



**TRADE
INTERCHANGE**
Smarter Supplier Management

ARCUS[®]
A Trade Interchange System



**HIDDEN IN PLAIN SIGHT:
TACKLING MODERN SLAVERY IN
THE FOOD AND DRINK SUPPLY
CHAIN**

TRADE INTERCHANGE REPORT: MODERN SLAVERY
*Why the food and drink industry is particularly
vulnerable and how to minimise risk*

WHITE PAPER
NOVEMBER 2018

What is

MODERN SLAVERY?

Slavery in modern times and the importance of engagement

The pressure on businesses to investigate and tackle slavery in their supply chains is increasing. In the UK, the Modern Slavery Act of 2015 means that companies with an annual turnover of £36 million or higher are obliged to set out policies, due diligence and steps that they take to intercept slavery in their supply chains under the Transparency in Supply Chains Provision (TISC) each financial year. While it's unlikely that they would face a penalty for failing to do so, there is a concern of reputational damage and a pressure to set the same standards as competitors. In addition, consumers are becoming more aware and are demanding ethical products, free from harm to animals or humans.

Yet, many consumers and businesses are still unaware of its existence or its extent. Trade Interchange, leading supplier management solutions provider in the food and drink industry, has conducted its own research into modern slavery in the supply chain and it reveals a remarkable lack of awareness or engagement within

the industry, with many businesses unclear on what constitutes slavery in modern times.

Forced labour is the most commonly found form of modern slavery. It is estimated that there are 40.3 million people involved in modern slavery worldwide, with 24.9 million people in forced labour, which includes 4.5 million children. Unfortunately, it's not a problem that is only found overseas – the UK is one of biggest destinations in Europe for trafficked workers. According to the most recent robust study undertaken in 2013, it is estimated there are between 10,000 and 13,000 potential victims of modern slavery in the UK. Police in England and Wales recently recorded 2,255 modern slavery offences in just one year, a 159% increase on the previous year. A recent report (May 2018) by the government's Gangmasters and Labour Abuse Authority (GLAA) assessed the exploitation and abuse of workers in the UK and found that mistreatment is common and widespread.

But what does slavery today look like?

Modern slavery can take many forms: forced labour, human trafficking and debt bondage (when migrants are indebted to recruitment agencies for illegal work-finding fees or travel). It is defined as any kind of forced human exploitation where people are trapped in servitude and cannot leave, and is one of the most upsetting and complicated issues of our time.

2,255

modern slavery offences recorded by police in England and Wales in one year.

While construction, recycling, nail bars and car washes were identified as the top sectors for slavery; agriculture, food packing, warehouse and distribution, garment manufacturing and fishing were also pin-pointed. False self-employment contracts, zero-hours contracts and organised crime groups were all linked to worker abuse. Slavery is in our

everyday consumption and insidious in our mainstream economy. Modern slavery has also been reported in the UK meat and poultry processing industry, British and Irish fishing fleets, the Thai prawn supply chain, the Italian tomato industry, the Assam tea chain and the Spanish horticulture sector.



Modern slavery in the food and drink **SUPPLY CHAIN**

The issues and why acting on human rights is good for business

The food and drink supply chain is particularly vulnerable to the risks of modern slavery – factories, food production, fishing and restaurants can be hot spots for worker abuse. These sectors are higher risk because the labour is mainly transient workers, usually migrants who may not know their rights, whose first language isn't English and who are often paid in cash.

There's another reason: within these sectors there are often long and fragmented global supply chains. Food production is becoming increasingly globalised and some of these food-producing countries have very few practices in place to protect workers.

It is the responsibility of companies to ensure that there is no exploitative labour all the way through their supply chains. There's also a responsibility to keep prices fair. Anti-Slavery International* says: "Company buyers may negotiate such low prices that suppliers are forced to push down the price they pay for materials they need, which can have a knock-on effect on those involved in the

production of raw materials, increasing the likelihood of slavery."

The larger the supply chain, the more difficult it is to police and monitor. A long, multi-tiered global chain of producers, manufacturers, distributors and retailers can make it difficult to monitor labour exploitation. Undeniably, defining what constitutes modern slavery and detecting it in a remote supply chain is extremely challenging for businesses.

While in the UK, there are investigations into slavery, prosecutions are rare. Convictions decreased* by 6% between 2015 and 2017, possibly due to the victim's fear of giving evidence against their abusers and a lack of government resources. A recent report* revealed that the Home Office has no way of knowing if its current strategy on tackling modern slavery is working. "It has taken too long to learn what works in the system, to understand the complexities of the crime and to turn the strategy and the Modern Slavery Act into an effective and co-ordinated approach across government," the report summarised.

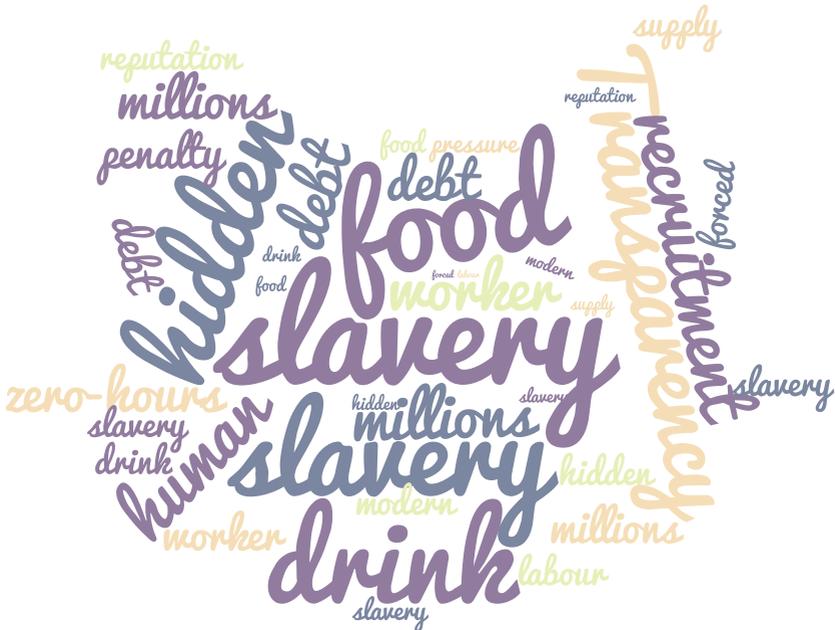
JUST 5%

of respondents believe modern slavery to be the most pressing issue in the supply chain.

But there is much more that companies can do to tackle the problem of labour rights abuses and it's in their interests to do so. Addressing and confronting slavery in the supply chain is good for business – it can retain customer loyalty, build brand reputation and ensure a secure and safe supply chain with low risk. Some businesses that are not legally required to publish an annual report of compliance to the Modern Slavery Act are proactively doing so. As more and more companies engage with human rights, spurred by increased reporting and civic society pressure they create a “race to the top” says a report by the Corporate

Human Rights Benchmark (CHRB)*, a non-profit ranking corporate performance on human rights.

However, many businesses are not taking any investigative action at all. More than a quarter of companies in the CHRB report did not participate in the 2018 benchmark engagements and fewer than half could not demonstrate board level leadership in human rights. A report by the CORE Coalition found that businesses, including food and drink companies, are not properly engaging with the risk of modern slavery in their supply chains. CORE called the level of complacency within many major businesses as “startling”.



Link details from page 5

*Anti-Slavery International - <https://www.antislavery.org/slavery-today/slavery-in-global-supply-chains/>

*Convictions decreased - <https://www.theguardian.com/world/2018/may/08/slaves-working-in-uk-construction-and-car-washes-report-finds>

*recent report - <https://publications.parliament.uk/pa/cm201719/cmselect/cmpublic/886/886.pdf>

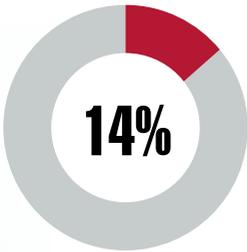
*Corporate Human Rights Benchmark (CHRB) - <https://www.corporatebenchmark.org/sites/default/files/CHRB%202018%20Progress%20Report%20Web%20Final.pdf>



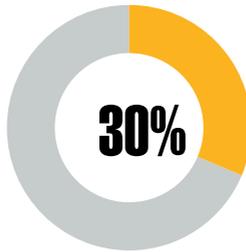
Trade Interchange's report reveals limited engagement with modern-day slavery

New research by Trade Interchange on current issues in supply chains has found that the majority of business have only a vague idea of what modern slavery is. Worryingly, 53% of respondents said they only had "some idea" of what defines modern slavery, while 7% revealed they were "not clear at all".

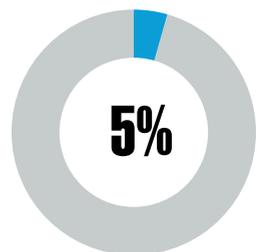
The report, conducted for Trade Interchange by 3Gem, was compiled from 225 interviews with food and drink supply chain managers of mainly UK-based café chains, fast food and full-service restaurants, hotels and pubs, amongst others.



Only 14% of respondents collected and recorded information in relation to the Modern Slavery Act



Only 30% of companies surveyed believe their company should hold information relating to modern slavery



Just 5% of respondents believe modern slavery to be the most pressing issue in the supply chain, well behind allergens, health and safety and sustainability

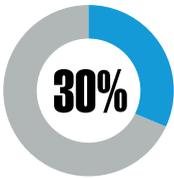


What can be done about modern slavery **IN THE SUPPLY CHAIN**

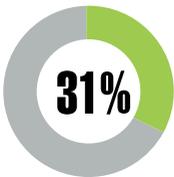
The importance of access to data and how technology can help

Who should comply with the Modern Slavery Act?

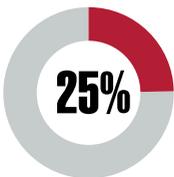
Complying with The Modern Slavery Act is not only a concern for large organisations. SMEs are increasingly discovering that big corporations are refusing to do business with those that cannot prove a transparent supply chain. Many corporations now demand anti-slavery and human trafficking clauses in their supply contracts, which can require compliance and execution of due diligence procedures.



Only 30% of businesses currently audit supplier operations to verify the truth of the supplied information with a combination of remote audits and site visits



31% audit suppliers remotely



25% don't audit supplier operations at all

How can you minimise risk?

Companies should review the links in the supply chains that are most vulnerable to exploitation and put protective strategies in place. These could include:

- Anti-slavery clauses in agreements
- Robust recruitment processes that align themselves with UK law
- A commitment to collaborate closely with suppliers to help them work towards their obligations; a hotline to report suspected cases of modern slavery
- Staff training to increase awareness of what constitutes modern slavery and the signs to look for. UK group, Shiva Hotels has become an industry leader in its current roll-out of an anti-slavery programme with plans to train more than 400 staff members in identifying cases of modern slavery and human trafficking.

Transparency is key here. Businesses should request confirmation from suppliers that their business and supply chains are free from slavery, produce an overview report on the risks, and have a plan to implement when a supplier is found to fall below required standards.

If modern slavery was discovered in the supply chain, 48% of those surveyed would attempt to engage the supplier in question and encourage them to change

their working practices. Continued engagement is the preferred approach as cancelling a contract could force suppliers into more poverty and increase the risk of worker exploitation.

It is clear that a continued reluctance by food and drink businesses to engage and tackle modern slavery in their supply chains will no longer be tolerated by other corporations or consumers – 76% of respondents to the Trade Interchange survey believe that customers are scrutinising supply chains more than ever before. Ensuring against modern slavery is now a critical corporate responsibility and mapping the supply chains to understand the risks and exposure is essential for success and brand reputation.

“No business can confidently say it is ‘slave-free’,” says Monique Villa*, CEO of the philanthropic Thomson Reuters Foundation who established the Stop Slavery Award. “So many goods, commodities and products are tainted, but admitting you’re taking steps to combat the problem counteracts the

potential damage to your brand. The impact is far more damaging when the problem is ignored.”

A solution from Trade Interchange

Trade Interchange currently works with many leading food and drink brands to provide a simple solution to a complex problem. Our cloud based ARCUS® Supplier Information Management (SIM) module provides a central 360° view of supplier information. Suppliers complete tailored questionnaires to collect what businesses need to know, which includes critical information about Modern Slavery Act processes and other legislation issues. In a matter of weeks users can demonstrate that strategies are in place to manage Modern Slavery Act compliance; reduce the burden around managing supplier data and reduce the risk to their brand and reputation. SIM enables procurement professionals to collaborate with technical and quality professionals to ensure suppliers meet both the legal requirements and company policies on modern slavery.

The *Global Slavery Index* 2018 report says

“Government response on imports, public procurement, business supply chains and identifying risk is crucial. G20 countries need to take action to stop sourcing goods and services at risk of being produced by forced labour.”

12 countries not taking action:

Argentina, Australia, Canada, India, Indonesia, Japan, Mexico, Russia, South Africa, Saudi Arabia, South Korea, Turkey

7 countries taking action:

Brazil, China, France, Germany, Italy, United Kingdom, United States

* Monique Villa - <https://www.granthornton.co.uk/insights/modern-slavery-is-everyones-business/>

Trade Interchange's Technology **CAN MAKE ALL THE DIFFERENCE**

Managing Director and Co-founder, Mike Edmunds, explains how Trade Interchange's specialist technology can tackle modern slavery in the supply chain

"The burden on companies to address the issue of modern slavery within their supply chains is considerable – not only to comply with regulations but to satisfy their customers, watchdog groups, business competitors and shareholders. Risk management for better business practice should be part of any socially responsible business. But often, the task of compiling information to provide an overview of risk and vulnerability within the supply chain is an onerous task.

Specialist software such as Trade Interchange's ARCUS® Supplier Information Management (SIM) module exists to ease the administrative burden and minimise human error. It uses a cloud based system to store all supplier information in a central location, providing remote access and making it easy to manage complex information from suppliers relating to human rights and The Modern Slavery Act.

Through automating supplier information,

organisations are freed from the arduous task of manually checking what can be vast numbers of documents. SIM automatically sends out reminders to suppliers when additional documentation is required, alerting them in turn if this doesn't occur.

Our solutions support both procurement professionals and those working in the quality and technical fields. By enabling a less siloed approach, those we work with find their systems are more efficient – saving money and improving processes over the long term.

Trade Interchange's (SIM) module makes it easier for companies to open up the complexities of supply chains to scrutiny and so report on, monitor and take action on labour rights abuses. In doing so, companies are rewarded with a reputation for ethical practices. Moreover, when those awkward questions about working practices and suppliers are asked, they are ready with a clear answer.

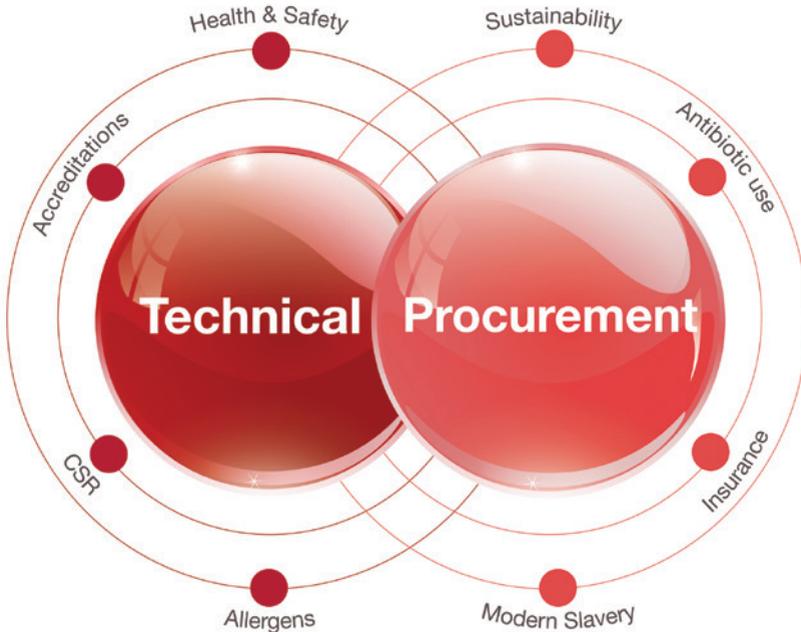
Did you know?

Domino's, TGI Fridays, PizzaExpress, Pizza Hut, The Restaurant Group, Sodexo and Whitbread are just some of the companies using Trade Interchange's SIM to manage supply chain risks such as modern slavery.

About Trade Interchange

At Trade Interchange, we help organisations reduce the costs, risks and complexities associated with managing a large amount of supplier information.

Our solutions support a range of supplier management activities: from initial tenders and supplier information management, through to supplier contract and performance management



Food and drink companies now have specialist functionality in SIM, made up of industry specific plug-ins which revolutionise how users manage the associated risks. The plug-ins can be deployed to evaluate and approve deeper levels of information at a product and manufacturing site level, as well as site audit capabilities

Now, more than ever before, departments can share one true vision over their supplier universe



TRADE INTERCHANGE

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SIM

Supplier Information Management

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