

# Addressing modern slavery in long and complex supply chains. Assessing understandings of effective supply chain governance

## Research Summary

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Research by:



University of  
**Nottingham**  
Rights Lab

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This is a summary of the report: *Assessing understandings of effective supply chain governance*, a Modern Slavery and Human Rights Policy and Evidence Centre (the Modern Slavery PEC) research project, funded by the UK Arts and Humanities Research Council. The research was conducted by Professor Alexander Trautrimms, Dr Oana Burcu and Faiza Zafar (University of Nottingham Rights Lab) and Charlotte Lush (Workforce Disclosure Initiative, ShareAction).

The full report can be accessed on the Modern Slavery PEC website at [modernslaverypec.org/resources/long-supply-chains](https://modernslaverypec.org/resources/long-supply-chains).

The Modern Slavery PEC has actively supported the production of outputs from this project. In particular, the research team and the Modern Slavery PEC worked closely together to shape the research and its outputs and discuss its policy implications. This Research Summary is a product of this co-working arrangement. However, the views expressed in this summary and the full report are those of the authors and not necessarily of the Modern Slavery PEC.

This project was funded through an open call for responsive research proposals to examine how businesses can establish and increase their visibility and influence over (particularly) the lower tiers of long and complex supply

## Key findings

1. Documented supply chain governance practices among utilities and industrial companies engage some good practices - such as board-level oversight of modern slavery work and collaborative training initiatives - but have crucial gaps in relation to key areas such as freedom of association for workers in the supply chain, the allocation of sufficient company resources to addressing modern slavery risk, and navigating cultural differences that can constrain conversations with suppliers in different countries.
2. Utilities and industrial companies need to do more to directly engage workers or worker representatives in their supply chain governance activities. Existing research evidence emphasises the importance of multi-stakeholder collaborations, and crucially the involvement of workers and their representatives, to the effective governance of modern slavery risk in supply chains.
3. Utilities and industrial companies recognise the shortcomings of the most commonly used supply chain governance approaches (such as codes of conduct and audits) in practice, but still continue to rely upon them.
4. Most utilities and industrial companies lack visibility beyond Tier 1 of their supply chain. Collaborative approaches to increasing visibility and leverage over shared supply chains, while reducing the reporting burden for suppliers, are needed.

## Background

A key challenge for organisations to effectively act on modern slavery risk is the limited visibility they may have of their long and complex supply chains, as well as engaging with actors in more remote upstream tiers of those supply chains. In order to support organisations to address modern slavery risk, it is essential to better understand what businesses could do differently to increase the effectiveness of their actions.

This research focuses on large UK businesses in the utilities and industrials sectors,<sup>1</sup> which have complex global supply chains but are not often the focus of research on modern slavery risk. It asks what approaches these businesses are taking to managing modern slavery risk, how they understand the effectiveness of those approaches, and how their approaches compare to what the existing research evidence tells us about what works.

## Methodology

This research assesses the supply chain governance structures of 15 UK-based utilities and industrials companies and explores their use of particular approaches taken to addressing modern slavery, as well as how they understand the effectiveness of those approaches.

The research draws on data from:

- The Workforce Disclosure Initiative (WDI), which was founded in 2016 by responsible investment NGO ShareAction. The WDI aims to improve workforce transparency by informing an investor signatory group about the working conditions in the companies they hold shares in. The WDI survey is a voluntary reporting framework for businesses and contains more data than companies disclose publicly and this is the first time this data has been published. Because the WDI survey is a voluntary reporting framework, the research assumes that the companies studied in this project are those that are more active on tackling modern slavery compared to others in the same sector.
- Two focus groups: one with a selection of businesses participating in the WDI Survey and the other with a group of anti-slavery NGOs and sector experts.
- A workshop with people who have lived experience of modern slavery. This was held at Fircroft College, Birmingham, with 12 participants after the other data had been collected to enable a reflection on the current business supply chain governance practices. All workshop participants registered in the college's Free Thinking course which provides residential learning experience with opportunities for practical learning and to support the discovery of one's own strengths and aspirations.

The focus groups were transcribed and then analysed; the survivor workshop documented through note taking to ensure privacy of the participants. All the data have been anonymised. The focus group guides and analyses were based on current literature on modern slavery in supply chains.

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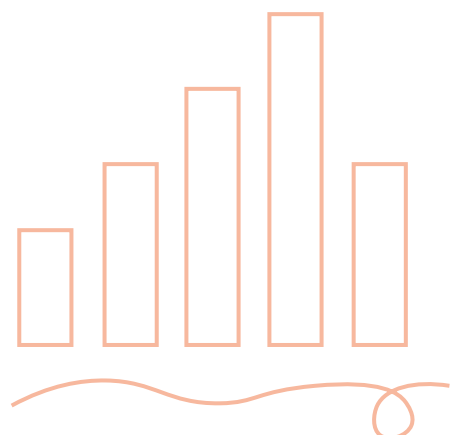
1. Utilities and industrials companies include gas and electricity suppliers, aerospace companies and manufacturers of electrical equipment and machinery.

## Findings

A number of supply chain governance themes and approaches were identified during the research. The following table summarises the main findings of the research in relation to each of those areas. Although academic literature considers supply chain governance that includes workers, workers representatives and civil society stakeholders as more effective, the study overall found that reported supply chain governance practices were largely within what literature refers to as 'buyer-led governance' with only few examples of 'governance driven by horizontal multi-stakeholder collaborations' and no reports of 'worker-driven governance'.

Area	Finding
Freedom of association	Freedom of association is essential for workers' ability to exercise their right to decent work. However, only a few companies mentioned specific actions taken in relation to ensuring workers' right to unionise and collective bargaining, while most of them provided limited answers and referred to their codes of conduct for suppliers.
Board-level oversight	Modern slavery was overseen at Board level in all 15 of the companies studied, along with other issues that have clear legislation and liability. However, these issues were sometimes less highly prioritised at the operational level, where day-to-day actions were taken.
Resource allocation to modern slavery	Focus group participants identified a lack of resources to address modern slavery risk. It can be difficult for those responsible within an organisation to make the business case for doing more than is required merely to comply with the minimum requirements of the law (e.g. by publishing a modern slavery statement). Consequently, modern slavery specialists in participating businesses lacked powers to intervene, e.g., with supplier selection.
Responsible sourcing	All participating companies discussed their responsible sourcing policies and supplier codes of conduct. There was an expectation that these should be cascaded along the supply chains, but little information on how this would be done. There was also limited or no monitoring or verification of the implementation of supplier codes of conduct. Clauses on modern slavery were more typically found in codes of conduct than in contracts - some companies felt that the use of contract clauses could be detrimental to supplier relationships, which in turn would reduce opportunities for the active engagement needed to improve working conditions and reduce modern slavery risk.

Area	Finding
Assessing modern slavery risk	<p>Several companies studied discussed the due diligence they were undertaking on modern slavery, but others claimed to have identified no high-risk products, services or raw materials in their supply chain, despite known risks in supply chains common to many companies in the utilities and industrials sectors. This suggests that due diligence efforts among the companies studied were mixed.</p>
Auditing	<p>Some companies reported undertaking supplier screening assessment through different tools, platforms and databases where audit data is collated. WDI data shows that audits are the most used method to assess supplier performance, but audits have been extensively criticised in the research literature and focus group participants acknowledged their limitations.</p> <p>For example, audits often focused on general health and safety checks, rather than specifically on modern slavery, and no company referred to auditing beyond Tier 1 of their supply chain.</p> <p>The continued use of audits may reflect a compliance-first approach and perhaps also a gap between what specialists identify as best practice and the wider expectations of their organisation.</p>
Training	<p>Companies in the study reported extensively on training and other awareness raising activities. However, while it was clear that training and knowledge sharing was a key part of effective supply chain governance, companies in the focus group were also critical of the marginal value of the continuous use of training.</p> <p>Some companies offered training to suppliers, either directly or in collaboration with existing platforms.</p>



Area	Finding
Grievance and remedy mechanism	<p>Seven of the companies surveyed have a grievance mechanism in place and also confirmed that they monitor whether workers in their supply chain have access to a grievance mechanism. Nine out of the 15 companies made a commitment to provide remedy to workers.</p> <p>Some of the companies that did not confirm the monitoring of workers' access to grievance mechanisms nevertheless recognised the importance of a grievance mechanism being established and are planning to include it in their supplier audits and vendor management/ sustainability programme.</p> <p>Survivors in our workshop highlighted a lack of trust in company-operated helplines and perceived using them as a threat to their job. NGO-operated helplines enjoyed a greater level of trust. Nevertheless, helplines were considered an option of last resort, not a first choice.</p>
Supply chain mapping	<p>A number of approaches to supply chain mapping were identified: individually or through collaborative platforms, based on closeness of relationship or on specific projects or strategic commodities. Only one company made reference to mapping beyond Tier 1 of their supply chain, however. Businesses are also starting to deploy intelligence tools in mapping and assessing their suppliers</p>
Supply chain data and reporting	<p>Companies' ability to collect data on workforce topics varied strongly between topics and companies. For example, data on gender composition of supply chains is rarely collected by the companies studied; 10 out of 15 did not report this data.</p> <p>Companies in the focus group felt that data collection on workforce matters needs to be approached in a collaborative way to avoid supplier reporting fatigue, e.g. by being selective in the questions raised and data gathered. However, despite utilising information-sharing platforms, individual businesses usually had additional, specific information requirements that required additional individual requests to suppliers.</p> <p>Discussions on collaborative data collection are not new, yet progress on harmonizing and sharing information among utilities and industrials companies and with stakeholders is slow, with gaps remaining in data collection at Tier 1 and little being collected beyond Tier 1.</p>



Area	Finding
Supply chain map disclosure	<p>Based on the WDI data, most companies reported that due to the nature and complexity of the work and of their supply chains, and data sensitivities, they do not publicly disclose their supply chain mapping.</p>
Supplier management	<p>WDI data shows that supplier assessments against companies' own commitments to human rights are considered a central part of the onboarding risk assessment process. Most companies simply asked suppliers to sign their sustainability code, or just confirmed that they assess suppliers, but did not disclose any further information on the processes used.</p> <p>Based on the WDI data, companies' approaches to incentivising supplier performance on worker's rights include: rating suppliers on corporate responsibility practices, supplier score cards, risk registers, and desktop and site inspection.</p> <p>If there is a contractual non-compliance by a supplier, a remediation plan is agreed between the supplier and an auditor. However, it is difficult to understand from the WDI data the extent to which workers participate in the design of these remediation plans. In addition, no reference was made to a worker-led, or worker-representing, third party (such as a trade union or NGO) in designing the remediation plans.</p> <p>In the WDI data seven companies did not provide any information on their approach for incentivising supplier performance on workers.</p>
Power imbalances and culture	<p>Based on the WDI data, only seven U&amp;I companies responded to the question on supplier relationship management and some simply defined it as gathering feedback from suppliers. Holding an open dialogue with a supplier (or prospective supplier) on issues such as modern slavery was acknowledged to be difficult, sensitive and dependent on degree of leverage. Participants noted the importance of varied cultural and legal norms around the world and the role they played in facilitating or constraining supplier conversations.</p>
Collaboration	<p>Companies in the study reported a range of kinds of collaboration with other organisations in the sector and with their suppliers, often focused on knowledge dissemination and sometimes undertaken through shared platforms such as Supply Chain Sustainability School. Sometimes, collaboration took the form of working groups with clients and suppliers to address modern slavery.</p> <p>However, there was a lack of collaborative initiatives that directly engaged with workers.</p>

## Recommendations

### Measuring effectiveness

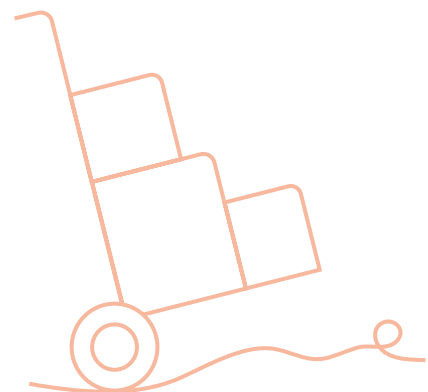
- **Companies:** Bring together modern slavery experts from your sector with relevant stakeholders and workers' organisation to agree on and benchmark progress measures for supply chain governance, including progress towards inclusion of workers and workers' representatives. These progress measures could be categorised as baseline practices, peer achievement, and leading practice.
- **Policymakers:** Encourage sector initiatives for the development of progress measures and harmonized reporting framework. Supply chain sustainability reporting should be mandatory, linked to these progress measures and follow a harmonized reporting framework.

### Action on due diligence

- **Companies:** Link due diligence results to concrete action and interventions.
- **Policymakers:** Mandate modern slavery due diligence and linked action, which would require action on identified risks and impacts, including reporting and ongoing monitoring and improvement of processes.
- **Policymakers:** Support the development of geographically targeted communication materials to enable companies to have meaningful and culture-tailored engagement with suppliers in higher risk geographies.

### Modern slavery in supplier contracts

- **Companies:** Communicate modern slavery expectations in contracts and accompany these expectations with clear commitments on support and remedy that the buyer firm will provide when instances of modern slavery are identified.
- **Policymakers:** Strongly encourage and incentivise buyers to undertake due diligence and failure to act in response to modern slavery risks and/or impacts. Statutory guidance on implementation of obligations under section 54 of the Modern Slavery Act and public procurement legislation could be utilised for this.





## Remediation

- **Companies:** Implement remediation processes in supply chain which include action such as: utilising independent, worker-led grievance mechanisms and remediation assurance; encouraging disclosure of modern slavery instances and reporting on remedy provision; and assurance that active engagement and support for remedy by buyer companies is recognised as a positive activity.
- **Policymakers:** Support engagement platforms that bring together worker-led organisations, civil society and buyers, particularly in areas where modern slavery risks are further away from the buyers.

## Embed modern slavery work across the organisation

- **Companies:** Empower modern slavery specialist functions in the organisation to influence key company decisions on their supply chains and their supplier relationships and mainstream modern slavery as a topic in decisions across relevant corporate functions.
- **Policymakers:** Support empowerment of modern slavery roles in organisations and implementation of modern slavery considerations in everyday and strategic business decisions. Encourage boards and directors to create and annually review an anti-slavery strategy and evidence of action.

## Risk mapping

- **Companies:** Work collaboratively with sector and suppliers to map supply chains and risk areas beyond Tier 1. Support worker-led organisations in high-risk areas to develop supply chain remediation that prioritise workers' protection.
- **Policymakers:** Support due diligence that highlights where in the supply chain modern slavery risks are highest. Encourage supply chain mapping through public contracts and support the setup of sector initiatives to address these risks, even where a contractual link to upstream modern slavery risks is only likely but not trackable.



# MODERN SLAVERY & HUMAN RIGHTS

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The Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) was created by the investment of public funding to enhance understanding of modern slavery and transform the effectiveness of law and policies designed to address it. The Centre funds and co-creates high quality research with a focus on policy impact, and brings together academics, policymakers, businesses, civil society, survivors and the public on a scale not seen before in the UK to collaborate on solving this global challenge.

The Centre is a consortium of six academic organisations led by the Bingham Centre for the Rule of Law and is funded by the Art and Humanities Research Council on behalf of UK Research and Innovation (UKRI).

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