

Modern Slavery Bill

Factsheet: Transparency in Supply Chains etc (Part 6 clause 51)

Minister for Modern Slavery and Organised Crime, Karen Bradley:

“I know how important it is for businesses to play their part in tackling modern slavery. I am committed to working with business to eliminate modern slavery from supply chains. That is why we have included a world-leading disclosure requirement in the Modern Slavery Bill to require all large businesses to disclose what they have done to ensure their supply chains and own business are slavery free.

This measure will harness consumer and investor pressure by giving them clear information about what action businesses are taking and will drive businesses to do more to ensure that they do not unknowingly encourage these heinous crimes.”

Background

In October 2013, the Companies Act was amended so that certain publicly listed companies are now required to produce a strategic report each financial year which must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about 'human rights issues'. This covers modern slavery. The Home Secretary and Karen Bradley, Minister for Modern Slavery and Organised Crime, also met with a number of businesses in June 2014 and the Home Office continues to work with businesses support their efforts to tackle this issue.

Many businesses are already taking action to eliminate modern slavery. However, a range of NGOs, Parliamentarians and businesses have also suggested that a specific disclosure requirement focused on modern slavery would be a non-burdensome way of increasing transparency further and encouraging businesses to take more action. The Government has been considering these representations carefully, to determine if improvements could be made without over-complicating existing arrangements.

What we are going to do

We have introduced a transparency in supply chains clause to the Modern Slavery Bill. This will require businesses above a certain size threshold to disclose each year what they have done to ensure that there is no modern slavery in their supply chains and own business.

This will be a truly world-leading measure. There are similar transparency requirements in California, but they only apply to businesses producing goods for sale, whereas this disclosure will apply regardless of what it supplies, whether goods or services. It will also apply to a wider range of businesses than the Companies Act currently does.

Our intention is that this will apply to larger businesses and we will be consulting on the exact threshold to ensure that the final provision is fair, workable and robust. We will also be producing statutory guidance to accompany this provision, setting out the kinds of information that might be included in a disclosure, so that companies understand and have the support they need to comply. However, this will only be guidance – we will not tell business what a disclosure must include and we fully expect these disclosures to differ from company to company.

The intention is simply that it will require businesses to be transparent about the steps they are taking, so that consumers, campaigners and others can call for more action, if they think it is necessary.

Benefits

- Investors, consumers and campaigners up and down the country will have a better understanding of what action business is taking, and can call for more action if they think it is necessary.
- Once we make it clear what activity major businesses are undertaking, public pressure and competition between businesses will encourage businesses who have not yet taken decisive steps to take action.
- This requirement will give businesses enough flexibility to disclose in a way that is appropriate to their business, and so will secure supply chain transparency without imposing burdens on business.
- It will also give consumers the confidence that they are not inadvertently supporting these terrible crimes.

Q&A

Why don't you specify exactly what companies must disclose?

- We want to ensure that there is flexibility for businesses to make the right choices about how to keep their supply chains slavery free, reflecting the needs of their own business. For example a company which provides services, and is entirely based in the UK, may need to disclose much less than a retailer with manufacturers all over the world. So we do not want to tie all businesses to one standard.
- We think that producing statutory guidance is a more appropriate and effective means of helping businesses to produce effective disclosures. If a business reports that it has done little or nothing, it will look worse than its competitors, and conscientious consumers will leave it behind. We would also expect shareholders to be very worried by a company which said it was not concerned about modern slavery.

Will this create more red tape for businesses?

- No. Companies will be given complete flexibility to decide what steps are appropriate to their business and their suppliers. The only requirement is to disclose what they have done.
- Lots of businesses are already taking important steps to eliminate modern slavery from supply chains and have called for this legislation, as a means of levelling the playing field. Improvements will be driven by the businesses themselves, competing for conscientious consumers, not by heavy-handed regulation.

**Home Office
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