Cooley

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Larger businesses will soon be required to prepare an annual, public-facing, slavery and human trafficking statement under new requirements imposed by the Modern Slavery Act 2015. This obligation is commonly referred to as the "Transparency Requirement".

Although the Act does not impose a requirement on businesses to directly specify any instances of human trafficking or slavery a business uncovers in its supply chain its significance should not be understated. The increased requirements around transparency of businesses' internal processes could lead to much greater shareholder pressure and media scrutiny. With this in mind, notwithstanding the lack of a direct requirement to address slavery/trafficking issues uncovered or make specific disclosures about such instances which are discovered, the impact of the Act should be taken seriously.

Most businesses today have extensive social responsibility programmes, so preparing for the Act may simply be a matter of revising, improving or codifying existing internal processes. However, the negative PR is self-evident for a business in a high risk area such as electronics manufacture or fashion that openly states that it that it takes no formal steps to monitor and prevent any instances of slavery in its business operations and supply chain.

# Transparency Requirement

### What is the Transparency Requirement?

It requires businesses to prepare a statement for each financial year either:

- outlining the steps that it has taken during a financial year to ensure neither slavery nor human trafficking is taking place:

i) in any of its supply chains; *and*
ii) in any part of its own business, *or*

- stating that the business has taken no such steps.

### To whom does the Transparency Requirement apply?

The Transparency Requirement will apply to businesses who:

(a) supply goods and services;
(b) carry on business or part of a business in the UK; *and*
(c) whose total turnover is not less than a specified amount likely to be £36 million.

Although the precise amount is yet to be specified for (c), the common belief is that it is likely to be set at £36 million. One area yet to be specified is whether the turnover criterion will be judged against individual entities alone or their wider groups. However, the wording of the Government's paper summarising consultation responses (published 29 July 2015) and the approach taken in similar compliance regulations suggests that the threshold could well be set against the turnover of an entity's wider group.

### Signing and publishing the transparency statement

Once approved and signed off by the relevant authorised representative (specified in the Act), the transparency statement must be published on the business' website with a prominent link from its homepage. If the business has no website, then a copy needs to be provided within 30 days of a written request to see it.

# Getting ready for the Transparency Requirement

### How to prepare?

- Develop policies on how your business deals with slavery and human trafficking both within your organisation and your supply chains.
- Try to ensure your upstream distributors undertake their compliance with your slavery and human trafficking policies in your distribution contracts with them.
- Provide training to staff members – particularly those involved in distributor and vendor negotiations.
- Conduct regular audits of your supply chains – including any subcontractors. To the extent that any key risk areas or suppliers arise – targeted reviews should be conducted.

### Impact on smaller businesses

It is important to note that although the Act specifically refers to "large" businesses, smaller businesses upstream in the supply chain should not simply ignore it. As part of the supply chain of organisations subject to the Transparency Requirement, such smaller companies are also likely to be subject to increased commercial scrutiny. Accordingly, it would be prudent for even smaller businesses to follow the preparatory steps outlined above.

In addition to the recommended steps outlined above, government guidance on how best businesses can comply with, and prepare for, the incoming Transparency Requirement is expected in the near future. We will continue to monitor the impact of the Act on UK businesses, its implementation and this area generally.

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# Key Contacts



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