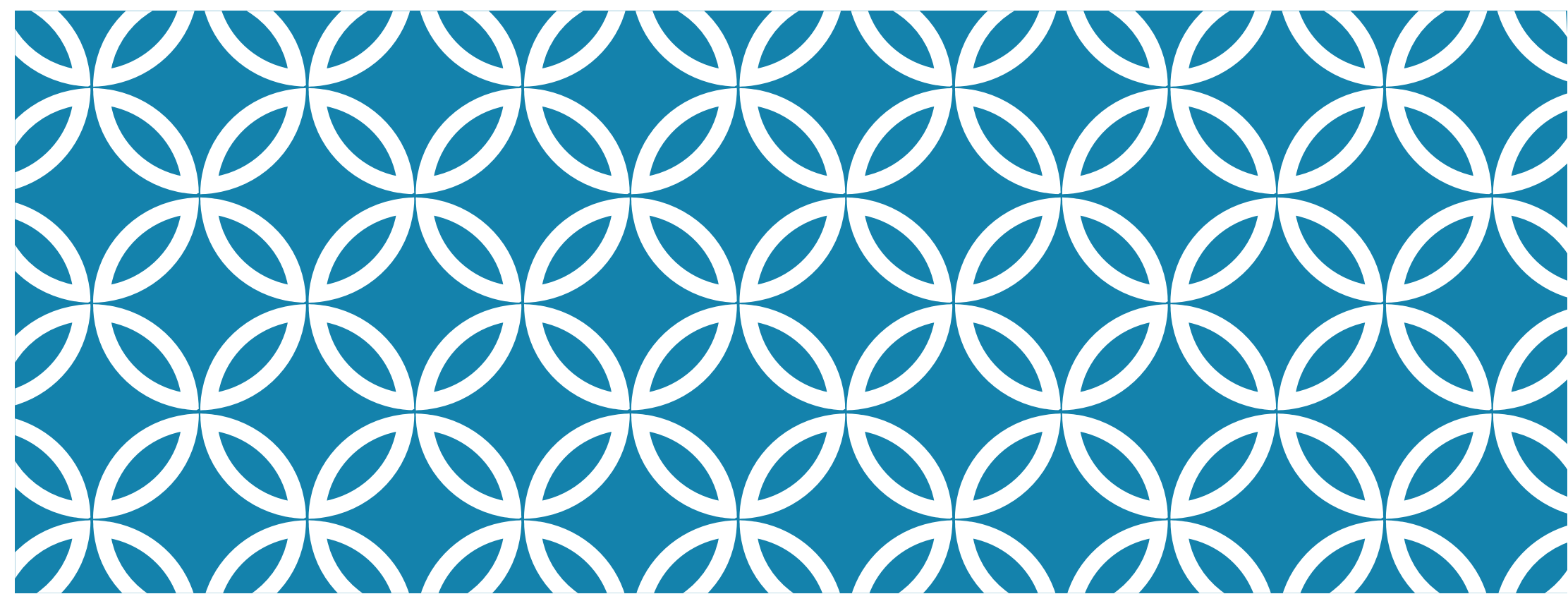


A QUOTE TO END IT ALL



**"SHORT-
TERMISM IS
VERY BAD
FOR HUMAN
RIGHTS"**

**- MAURICIO
LAZALA**



KNOW YOUR SUPPLIER'S SUPPLIER

End and questions – be kind