

SUSTAINABILITY CASE STUDY: **IMAGINE IF SUPPLY CHAINS WERE FREE OF EXPLOITATION**



THE BEST PERFORMING BUSINESSES HAVE A CLEAR APPROACH TO HOW THEY ARE TACKLING THE RISK OF EXPLOITATION IN THEIR SUPPLY CHAINS AND HAVE FIRMLY EMBEDDED MODERN SLAVERY RISK INTO THEIR ESG AGENDA.

In 2015 the UK Government took the pioneering step of requiring large businesses to report annually on the steps they are taking to ensure that their businesses and supply chains are slavery free. Since then, investors, governments, the press and consumers have become increasingly concerned about ethical and sustainability issues within supply chains. Big-name brands know the dangers of being caught up in high-profile scandals. The reputational and financial consequences can be extreme.

WHAT'S BEEN HAPPENING?

The UK legal requirement is often criticised for not requiring businesses to do very much. The core requirement is to publish a supply chain transparency statement on a business's website (with a prominent link on its homepage). Beyond that, there is currently a wide divergence in approach. Some businesses publish lengthy statements setting out in detail the approach of the business to slavery and trafficking, together with long-term plans for improvement. Other businesses publish short statements, with limited detail.

WHAT'S CHANGING?

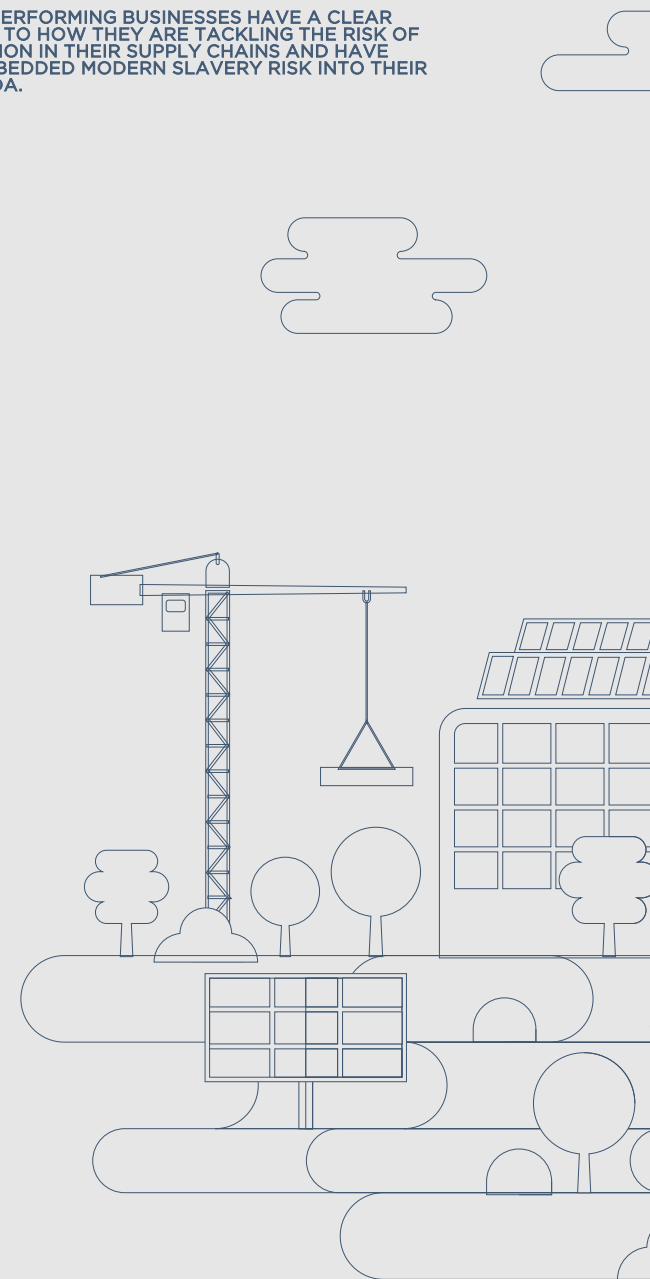
During 2021, the UK Government plans to toughen up the reporting obligations, to introduce mandatory reporting periods and to introduce a financial penalty for non-compliance with supply chain transparency requirements.

Crucially, change is not limited to the UK. The German government is implementing a supply chain law, Australia passed a Modern Slavery Act in late 2018 and other countries have announced that they are considering new legislation in this area. Global businesses will shortly face a patchwork of reporting requirements and will need to be clear on their overarching approach.

In addition to Government action, we have seen increased activity among institutional investors in relation to supply chain transparency reporting. In some instances, businesses have been notified by investors that their current reporting practices do not meet legal requirements and those investors have threatened action if the legal requirements are not met. This represents a significant shift in approach from the investor community and demonstrates that supply chain transparency reporting should no longer be seen as a "tick box exercise".

WHAT CAN YOU DO?

The best performing businesses have a clear approach to how they are tackling the risk of exploitation in their supply chains and have firmly embedded modern slavery risk into their ESG agenda. Not only have those businesses published clear supply chain transparency statements, but have a credible and detailed plan of action to effect real positive change.



A REVOLUTION IN SUSTAINABLE ENVIRONMENTS

How does that translate into practical steps? Five key tips for success:

1. Develop a supply chain plan with buy-in at board level and publicly commit to delivering the key outcomes. A public commitment to continuous improvement is key.
2. Focus on the highest risks for your business, whether that is sector and product risk, or geographical risk.
3. Undertake detailed supplier due diligence, and embed continuing due diligence into the relationship. To make this manageable, tailor the level of diligence to the risk. For example, where a supplier is operating in a high risk area it may be appropriate to undertake site visits, interviews and other additional due diligence before entering into a relationship.
4. Train your staff and, importantly, your suppliers' staff who are far more likely to witness slavery within the supply chain than your own staff. Individuals need to understand the different forms which modern slavery and human trafficking can take, how to spot it and how to report it.
5. Ensure your contractual rights meet your policy goals. Consider including additional audit rights, termination rights, reporting requirements and staff training requirements.

HOW CAN WE HELP?

We understand that beyond basic compliance there is no one-size-fits-all approach when it comes to managing the risks of exploitation in your supply chains. We help businesses formulate an approach that is right for them, taking into account their risk profile and the resources they have available.

Here's how we can help:

- review of supply chain transparency statements in light of our market knowledge and evolving best practice
- drafting modern slavery terms for supplier contracts, ensuring that these give you control and oversight of your full supply chain, not just your immediate supplier
- review the documents that form your procurement process to ensure that you are asking the right questions at the right time of potential suppliers
- be on hand to answer queries as they arise and keep you up to date on changing legal requirements
- use of legal tech and our Transaction Services Team to review your contracts to ensure you have the right protections in place

FOR MORE INFORMATION, CONTACT



Katie Kinloch
Principal Knowledge Lawyer

☎ +44 (0)7568 111542

✉ [katie.kinloch](mailto:katie.kinloch@addleshawgoddard.com)

addleshawgoddard.com

in [Connect with Katie](#)



Andrew Carter
Managing Associate

☎ +44 (0)7776 196703

✉ [andrew.carter](mailto:andrew.carter@addleshawgoddard.com)

addleshawgoddard.com

in [Connect with Andrew](#)

