



the inside track #29

Highlighting CSR Issues of the moment

Role of Slavery goes Full Circle

Recently there has been a significant increase in the level of media interest in slavery and slavery related issues (and the recent film release, “12 years a slave” reinforces that interest”).

A few hundred years ago, this was the business to be in – seemingly unlimited demand and some would argue that it generated much of the wealth which led to the development of the British Empire. In those days it was perfectly acceptable to regard other human beings as ‘chattels’ to be used and traded as one saw fit.

For most that concept is abhorrent today and any company involved in the trade would not be accepted as a legitimate business. Slavery has many forms but human trafficking is still with us – usually executed by criminal gangs. This was one of the reasons behind the Modern Slavery Bill, published in draft in December 2013 as part of the White Paper on the subject. If it receives royal assent, UK companies would be required to report on human rights actions on their website i.e. to a greater extent than the requirement under the new reporting requirements.

The area of forced labour falls into this sphere as well, particularly highlighted by the recent collapse of the Rana Plaza clothing factory in Bangladesh, in which more than 1,130 people died and highlighted the “prevalence of modern slavery in supply chains”. The BBC coverage of labourers brick making in Hyderabad addressed the poor working conditions – and pay – that could also be construed as “modern slavery”. These two examples, at different ends of the supply chain, demonstrate the risks

to the corporate world. To address these risks, many corporates already seek to cover themselves within a human rights policy as well as supply chain standards and operational practices.

So the issues surrounding human rights are not new; they have been around for many years. Indeed edition 25 (March 2012) of Inside Track (available at: http://www.thevirtuouscircle.co.uk/INSIDE_TRACK.html) was titled “Human rights - The growing importance” and discussed the increasing emphasis on the subject and how it would be likely to impact on corporate entities.

However the Modern Slavery Bill could place a more direct responsibility on companies to publicly report and provide evidence that they are not involved with or endorse any aspects of slavery. The need for appropriate policies to be in place is clear. Absence is likely to affect both reputation and share value. A recent report from Freshfields estimates that a bribery scandal can reduce a company’s value by up to 50% - breaches for slavery would result in similar reductions, and reputation loss may be even greater, given the human impact

Organisations will need to be even more diligent with their supply chains in particular and also consider how they will report, with evidence, on how they implement policies.

Knowing the risks, protecting your business – Freshfields, Bruckhaus Deringer -
<http://www.freshfields.com/crisismanagement/>

TVC comment overleaf 

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Clearly a company that may have some involvement (even arms length) with some form of slavery is at risk of being vilified by anyone with a responsible outlook on life.

It would be very easy to read the first page and be left with the thought that there is a greater administrative burden looming that adds no direct value to the business. In that context it should be remembered that the Modern Slavery Bill has not yet passed into law and the requirement for corporates to report what steps they are taking may yet be modified. Yet, this legislation is not the only one in the legislative frame. The EU is likely to require large EU companies (over 500 employees) to include in their management reports a non-financial statement, which amongst other matters would include their policies for respect for human rights and provide comparable descriptions of the policies, risks and results related to these matters.

Currently businesses are faced with a choice – do nothing or do something. For many the decision will be to do nothing for the time being and wait to see what transpires from legislation. The reasons for this may be entirely reasonable – a lack of certainty, too many other priorities for limited resources, risk of being caught out is low and so on. Those who opt for the ‘do nothing’ route at the present time may avoid criticism but of course are still at risk, if there are adverse events, which unexpectedly impact their business.

However there is an alternative strategy and that is to be ahead of the game and bring some form of reporting into this area sooner rather than later. There are a couple of good reasons to adopt this approach. Firstly there is a requirement in existence now to more comprehensively report on human rights - this should include an element on modern slavery. Secondly, there is the opportunity to

demonstrate to stakeholders that the company is forward thinking and is aware of what is likely to happen and also to generally enhance reputation by taking a position and publicising it. Any decisions here will depend also on the business the organisation is in. But the risk areas are wide – from gang labour in the UK, clothing sweat shops in Asia, through to new offices built from materials sourced from companies with poor working conditions. Companies need to think beyond the box regarding their potential risks.

Our advice is that companies should start by scoping potential slavery related impacts of their operations and ensure their exposure risks are minimal. It is then a short (virtually no cost) step to report this on the website and publications. The obvious areas of risk are likely to be the supply chain and often overseas but it would be naïve to think that there are not breaches elsewhere (gang masters in British food sourcing, some zero hour contracts, building contractors and so on).

The important thing is to have a robust approach to potential human rights risks. For those companies that thought human rights was an “overseas thing”, they may find it is on their own doorstep.

If you would like to know more about the developments in human rights, and would like an objective and impartial view, contact Ian Redington or Tony Hoskins via thoskins@thevirtuouscircle.co.uk