

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

## Research report

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# Introduction

Despite the increasing recognition of the importance of corporate action tackling modern slavery, many organisations face challenges in both prioritising and acting on modern slavery risks. Even where companies are addressing modern slavery issues and risks, their actions are impaired by the limited visibility they have of their supply chains, and the challenges they face when engaging actors in upstream tiers. A better understanding of the link between corporate supply chain governance and its effectiveness is essential. It can help formulating a policy response that promotes better corporate engagement with modern slavery issues through their supply chain governance, and ultimately improve outcomes on modern slavery. It can also provide companies and investors with the practical insights on what is required to make progress against modern slavery in supply chains.

In large companies with thousands of employees and suppliers spread across the globe, supply chain management, which refers to the handling of the entire production flow of a good or service, is a complex task. Modern slavery can occur at any tier, region, and activity in the supply chain. Managing and governing supply chains to prevent and address modern slavery is a challenge for companies. Supply chain governance refers to the rules, structures and processes that guide, control and lead corporate supply chains, including practices relating to how companies construct their supply chains, engage with suppliers, ensure supply chain sustainability, and adhere by human rights and safe workforce practices.

This project investigates the supply chain governance of utilities and industrial (U&I) companies and what their understandings of effective approaches to supply chain governance on modern slavery are.

We address this question by assessing the supply chains governance structures of companies and by exploring their understanding of effectiveness of governance initiatives as tools used to detect, address, and prevent modern slavery. We do this by drawing on data from the Workforce Disclosure Initiative's (WDI) annual survey, a corporate reporting framework founded by responsible investment NGO Share Action in 2016, and through two focus groups conducted with practitioners from WDI participating companies and sector experts. This was complemented by a workshop involving those with lived experience of modern slavery.

While ultimately, effective supply chain governance is ideally demonstrated through the non-occurrence of modern slavery in the supply chain, the current maturity of corporate practice and modern slavery prevalence makes this unlikely. On this basis, proxy factors will be used as our conceptual basis for effectiveness to minimise risks associated with modern slavery. These include visibility of the supply chain and ability to identify modern slavery, and prevalence and impact of practices that improve working conditions in the supply chain.

This report is divided into five main sections: data collection, supply chain governance approaches, limitations of the study, findings and analysis section, followed by conclusions and recommendations.

## Data collection

The study focuses on utilities and industrial (U&I) companies, i.e. gas and electricity suppliers, aerospace, manufacturers of electrical equipment and machinery. We chose to focus particularly on U&I companies because they receive comparatively little coverage in the literature on labour conditions in supply chains despite their multi-tiered, complex and global supply chains.

We draw on four different data sources:

- WDI survey data,
- one focus group with businesses,
- one focus group with modern slavery experts with significant experience,
- and one workshop with survivors of modern slavery.

The WDI survey ran in 2021 and constitutes the main source of analysis in this report. The survey collects data on topics that are most important to decent employment and workplace human rights. The survey provides a thorough and comparative reporting framework which is aligned with various globally recognised reporting frameworks including Dow Jones Sustainability Indices, Global Reporting Initiative, the UN Guiding Principles on Business and Human Rights, and Sustainable Development Goals. The voluntary nature of the WDI survey means that participant companies are those that are willing to be more transparent about workforce policies and practices to a significant group of investors. Most of the data are not publicly available: in 2021, companies that completed the WDI survey made two and a half times as much data available than those which did not. The information shared is particularly important to WDI investor signatories who can then engage in conversation with companies on workforce risks and opportunities. In 2021, 173 of the world's largest companies responded to the WDI survey, with companies coming from a range of sectors in 25 countries around the world.

From the WDI survey, only UK based U&I companies were selected for this study. Most of the 15 companies selected are very large businesses. These businesses reported between 22,700 and 10,000,000 workers across their supply chains, and between 285 and 17,724 suppliers at tier 1, based on their top 10 sourcing locations by procurement spend.

Two focus groups, one with five practitioners from businesses who submitted to the WDI and one with two modern slavery experts from the WDI's group of advisors were organised online throughout the summer of 2022. The WDI facilitated access to participants but did not attend the focus group with business practitioners to remove any potential influence on participants. The voluntary participation in the WDI survey and the focus group indicates that participating businesses had at least one specialist person on modern slavery and were generally more active in tackling modern slavery than other companies in their sector.

The survivor workshop was held at Fircroft College, Birmingham, with 12 participants with lived experiences. All were registered in the college's Free Thinking course for survivors of modern slavery. The survivor workshop was conducted with the purpose of incorporating modern slavery survivors' agency and perspective within the research. Survivor engagement can be valuable and unique source of information, particularly for understanding business dynamic of modern slavery (Crane et al.,2022;LeBaron and Crane, 2019). For our research, empirical data collection with people experiencing potential situations of forced labour was not feasible due to the duration of the project, and the complex and extensive supply chains investigated. We therefore sought to capture survivors' perspectives through the survivor workshop.

The focus groups were transcribed and then analysed; whereas data collection from the workshop relied on taking notes to ensure participants' privacy, which were compared and analysed directly afterwards. All the data were anonymised.

## Supply chain workforce governance approaches

To assess understandings of supply chain governance, the study first reviewed current literature on approaches to supply chain governance to provide a structural framework and contrast for the empirical practice data from focus groups, survey responses, and survivor workshop. The focus groups topic guides and analyses were informed by current literature which questions the effectiveness of buyer-led governance approaches, typically operating independently from other activity. Alternative forms of governance informed by multi-stakeholder collaborations, workers and their representatives are seen as more effective.

The three main governance approaches related to workforce aspects in the supply chain discussed in the literature are:

- “governance defined by power asymmetries” or “buyer-led governance” (relates to the power dynamics, relationships between buyers and suppliers in the supply chain);
- “governance driven by horizontal multi-stakeholder collaborations” (collaboration of various stakeholder at the different nodes of supply chains, including NGOs<sup>1</sup>);
- “worker-driven governance” (engaging and incorporating workers’ perspectives and representatives to advance workers’ rights).

These approaches are not mutually exclusive. Companies may undertake governance activities (e.g. supply chain mapping, auditing, training) under all three approaches, but these activities would be designed differently and display different characteristics.

<b>Supply chain workforce governance approaches</b>	<b>Supply chain governance in the context of modern slavery in academic literature</b>
Governance defined by the power-asymmetries	<ul style="list-style-type: none"> <li>- Incorporating and addressing the relative power of buyers over suppliers (Schleper et al., 2017)</li> <li>- Appreciating that fragmented subcontracting fosters modern slavery practices and is caused by cost pressures on and from lead supplier (Raeworth and Kidder, 2009; Labowitz and Baumann, 2014)</li> <li>- Recognising the power imbalances resulting from the grouping of entities into ‘powerful’ (buyer) and ‘powerless’ (suppliers) (Drebes, 2016) which can create situations that lead to forced labour (Crane et al., 2019)</li> <li>- Constantly monitoring the evolvment of changes in the power imbalances and making adequate changes to the mechanisms in place to address modern slavery practices (Nolan and Bott, 2018)</li> <li>- Acknowledging the importance of power relations and promoting a collaborative and open dialogue approach with suppliers rather than one imposed by buyers or determined by their perception of “what is right” (Brito et al., 2017)</li> </ul>

<sup>1</sup> i Gualandris, J. and Klassen, R.D., 2018. Emerging discourse incubator: Delivering transformational change: aligning supply chains and stakeholders in non-governmental organizations. *Journal of Supply Chain Management*, 54(2), pp.34-48.

<p>Governance driven by horizontal multi-stakeholder collaboration</p>	<ul style="list-style-type: none"> <li>- Developing a multistakeholder approach of supply chain governance (Benstead et al., 2018) that includes NGOs, intermediaries (Soundararajan et al., 2018) and non-business actors (Wilhelm et al., 2020)</li> <li>- Sharing responsibility to addressing modern slavery in supply chain involves horizontal collaboration to expand beyond the dyadic interactions towards an entire network perspective including collaboration between competitors (Miemczyk et al., 2012; Mena and Palazzo, 2012)</li> <li>- Bridging the gap of modern slavery knowledge in supply chain (Benstead et al., 2018) by drawing on the expertise of NGOs who have extensive modern slavery experience</li> <li>- Improving the detection and remediation of modern slavery (Gold et al., 2015) using local expertise and knowledge possessed by NGOs</li> <li>- Allowing a movement away from a top-down approach in organisations (Barrientos and Smith, 2007)</li> <li>- Improving industry social standards including workers' rights by collaborating with NGOs (Huq et al., 2014)</li> <li>- Assisting competing business actors to decouple their commercial and social sustainability agendas (Benstead et al., 2018)</li> </ul>
<p>Worker-driven governance</p>	<ul style="list-style-type: none"> <li>- Recognising and developing the role of workers' perspectives in organisational decisions; this can include an enhanced design of improvement and remediation initiatives (Outhwaite and Martin-Ortega, 2019)</li> <li>- Establishing a workers-led governance that empowers supply chain workers and links them to the supply chain lead firm through a safe and self-governed mechanism which can effectively address conditions that enable modern slavery and systemic pressures in production chains that incentivise exploitation (LeBaron, 2020)</li> <li>- Requires engaging with workers' representatives, promoting a bottom-up remediation approach of the buying firms to develop dialogue with workers and suppliers, and recognising the value of supply chain governance by empowered workers (Reinecke, J. and Donaghey, J., 2021)</li> <li>- Moving away from "a focus on outcome standards achieved through codes of conduct towards process rights that ensure democratic worker participation" (Barrientos and Smith, 2007)</li> </ul>

Supply chain governance covers a range of company activities and themes. Using the WDI survey structure further themes and activities were added from the literature to compile a list of supply chain governance activities and themes related to modern slavery. This list was utilised for focus group interviews and for structuring the findings section:

### **Supply chain governance themes and activities:**

- Freedom of association
- Board level oversight
- Resource allocation to modern slavery
- Responsible sourcing
- Assessing modern slavery risks
- Auditing
- Training
- Grievance and remedy mechanism
- Supply chain mapping
- Supply chain data and reporting
- Supply chain map disclosure
- Supplier management
- Power imbalances and culture
- Collaboration

## Limitations of the study

The responses to the WDI survey are provided voluntarily. Most companies' initial participation is triggered by investors asking for their participation. In some instances, incomplete responses indicate individual companies' fatigue with responding to corporate reporting surveys and/or show that internal data is often not aligned with the requested data for the survey. However, incomplete or absent responses may of course simply show non-action in a particular area. The phrasing and at times open format of the WDI survey questions allowed for strategic ambiguity (Meehan et al. 2021) or impression management (Merkl-Davies and Brennan, 2007). Survey respondents skipped and avoided answering certain questions, which leaves gaps in the data and was not always conducive to systematic analysis. Responses were scored by WDI based on returning a response at all rather than the quality of reporting, which may not reflect effective engagement. However, overall, the answers provided in the survey taken collectively are suggestive of the themes and actions that U&I companies prioritise.

Focus groups with businesses and sector experts also relied on participants voluntarily contributing, which contributes to a positive bias in the sampling. As these participants were drawn from businesses who submit to the WDI survey, it can be assumed that these are generally companies with a higher level of engagement in modern slavery and reporting and who have a specialist or interested person with relevant knowledge in the organisation. For our sector experts focus group labour unions were approached but without yielding a positive response.

Survivors bring a key perspective to modern slavery research. Practical barriers for this study were however the abstract and remote nature of supply chain governance activities and themes. Even inside companies, such activities and knowledge are kept with specialist roles. The availability and recruitment of survivors who have experienced forced labour, have understandings of relatively high-level managerial systems, and ensuring a sufficient supporting system is in place is challenging, even more so for shorter term projects. It would also be considered inappropriate to interview survivors for details of their exploitation experience unless they wish to disclose such information. The forms of exploitation that participants in our survivor workshop had encountered meant that they could not always fully relate their personal situation and experience to the topic of supply chain governance.

A challenge encountered by the research team was the difficulty of involving survivors as researchers on this project further than the workshop. This was due to their legal status which did not allow them to work in the UK or if they did have the right to work, this was restricted to a specific number of sectors, not including research. Although such restrictions do not apply to the entire survivor population in the UK, it did apply to our workshop participants. More generally, there is a need to rethink how survivors in the UK can be engaged in research and access other meaningful forms of paid work while they are waiting for status and immigration assessments.

## Findings and analysis

In this section, we examine the utilities and industrial (U&I) companies' understandings of effective supply chain governance by looking at governance activities and themes identified from the WDI survey and academic literature. The order of activities and themes is no reflection of their importance. As supply chain governance is not strictly defined in scope and will vary hugely in practice, the activities and themes enable a more nuanced analysis of supply chain governance.

### Freedom of association

Freedom of association is essential for workers' ability to exercise their right to decent work. The ILO reports that in 2021, 109 countries impeded the registration of unions, and identified an increased trend in government and business surveillance and intimidation of union leaders and members in other countries; moreover, certain categories of workers such as those from the informal sector, agency and self-employed workers, face challenges in securing freedom of association rights and lack employment protection.<sup>2</sup>

Only a few companies in the survey 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. One company specifically states that they assess suppliers on freedom of association and collective bargaining via a risk assessment platform, and where needed, an independent auditor is used to check suppliers' policies, minutes and speak to workers. Another company explains that they have the "option to request evidence of this [the right to collective bargaining] taking place" beyond tier 1 in their supply chain, although how regularly this evidence is requested and the consequences of potential non-compliance are not stated. One company also refers to pre-contract stage selection of suppliers on the basis of "labour standards", "social responsibility" and other values, but it remains unclear whether the right to unionise and collective bargaining in particular were among these values. Focus group discussions with sector experts pointed out that perhaps "unions are either not particularly aware or well trained in how to deal with this kind of new [modern slavery related issues] beyond collective bargaining and striking". Whereas companies reported to engage with unions for example on grievance mechanisms and unions worldwide have been instrumental in anti-slavery work, unions appear not to be seen as strategic partners for modern slavery engagement in supply chains by businesses. This may reflect industrial relations in the UK and may link to the limiting of anti-slavery initiatives to buyer-led approaches instead of a structural shift in which unions would play a more equitable role as representatives of the entire workforce, including non-unionised and informal workers.

Raising awareness or refreshing suppliers' knowledge of the codes of conduct, issuing due diligence questionnaires, and running site level assessment were also among the answers provided, however, these were not a direct answer to the question of the survey, failing to specifically address freedom of association. In brief, only three out of the 15 selected companies considered supply chain workers' freedom of association and the topic was never mentioned in the workshops we conducted.

### Board level oversight

The most serious topics of risks are usually dealt with at the highest governing level of the organisation. Amongst the workforce-related topics that the WDI survey covers, those with governance legislation and liability are unsurprisingly more likely to be covered by board-level oversight, such as diversity and inclusion, modern slavery, or whistleblowing.

As the companies who complete the WDI survey are predominantly listed companies, many of the given topics - even when governed at board-level - are operationally dealt with at a managerial level below board level, seemingly considered more effectively managed at that level of prioritisation and operational practice. Although it is encouraging that many respondents place

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<sup>2</sup> <https://bhr-navigator.unglobalcompact.org/issues/freedom-of-association/>

responsible sourcing and worker engagement at board level oversight, our focus groups showed that prioritisation of these fell behind in operational practice, indicating an often add-on nature of responsible sourcing instead of being embedded in routine practice. This issue was also raised in the focus group discussion with sector experts, who pointed towards a lack of prioritization of modern slavery issues at the business leadership level *“there’s a sort of real green washing about it and everything’s getting a bit lost in the general ESG message”*.

<b>Work-force related topics</b>	<b>Board-level oversight</b>
Diversity and inclusion	15/15
Forced labour, modern slavery and human rights	15/15
Human Rights	14/15
Worker engagement	14/15
Grievance and whistle blowing	13/15
Occupational therapy	13/15
Responsible sourcing	11/15
Gender and pay equity	11/15
Human Resources	11/15
Training and development	10/15
Wage level/living wage	9/15
Attracting and retaining workforce	8/15
Mental health	6/15

Fewer companies were transparent in their survey responses when asked “How does the company assess and incentivise the performance of those with governance responsibility for workforce matters?”. Out of 15 companies in the study, eight did not directly respond to this question. Among the remaining seven companies, safety records, diversity and employee engagement were the most commonly mentioned themes that were incentivised or included in performance management of those with governance responsibility. Only a few companies referred specifically to decent work, closing pay gaps, mental health and well-being.

Public commitments and publishing modern slavery policies allows workers and stakeholders to hold companies to account. Public commitments and policies usually require approval by a company’s governing body. Although all companies responding to the WDI survey committed at board level to prohibit and identify any form of modern slavery in their operations and supply chains, two responding companies did not commit to respect all internationally recognised human rights in their operations and supply chains. This lack of commitment may either indicate that some companies deal with this topic below board-level or that they cannot or do not want to commit to all human rights in their operations and supply chains.

## Resource allocation to addressing modern slavery

The gap between wide-spread board level oversight and limited or unknown levels of supply chain governance into the supply chain, could be related to the lack of resources and empowerment allocated to the relevant departments. In focus groups with business representatives, some participants flagged up the limited financial resources available and the multiple tasks the department or individual are juggling, and the need to prioritise some over others. One interviewee explained: *“There's only really a handful of people on some of this, and it's not our full-time jobs, it's just one of the things as somebody says in our business on the side of the desk that we just pick up.”* Pinherio et al., (2019) proposed that “beyond the resources needed at the focal firm”, upstream tiers need to be engaged through active collaborative and trust building initiatives. This would require a higher level of resourcing than the level that could be observed, and a mainstream embeddedness of the modern slavery topic in functions that engage with and monitor the supply chain regularly.

The resource constraint towards work against modern slavery in the supply chain was strongly linked to board level oversight focussing on compliance and a sense that once compliance was sufficiently achieved, it was difficult to mobilise further resources within the organisation. In our sample, businesses did not appear to have a positive business case for outperforming other organisations on modern slavery activities or supply chain transparency in a way that businesses with a market focus on an ethically conscious premium and/or a brand premium might have.

Specialists in the businesses also appeared to spend much of their time on sustainability reporting, audit intelligence, and knowledge dissemination through softer internal approaches than other compliance topics (LeBaron and Rühmkorf, 2017), for example no survey response nor focus group participant reported a veto power in supplier selection.

## Responsible sourcing

All companies have provided lengthy answers in the WDI survey on the applicability of responsible sourcing policies and supplier codes of conducts to sub-contractors, third-party and the entire supply chain. Beyond tier 1, however, these policies and codes of conduct are perhaps encouraging or aspirational requirements. There is no reference to how these codes of conduct are being enforced on third parties and cascaded to subcontractors along the supply chain. Only one company reported that “suppliers are expected to cascade the principles down to their own suppliers to ensure the alignment across the entire supply chain”.

In the survey responses, no company reported on the monitoring or verification of delivery on the code of conduct. One business in the focus group acknowledged this. *“It's a really difficult one (...) I'm starting to get people to put the code of conduct on the table, choose a paragraph and say tell me about how you're delivering on this.”* There was a mutual agreement in the focus group that verification of codes of conduct is difficult, *“everyone signs up to it, but is it a living and breathing document?”* Only one of the 15 companies in the WDI survey reports that their supplier code of conduct is “updated annually”.

Based on the WDI survey and interviews conducted, including clauses on modern slavery directly in contracts was rare and companies instead utilised mainly their codes of conduct. Liu et al. (2022) postulate that updating contracts with modern slavery clauses will allow access to sites and facilitate collection of evidence to identify risk better. However, our focus group participants expressed limitations to this power-based approach as suppliers may either refuse such contractual terms or sign up to them without meaning to adhere to them. While inclusion in contracts can act as a strong communication tool and incentive for suppliers to comply with codes of conduct, it can also arguably lead to a less trustful and less transparent relationship with suppliers as the suppliers become fearful of being penalised by the customer for reporting modern slavery instances. As modern slavery responses in the supply chain heavily rely on the active engagement of the supply chain, businesses may experience needing to re-assure suppliers that they will receive support in addressing modern slavery if cases are identified and will not be automatically discontinued. One business participant commented on the complexity of this balance in their supplier relationships:

*“we're trying to find a real balance about using language that says (...) we expect this as a minimum but equally, if you work collaboratively with us and we find that something is not quite right, our first port of call will be to work with you to fix it, rather than to send you out the door and say we're not interested in working with you anymore”.*

One company commented a shift of focus from contractual terms to more collaborative due diligence and transparency activities: *“What we're trying to focus more on now is that once the contracts are awarded at the project initiation levels, we do risk assessment and then trying to get [suppliers] to be transparent, about where are the potential hotspots and put an action plan in place for that piece of project.”.*

## Identifying modern slavery risks

Out of the 15 selected survey respondents, only two companies reported cases indicative of modern slavery. In one of the cases identified, multiple labour non-compliances were reported: the factory failed to define living wage rate, people worked excessive hours, the social insurance provided was insufficient and no occupational health examination was offered, nor were workers provided with the necessary protective equipment. This highlights the overlap of modern slavery with other less severe labour non-compliances. In the second case, a company reported a suspected case of human trafficking which was taken over by corresponding competent authorities. Participants in the focus group raised that their highest modern slavery risks were relatively far away from the company in terms of supply chain tiers or geography and that complaints or reports of modern slavery suspicions therefore may not reach them.

Several companies describe the steps they have taken to conduct due diligence on modern slavery and the focus group participants underlined the clear trend towards modern slavery due diligence and a risk-based approach. Whilst they recognised that these approaches were not perfect, they were perceived as an improvement and an opportunity to address known risks in parts of the supply chain that could not be reached through suppliers. One focus group participant stated that *“It comes back to that point that where is the risk? It's not with me. It's not necessarily with tier 1, it's much further down (...) how do you then ensure where the potential problems are. How do we get into that in terms of that due diligence? Because I can't put in my contracts that tier 1 needs to do it (...) there has to be something else that takes ownership of that as well, otherwise it will just break in the chain.”.* Another participant raised that *“We can't do due diligence on everything (...) So we are going to have to do it on a risk-based approach.”.*

There is a body of literature (Nolan and Bott, 2018; Esoimeme, 2020) that has established that undertaking substantive supply chain due diligence to mitigate identified modern slavery risk(s) is a steppingstone towards responsible supply chain management. One company identified an area of high risk to modern slavery to be third party relationship *“where contractors utilise recruitment agencies and labour brokers for the employment of low skilled personnel”*, others mapped this risk by conducting an assessment activity risk and geographical based risk.

In contrast, when asked about high risk supply chain area products two companies did not answer and one stated that *“There are no identified products, services or raw materials known to be of particular risk with regard to forced labour, modern slavery or human trafficking”*. This contradicts findings of other U&I companies of identified at risk products, services and raw materials, which come from multi-tiered supply chains known for labour exploitation risks. Solar energy panels and lithium-ion batteries supply chains, for example, are known to be at heightened risk of forced labour and child labour, due to supply chain dependence on specific regions that mine key minerals and manufacture these products.<sup>3</sup> Likewise, the construction sector, as a key service provider to utilities companies, is often flagged up for labour irregularities. Therefore, the non-identification of modern slavery risks in some companies may indicate gaps in due diligence efforts rather than a real absence of modern slavery risk.

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<sup>3</sup> <https://www.nottingham.ac.uk/research/beacons-of-excellence/rights-lab/resources/reports-and-briefings/2022/march/the-energy-of-freedom-full-report.pdf>

## Products and services with jurisdictional and industry modern slavery risk identified by WDI survey respondents

smart technology products, solar products, electric vehicle charging and battery technology, garment manufacturers, facilities management services responsible for cleaning, construction and maintenance, chemicals, workwear and protective clothing (PPE), IT hardware and equipment offshore labour and network materials, mechanical, electrical and OT kit, emerging risk in waste management area, solar, batteries and offshore wind

## Auditing

Based on WDI data, audits are extensively reported on as verification tools of suppliers' commitment to codes of conduct, validation of supplier information and management of supplier performance on workers' rights. All companies have made references to various supplier codes of conducts, supplier principles and responsible sourcing principles, as well as clear expectations that business partners, suppliers and their supply chain adhere to them. Good practice includes companies undertaking supplier screening assessment through different tools, platforms and databases such as BvD, Achilles Utilities Vendor Database, independent supply chain sustainability risk platforms, Socially Responsible Supplier database, Dow Jones risk and compliance platforms on sanctions, watch-lists and adverse media reports.

WDI submissions regularly refer to audits for monitoring signatories' adherence to codes of conduct. Companies have referred to different types of audits such as "CSR", "sustainability", "verify", as well as to audits being conducted "remotely" and "on-site". Despite companies reporting visits by "independent auditors" and "external auditors", ongoing and widespread reliance on audits is surprising given the criticism in literature (LeBaron et al., 2017; Ford and Nolan, 2020) and our focus group. Businesses in the focus group flagged concern over the notoriety of certain areas where suppliers maintained double books and off-book manufacturing sites. Ford and Nolan (2020) question the efficacy of social audits for identifying modern slavery in supply chain while LeBaron (2014, p.245) argue that they "not trying to find things out, they're trying to prove that something is not there" which links to a compliance approach raised earlier. According to Liu et al. (2022, p.142), the hidden nature of modern slavery implies that mechanisms such as "supplier self-assessment questionnaires and standard supply audits are not effective in detecting modern slavery risks". A business in the focus group also raised the issue: *"It is actually very, very difficult just to turn up unannounced and open the door and then start asking questions and, (...) typically they are announced a week or two in advance and it's quite easy for those people not to be there". So it's how effective are those types of audits?"*.

The focus group with sector experts too raised the issue of accountability. *"We [companies] are kind of conducting an audit and that's it. If companies don't link the information emerging from the oldest audits to accountability mechanisms, it's kind of essentially pointless"*. Companies in the focus group acknowledged that as a sector, they don't want to go down the audit fatigue route other sectors have experienced. One interviewee stated that *"I think you've got to choose that audit approach in really the right way"*. Paradoxically, while the discussion in the focus group reiterates the limited effectiveness of audits, which is in line with previous research conducted, WDI data show that audits are the most used method to assess supplier performance on human rights commitments. This may be another symptom that compliance considerations dominate the approach to modern slavery and as a result the need to evidence compliance, but also a gap between what specialist individuals identify as best practice and what their organisation's expectations are. Incorporated into the compliance approach is a focus on protecting the organisation rather than prioritising the protection of workers.

Further, audits were most commonly used to conduct general health and safety checks, rather than focusing on modern slavery. For example, one company stated that "Our partner suppliers are subject to Health and Safety audits" while another company referred to blurrier CSR coverage affirming that "CSR audits are carried out as needed to ensure any non-compliance issues are highlighted". Only one of the 15 companies reports that "[The company] reserves the right to conduct audits on their supply chain. [The company] has a work instruction which specifies how to

conduct Modern Slavery audits on suppliers”. Companies in the focus group also expressed concerns over a lack of expertise to conduct modern slavery targeted audits. One company stated “[We] don’t have the expertise in house”. Another company reasoned that “those auditors are very well trained in quality management systems (...) the question then is do they have the skill sets even to have some of the more complex conversations around things like modern slavery and in lots of cases for us, the answer is no”. Similarly, focus group with sector experts raised this; “business-human rights element might be a small part and the auditor might not be that well trained and might not emphasize the business-human rights, so when the management gets the report back, they see the executive summary but there might be a couple of human rights things buried in pages at the back of the report that they don’t see or they don’t ask for”.

A re-allocation of resources to fewer, but more specialist and targeted audits on labour conditions and modern slavery or supporting worker-led initiatives may be more meaningful than a shallower screening of all suppliers. However, such an approach might raise concerns of making the organisation vulnerable if fewer suppliers are audited.

Companies were less transparent when asked to “Describe the process for auditing suppliers including beyond tier 1”. Out of 15 companies, four did not report on this question and among those who provided an answer, there was no reference to auditing beyond tier 1 suppliers. One company in the focus group showed a keen interest in stretching auditing beyond tier 1, but highlighted issues around collaboration: “One of the things that I’m looking at is how do we get access into some of these factories and some of these process plants that are far removed from us. How do we engage with our tier ones down to that level?”. Furthermore, companies shy away from reporting on whether they have made the audit findings public, but one company highlighted the sharing of audits with the utilities industry community<sup>4</sup> through the Achilles platform, which shares sustainability audit outcomes of companies.

## Training

The respondents to the WDI survey and business focus group participants reported heavily on training and other awareness raising activities. Companies offered training targeted at internal staff both for awareness but also specific to professional functions within the organisation, for example for internal ‘Local Heroes’ to identify modern slavery, online training and communication on code of conduct, ethics, sustainability and working with third parties, specialist training for procurement staff, or one-to-one sessions on sustainability. However, whilst it was clear that training and knowledge sharing was an essential activity of effective supply chain governance, companies in our focus group were also critical of the marginal value of the continuous use of training.

*“We did lots of training. Have people understood the training? I don’t know. Have people listened, have they just signed a bit of paper saying I’ve had the training. It’s difficult on both sides in terms of how you’ve really driven that difference.”*

Companies also reported training to their supply chain through workshops for suppliers, or open sessions on spotting the signs and case handling through the sector-wide collaboration Supply Chain Sustainability School. They also shared and strengthened what they perceived to be best practice and provided learning and practice material, for example by developing a responsible labour toolkit, which was made available online to suppliers to build capacity.

## Grievance and remedy mechanism

Seven of the companies surveyed have a grievance mechanism in place and also confirmed that they monitor whether supply chain workers have access to a grievance mechanism. Nine out of the 15 companies made a commitment to provide remedy to workers. It is unclear how companies without a grievance mechanism anticipate learning about remedy relevant instances. The survey did not specify in which form remedy occurs and whether the company supports any remediation costs and no respondents specified remedy details further.

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<sup>4</sup>see <https://www.achilles.com/community/uvdb/>

Academic and grey literature (Sparks et al., 2022; Anna Poller, 2007) has emphasised the significance of businesses facilitating access to effective remedy for workers including compensation, restitution, assurance of non-repetition among others as key towards addressing modern slavery in supply chains. Encouraging responsibility within supply chains, Farbenblum and Beg (2017) argue that for remedies to be effective, they must be designed and enforced such that they minimize cost and risk for the worker while maximizing the benefits of obtaining a remedy. To this end, Bodendorf et al. (2022) propose the joint implementation of a strategy by companies and suppliers to drive efforts towards providing remedy for abuses and prevention of new ones. Empowerment of workers through feedback technology is increasingly recognised as a way to strengthen remediation-oriented approaches.

Some of the companies that did not confirm the monitoring of supply chain workers' access to grievance mechanisms nevertheless recognised the importance of a grievance mechanism being established and are planning for including it in their supplier audits and vendor management/sustainability programme.

The issue of grievance was raised in the focus groups with businesses who pointed out the need to have signage in the native language of workers to enable them to know and access the grievance mechanism, as well as access to whistleblowing. However, other research shows that access to grievance mechanism is insufficient if workers struggle to find alternative employment, feel underqualified and lack opportunities to upskill.<sup>5</sup>

While most companies explained the grievance mechanism through helplines made available to workers and suppliers, workers also need to know how to access these helplines and that they can do so under conditions of anonymity. Survivors in our workshop highlighted a lack of trust into company operated helplines and perceived them as a mechanism for companies to offload their responsibility. This perception underlines the avoidance to address underlying structural causes for modern slavery that are not fixed by operating and advertising a helpline. Survivors also perceived using company helplines as a threat to their job. However, NGO-operated helplines enjoyed a greater level of trust. Nevertheless, helplines were considered an option of last resort, not as a first choice. One participant reported using a helpline but not being taken seriously by the operator.

## Supply chain mapping

Mapping of supply chain has been linked to companies' risk management approach. This is sometimes done 1) by grouping suppliers into categories such as direct and indirect procurement, jurisdictional and industrial risk; 2) on a project-by-project basis where tier 2 mapping is undertaken based on high-risk jurisdiction and industrial risk for countries such as Bangladesh, Cambodia, China and Pakistan; 3) by using databases for tracking suppliers based on spend. 4) by using surveys and cable tendering exercises; 5) by relying on third-party sustainability risk platform and collaborating with other internal stakeholders. Companies in the focus group discussed adopting “a risk-based perspective from an upfront kind of on boarding and risk management perspective, [companies] ask much more questions from bigger suppliers and for suppliers that are registered, as SMEs it's a much smaller and slightly different tailored [approach]” While these practices are in place, only one company mapped both tier 1 and tier 2 suppliers, with no other company making references to tier 2 (the suppliers of the tier 1 suppliers). Those who made references to tier 1 (also often referred to direct suppliers) only, based due diligence on spend, type and location. One company recognised the “gaps in knowledge for parts of our supply chain which typically include suppliers in tier 2” and states the aim to extend mapping in near future to tier 3, which would be achieved by appointing strategic commodity managers. One interviewee in the focus group admitted that even while the business has a well-established plan for tier 1 suppliers, it has little knowledge and awareness of supply chain tiers further upstream in the supply chain. Another company raised the issue that multiple supply chain mapping solution providers are only addressing tier 1 and 2, with nothing beyond. Although utilities operate in a geographically defined environment, focus group participants mentioned that many suppliers have a mobile workforce and that commoditized items and materials in the sector have very long supply chains. Given such

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<sup>5</sup> <https://www.nottingham.ac.uk/research/beacons-of-excellence/rights-lab/resources/reports-and-briefings/2022/june/fashioning-a-beautiful-future.pdf>; <https://www.nottingham.ac.uk/research/beacons-of-excellence/rights-lab/resources/reports-and-briefings/2021/July/Impact-of-Covid-19-on-Romanian-and-Bulgarian-Workers-in-the-UK-Agriculture.pdf>

characteristic surrounding the sector, businesses were finding it difficult to achieve visibility across the supply chain. Although such workforce and supply chain characteristics undoubtedly make effective supply chain governance generally more challenging, it needs to be highlighted that other sectors, for example the food and sportswear sectors, have made more progress on supply chain visibility.

Businesses are also starting to deploy intelligence tools in mapping and assessing their suppliers. One interviewee could not report on the effectiveness of this method because it is just being implemented, but describes it as a cost-effective solution of gathering data and explains how it works: *“We've signed up for what they call negative sentiment analysis, which is, you provide supplier names and addresses and they look on social media and various different platforms and media outlets and various other bits and pieces (...) they're looking to see what is out there from potentially disgruntled ex-employees through to potential legal cases that are ongoing”*. The use of such intelligence tools seems to be still new for many businesses, but it triggered interest in the focus groups and roundtables suggesting it can be expected to become an avenue that will be explored more often by businesses to effectively assess the management of their supply chains. To survivors in our workshop the concept of supply chains and corporate management was abstract and alien, despite being affected by it. Nevertheless, they perceived workers in the upstream supply chain to be ultimately workers of the lead buyer-firm, who therefore should also be held responsible for their working conditions. The perception of the survivors that supply chain workers are essentially workers of the lead buying-firm contrasts with the indirect nature of many supply chain governance activities, where a company may make changes that impact supply chain behaviour further upstream, without a trackable connection from that action to the experience of the change for workers on the ground.

To the survivors in our workshop the more immediate relationship with their direct manager was more relevant and tangible to their experiences of good or bad working conditions than governance activities which were perceived as remote. The inability of workers to identify the lead buying-firm of the supply chain they work for or to assess the impact of supply chain governance activities by the lead buying-firm on their own situation, mirrors similar challenges expressed by the business practitioners in our study.

## Supply chain data and reporting

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 companies, 10 of 15 companies did not report. In our sample, only one company reported implementing a programme aimed at creating a more inclusive supply chain and diverse workforce. Others point out at the limitations of their tools: *“[O]ur response is a rudimentary estimate. Our primary third-party sustainability tool used to engage suppliers does not have functionality that enables us to report on the number of workers in tier 1 of our supply chain”*. The focus group discussion highlighted the lack of capability within the supply chain to map gender composition and the immaturity of the suppliers because “suppliers are just not ready”. Companies also acknowledged the current gaps in supply chain functionality, and 5 out of the 15 businesses reported interest in initiating supply chain reporting tools in the next period ranging from six months to two years by engaging with partners and strategic suppliers.

Companies in the focus groups expressed that data collection on workforce matters needs to be approached in a collaborative way to avoid reporting fatigue. One company pointed out that *“We do not have the data on number of workers in tier 1 of supply chain. We also think this would be a duplicate request going to the supply chain and should be managed in a collaborative way so the supplier only has to provide data once to be shared by multiple clients”*. One interviewee expressed a need to identify key questions - *“questions that really drive value”* - which will then be useful for buyers and suppliers. Similarly, others warn over the importance of being selective in the questions raised and data gathered, *“if you are not careful, you end up with the world's biggest dashboard of KPIs and validating them and verifying them becomes extremely difficult”*. But not everyone perceives these data collection exercises to be useful, stating that *“some of the investor reports as well as some of that questioning [data collection exercises] leads you down the wrong track”*. One interviewee from the focus groups with businesses believed that questionnaires were

too black and white and argued that it is not necessarily the right approach to reporting. The focus group discussion with sector experts too highlighted *“the pressure [reporting] puts on resource is enormous and the problem now is that we’re asked for thousands of data points and we have a variety of indicators with very different weights(,,), in the end there’s so much noise. In such a context it becomes difficult to draw relevant measures and conclusions from such data points.”*

Companies also raised concerns over the plethora of information reporting that was required from both buyers and suppliers. One business empathised with the suppliers’ fatigue stating that overburdening suppliers with a range of questionnaires over different aspects such as carbon pieces, diversity and inclusion. Despite utilising information sharing platforms, individual businesses usually had additional, specific information requirements that required additional individual requests for information to suppliers. Another business explained that new suppliers perceive it to be a kind of on-boarding screening assessment and were hesitant to respond back when companies asked for such data. In the business focus group, a collaborative model was proposed as an ideal solution to address supplier and buyer reporting fatigue, which in the first instance would require a more harmonized reporting approach across the sector and the stakeholders asking for supply chain reporting.

To summarise there is a mutual understanding that data collection needs to be conducted collaboratively via platforms that facilitate better supply chain functionality and minimise reporting fatigue at both ends. However, these discussions are not new, and progress on harmonizing and sharing information among U&I companies and with stakeholders is slow, with gaps remaining in data collection at tier 1 and little being collected beyond tier 1.

## Supply chain map disclosure

Based on the WDI data, companies reported that due to the nature and complexity of the work and supply chains, and data sensitivities, public disclosure of supply chain mapping is not currently undertaken. Only 2 of the 15 companies have referred to public mapping of supply chain in their modern slavery statements. One of the companies mapped 95% of suppliers in tier 1 procurement expenditure, while the other mapped only the most critical area of the company. Other companies did not see a need in going beyond legal requirements: “We believe that at present public disclosure of modern slavery statements meets the needs of our key internal and external stakeholders, and is the most material issue in our supply chain that we’re legally obligated to report on”.

Despite the publication of modern slavery statements by all sampled companies, the WDI data show that companies have been hesitant on the public disclosure of their supply chain maps. Nonetheless, it brings into question the effectiveness of section-54 of MSA in driving transparency of supply chains as highlighted in literature (Stevenson and Cole, 2018). Our findings indicate, most companies in the U&I sector consider publishing a modern slavery statement as sufficient for investor and stakeholders’ relation purposes, without necessarily publicly disclosing the outcome of their supply chain mapping. This aligns with Monciardini et al.’s (2021, p.300) findings of a “formalistic, symbolic and substantive compliance” with modern slavery law in the Food and Tobacco sector which suggests a passive approach towards accepting and complying with regulation and the law.

## Supplier management

WDI data show that supplier assessments against companies’ own commitments to human rights are considered a central part of the onboarding risk assessment process. Practices include supplier due diligence and assessment of their compliance to labour standards and human rights risk as part of the supplier pre-contract and selection process. Assessment approaches and tools such as Potential Suppliers Assessment (PSA) and Supplier Registration System (SRS) are also used by companies to evaluate a supplier’s potential to enter a contract.

Assessment of suppliers in our sampled companies centred largely around the code of conduct and companies generally achieved a comprehensive coverage of tier 1 suppliers. Most companies simply asked suppliers to “sign” the sustainability code, or just confirmed that they assess

suppliers, but did not disclose any further information on the processes used, and one company did not respond at all. Nevertheless, there are some encouraging statistical figures reported on the percentage of new suppliers assessed against company's own human rights commitments: two companies reported the assessment of 100% of their suppliers and one company reported the assessment of 50% of the signatories to procurement codes. There is no specific detail provided on the tier level covered in assessment of suppliers.

The WDI data highlight that suppliers' adherence to the code of conduct is a central part of the onboarding and assessment process. If supplier practices are found unsatisfactory, four of the fifteen companies have clearly stated that they reserve the right to take adequate measures, such as not entering a relationship with suppliers or terminating their business relationship and contract. No company made any reference to working with the supplier to address or implement remedial corrective actions and instead one company reports "[We] instruct the supplier to implement a corrective action plan".

Based on the WDI data, company's approaches for incentivising supplier performance on worker's rights include rating suppliers on corporate responsibility practices, supplier score cards, risk registers, and desktop and site inspection. Further companies referred to audits as a means of achieving supplier performance on issues related to labour rights. One company reported that it allocates a specific percentage of the overall audit score to workers' rights. A second company reported that "Whilst we don't specifically incentivise, if suppliers were deemed not to have met the minimum contractual and legal standards for human rights this could form a breach of contract and we would then be able to take appropriate action which may involve termination of the contract".

In the instance of contractual non-compliance by suppliers, a remediation plan is agreed between suppliers and auditors. However, it is difficult to understand from the WDI data the extent to which workers participate in the design of these remediation plans. Although these are signed by both supplier and auditors, it is unclear how power imbalances are addressed. In addition, no reference was made to a worker-led organisation or worker representing third party in designing the remediation plans such as NGO or unions.

In the WDI data seven companies did not provide any information on their approach for incentivising supplier performance on workers. One other company simply stated that "This [company incentive for supplier performance on worker] is not currently included within the key performance metrics". To summarize, incentives for suppliers' performance on workers' rights are either not reported or are not part of the performance incentives for suppliers. This may be a reflection and at the same time contribute to a perception of modern slavery as a compliance and prevention topic, instead of companies and suppliers incentivising better performance.

## Power imbalances and culture

Based on the WDI data, only seven U&I companies responded to the question on supplier relationship management and some simply defined it as gathering feedback from suppliers. It is also not very clear in the WDI data, how feedback is gathered and some companies state that they "aim" for annual feedback which may suggest it is not a priority routine. Nonetheless, some supplier relationships are underpinned by good examples. For instance, procurement managers are reportedly engaged in maintaining collaborative relationships with suppliers by running suppliers' forums and rolling out questionnaires to key suppliers for feedback opportunity, with the aim of helping them maintain high standards. Maintaining an open dialogue with suppliers was also deemed important in "carry[ing] out due diligence and performance reviews through the life of the contract". One other company also reports that their "suppliers gain more direct contact with specific business units and their managing directors)" which indicates that there is interest to facilitate open and honest discussions with its suppliers. However, maintaining open conversations with suppliers was not always deemed easy. One business explained the difficulty of navigating relationships with suppliers that they don't work closely with: "*We don't know those low tiers [beyond tier 1 and 2] suppliers. We have no relationship with them. And therefore, you know we are coming to them and asking them for a lot of information where we are not a valued client. It's quite difficult to break down those barriers and open those discussions*". This quote also showcases an important feature of the buyer-supplier relationship, where a buyer does not see itself as a "valued client" and hence does not think it has leverage over the supplier. This was

recognised to be particularly sensitive by businesses which are engaging with new suppliers in un-mapped territory or into a new sector, or where buyers are sometimes reliant on a limited number of suppliers and fear that an open dialogue may be perceived as “questioning” suppliers’ practices and hence increases the risk of losing suppliers.

Another company reiterated the same concern, stating that it is difficult to communicate with suppliers who are not based in the UK: *“you have, certainly for us from a global perspective, variance in the requirements, because each country comes with its own legalities and requirements there so it's quite difficult as a client to enforce something that's really irrelevant to a supplier who's you know isn't based in the UK”*. New suppliers may not be fully aware of company standards that are different from norms in their home country, therefore establishing relationships with them can be challenging. One interviewee further explained that open conversations between buyers and suppliers are not helpful in some countries, simply because suppliers are *“too scared”*. An example of this from the focus group is that during the Covid-19 pandemic a businesses’ supplier had a crew that had been on a vessel for 12 months straight and it took the company a long time to have an open conversation with their supplier to solve the situation and allow the crew members to be changed.

It became clear from the WDI data and focus group discussions that companies understand the importance of working collaboratively with suppliers. Companies did not state how they were supporting their suppliers who felt *“scared”* and *“nervy”*; there were, for instance, no references to engaging with suppliers or workers in the design of surveys or supplier visits.

One company highlighted in its submission to the WDI survey the challenge encountered based on the country they operate in. *“A challenge or constriction to this commitment is that in China, workers can only join legal unions rather than forming their own. In these instances, we endeavour to monitor rights carefully and utilise direct worker engagements through remote-worker surveys, to ensure we have the right knowledge to manage the risk and safeguard workers’ rights. We’ll also work directly with trade unions to resolve specific issues and grievances”*. Such challenges are common in countries with lower labour standards, and countries which are led by non-democratic governments who curtail workers’ rights to free speech and unionisation. Being aware of such risks and recognising them is important to enable companies to plan whether they want to continue sourcing products or services from there and if they do under what conditions they are willing to do so and what measures can be put in place to mitigate risks to workers’ rights.

We coded for culture in the focus group data and found the same concerns: *“culturally as well, because you know we have dealings with China, for example, who think it's quite culturally appropriate to treat people in a very different manner to we do. So, how do you challenge something that's not illegal in a country but that is completely unacceptable? I think that's the difficulty for me (...) And then it comes to the point that these countries that you want to go into have all their cultural differences that you have to take into considerations and things that may be acceptable in their country, that they will hope in their hands and say yes and you think we don't want to be involved in that. That's not okay here. But how do you then handle that? Because you know, legally there's not done anything wrong. So then there's a whole conversation about that kind of piece as well. It's yeah, it's really difficult.”* Upholding the higher standards of labour law and following internationally recognised conventions and guidelines (such as ILO’s decent work) offer answers to cultural ambiguities that businesses are struggling with.

*“We have a couple of countries in the world where we know we're going to get 100% of our codes of conducts agreed and signed within weeks of whatever changes we've done and straight away. You're suspicious of that, because actually, [...] for example, when I go to our German suppliers, we'll get lots of questions because they'll have read it, they'll have gone through it, they'll have figured that stuff out and actually I feel more confident in that than in those places where you get radio silence.”*

Businesses highlighted examples of good practice, *“[I]t's trying to be open, isn't it? And it's saying. If we find something, we're not going to shut the door on you, [...] and it's trying to create, especially in other cultures, how do you make that a word to say we will work with you? We're not*

*coming here to try and find things and to catch you out". This is indeed easier when suppliers are willing to engage or allowed to engage, free from states' constraints.*

While culture differences are a real challenge for companies with global supply chains, it can also be abused as a justification for not upholding standards of labour and sustainability. When asked about power imbalances between buyers and suppliers, cultural differences to business conduct and compliance were brought up *"I don't see it as that power [im]balance necessarily. We see more cultural pieces, [...], there are definitely places in the world where culturally people are very keen to sign up to those things so they don't rock the boat, without necessarily fully understanding what they've signed up to or really doing the due diligence that we would expect them to do below that, but I see that more as being very cultural."*

## Collaboration

Companies responding to the WDI survey reported collaboration with their suppliers, clients, industry peers and through sector collaborations. Much of the collaboration activities related to knowledge dissemination, either through direct relationships with other companies or indirectly into their supply chains through for example the Supply Chain Sustainability School. Companies also reported in the survey and in the focus group that they engage with the same initiatives, but also with NGOs and university researchers on obtaining knowledge and intelligence on modern slavery and potential responses, but there was a notable absence of companies reporting engagement with labour unions or other worker-led bodies in the supply chain.

Several companies and focus group participants reported their engagement in establishing management structures, for example establishing working groups with clients or suppliers to enable them to address modern slavery. These activities were usually accompanied by activities to build trust with the suppliers, clients, and other collaborators involved.

The need to educate supply chain partners, both upstream and downstream, and the building of trust to foster meaningful dialogue was strongly echoed by our focus group participants. The initiatives that companies participated in were largely focused on knowledge sharing amongst businesses and less oriented towards direct engagement with workers perspectives or worker-led initiatives. This may be related to the initiatives' need for funding, which would be provided by the participating companies, and therefore utilising a stakeholder governance approach mix with power asymmetries, instead of venturing into worker-led governance approaches. Although companies recognised the existence of power asymmetries and problems arising from them, they were not engaged in structural changes overcoming power asymmetries such as worker-led governance approaches.

## Conclusions and recommendations

Our study, with a pool of actively engaged participants on the topic of modern slavery, showed a clear gap between the worker-led supply chain governance approach to overcome the systemic pressures that foster modern slavery in supply chains, and the power-asymmetries and multi-stakeholder supply chain governance approaches utilised in practice in the U&I sector. Companies' activities were predominantly embedded in a buyer-led approach utilising buyer power, despite a clear awareness of its limitations. Companies focussed on internal governance aspects such as code of conducts, policies and a process-oriented compliance approach, and external governance by interacting with their suppliers, reporting activities and auditing tier 1 suppliers.

Although they engaged with multi-stakeholder initiatives and particularly with industry-collaboration initiatives, they were often focused on training and aligned with a power-asymmetry paradigm by pooling resources and buying-power to jointly improve governance in shared supply chains. Noticeably absent in the study were engagements with workers, unions, or workers-led initiatives in the supply chain. Where companies collected workforce data, it was usually oriented towards collecting data about the suppliers' workers, not from the workers themselves.

The focus groups in our study largely agreed on the limitations of current approaches, particularly the reliance on auditing and often non-harmonized reporting requests. In comparison to the garment sector, the U&I sector benefited from much more stable supply chains. The inability to penetrate these supply chains beyond tier 1 was therefore surprising and further work may be needed to understand whether this is only related to a lack of supply chain mapping resource, informal norms in the sector, or further factors. Moreover, survivor participants in our workshop mirrored this struggle to connect workers in the supply chain to the lead buying-firm. Despite attributing a responsibility for supply chain workers to the lead buying-firm, they perceived corporate supply chain governance activities as abstract and remote, reflecting the struggle to tangibly connect action at one end of the supply chain to workers experiences elsewhere in the supply chain.

Companies undertook many training and knowledge sharing activities with their supply chains, either jointly through multi-stakeholder initiatives, or directly with their suppliers. The effectiveness of such activities in eradicating modern slavery is hard to measure. In the absence of quantitative ways to measure supply chain governance effectiveness from a company perspective, practitioners used a more qualitative judgement on whether engagement with a supplier was meaningful. Although companies reported largely on their code of conduct as a supply chain governance activity, they were also very aware of its limitations and instead favoured supplier relationships with the code of conduct as a 'living and breathing document' instead of a legalistic view.

### Recommendation:

- **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.

Although companies may not be able to quantitatively measure and report the effectiveness of their supply chain governance on modern slavery outcomes, most companies were undertaking due diligence and a risk-based approach already and were generally aware of areas of high risks. However, the identification of these risks did not link to concrete action beyond communication to suppliers. Linking due diligence results to action would ensure that anti-slavery does not stop at the

identification of risks and would support internal mobilisation of required resource and strengthen modern slavery as a consideration in business decisions. Actions based on due diligence may recognise that different areas of the supply chain follow different business cultures and are more or less advanced on modern slavery supply chain governance.

#### Recommendation:

- **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.

Practitioners recognised that codes of conduct and contract language should be accompanied by communication that assures the supplier that disclosure of modern slavery instances was not a penalty risk but would instead trigger support from the buyer to remedy the case and work towards prevention of future cases. Pushing remediation and intervention entirely on upstream suppliers, risks that suppliers do not develop a transparent, problem-solving attitude towards modern slavery. Creating a trusted relationship with the supplier was identified as essential to address modern slavery in the supply chain.

Anti-slavery practitioners struggled to mobilise resources internally once legal compliance was achieved and anti-slavery considerations were often made only after commercial business decisions had already been taken instead of informing the business decision. Linking due diligence to support for remediation and action would create a connection of modern slavery risks to business decisions and take the topic beyond formalistic compliance. The need for undertaking due diligence to inform a risk-based response as a basis for effective supply chain governance was one of the few activities that academic literature, business practitioners and sector experts agreed on in our study.

#### Recommendation:

- **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 and public procurement legislation could be utilised for this.

Grievance mechanisms and remedy were on the agenda of only half of the companies surveyed. These mechanisms need to have independent oversight to be effective. Assurance of case remedy should be monitored by worker-led organisation and not suppliers or auditors. The limited number of modern slavery cases identified by companies also questions the ability and effectiveness of reaching workers in the supply chain. Even where companies identified modern slavery cases, it was unclear how these cases were resolved. Although many companies in our study participated in multi-stakeholder and industry initiatives against modern slavery, workers representatives were usually not part of these, but will be crucial to achieve structural change instead of improvement only within the status quo.

### Recommendation:

- **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.

Although most companies reported board-level oversight of modern slavery, this did not filter into responsibilities and resourcing for more effective action. Modern slavery responses appeared to be concentrated in specialist, siloed roles in the organisation and often largely occupied with reporting, and not sufficiently embedded in other corporate functions and decision-making.

### Recommendation:

- **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.

In the buyer-supplier relationship, an acknowledgement of the relation of power and leverage is important if accompanied by the willingness to use that influence to bring positive change. Emphasis needs to be placed on creating a collaborative culture with suppliers, providing trusted and longer-term relationships to educate and develop improved transparency and assurance of labour rights. This trust building and development must be embedded in the supplier-buyer relationship more widely across operations and procurement and avoid that supply chain governance operates in a silo separated from other company functions.

Hardly any U&I company surveyed maps suppliers beyond tier 1, leaving the rest of the supply chain subject to aspirational behaviour, despite the risks of modern slavery being higher further upstream in their supply chains. Difficulties in mapping the supply chain must also be seen from a workers' perspective, particularly in suppliers further away from the buyer and those that sell to many customers. It is unclear how such workers would know that they are working in the supply chain of the buying company.

### Recommendation:

- **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.

In conclusion, buyer-led governance continues to dominate businesses' discourses despite alternative forms of governance being proposed, with significant reliance on audits and codes of conduct. Collaborations with unions to check and protect supply chain workers' freedom of association were generally absent.

Companies currently focus supply chain governance efforts on policies and reporting, which may be based on a compliance assurance paradigm, rather than conceptualising modern slavery as a topic integrated across company functions. Mapping suppliers beyond tier 1 can benefit a company's ability to anticipate and prevent unexpected supply chain disruptions and enable it to achieve other –including commercial- targets unrelated to modern slavery. Regardless of the type of supply chain management governance adopted, companies need to consider the effectiveness of their tools in reducing the risks of modern slavery from a workers' perspective, which in turn, will also better protect their organisations from risk.

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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.

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