

# boardinsight:

## **Government issues Guidance on reporting on Modern Slavery**

The Government has issued Guidance on the reporting requirement under the Modern Slavery Act covering what needs to be reported and when.

### ***Which organisations must report under the Act?***

The reporting requirement applies to 'commercial organisations' carrying on business in the UK (wherever they are incorporated) which supply goods or services and have a total turnover of £36 million or more. This relates to the global turnover of the organisation and its subsidiaries, in other words not simply to UK turnover. The Guidance recommends that if an organisation begins to report annually and its turnover then falls below £36 million it should continue to report voluntarily. A 'commercial organisation' may be a company, partnership or firm.

The Guidance states that in assessing whether an organisation is 'carrying on business in the UK' a common sense approach should be followed. It says that merely having a UK subsidiary does not necessarily mean that the company will be caught by the requirement as a subsidiary may act independently of its parent.

Each parent company and subsidiary which meet these requirements must publish a statement. A parent company may produce one statement which its subsidiaries can also use, provided it covers the steps the subsidiaries have taken.

If a parent company has a foreign subsidiary which is part of its supply chain or its own business, the parent company's statement should cover steps taken in that subsidiary. Covering other non-UK subsidiaries in a parent company's statement or getting such subsidiaries to produce their own statement will be seen by the government as good practice and is highly recommended in the Guidance, especially where the subsidiary is in a high-risk industry or location.

### ***When and where should the statement be made?***

The reporting requirement applies for financial years ending on or after 31 March 2016. The statement must be published as soon as reasonably practicable after the year end and organisations are encouraged to report within 6 months of the end of the company's financial year. When an organisation begins to report, if it only began activity to combat human slavery and trafficking when the requirement for this commenced in October 2015, ie part way through the financial year, the Guidance says that it should state this.

The statement must be approved by the board and signed by a director (or equivalent senior person). If the organisation has a website the statement must be published on it with a link in a prominent place on that website's homepage. The Guidance says that this may mean the link is visible on the

home page or from an obvious drop-down menu on that page. It recommends a link such as 'Modern Slavery Act Transparency Statement.'

If the organisation has more than one website the Guidance says that the statement should be published on the website which is most appropriate to the organisation's operations in the UK.

If the organisation does not have a website a copy of the statement must be provided to anyone who makes a written request within thirty days of receipt of that request.

Failure to publish a statement on slavery and human trafficking could lead to an unlimited fine.

### ***What information should the statement contain?***

The statement must cover the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its own business (or a statement that the organisation has taken no such steps).

The Modern Slavery Act is not prescriptive about the format of the statement but says that it may include information about

- the organisation's structure, its business and its supply chains
- its policies in relation to slavery and human trafficking
- its due diligence processes in relation to slavery and human trafficking in its business and supply chains
- the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place and the steps it has taken to assess and manage that risk
- its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate
- the training about slavery and human trafficking available to its staff

It is not compulsory for an organisation to include these points in its statement, except in so far as these reflect the actual steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in their supply chains or own business. These points provide guidance and examples as to the type of information to include.

The Guidance says that a statement should be succinct and in plain English. It may refer to or link to other relevant documents.

The government expects organisations to build on their statements year on year and for the statements to evolve and improve over time. It hopes that transparency will drive up standards. It says that it will be for stakeholders to challenge organisations if they feel that insufficient steps have been taken.

### ***What should be done if the organisation uncovers an incidence of slavery or trafficking in the UK?***

Part 9 of the Guidance covers this. The matter should be reported promptly to the police.

There is a Modern Slavery Helpline which anyone who thinks they may have come across an instance of modern slavery or who may be a victim themselves may call for more information and guidance on what to do. The Guidance recommends that companies should draw the attention of their staff to this as part of their training.

### ***Other useful information in the Guidance***

The Guidance contains useful material concerning good practice on due diligence and on assessing and managing risk, as well as a number of case studies.

### ***What organisations should be doing now to prepare for the reporting requirement***

Preparation for the requirement will vary according to the type, size and scope of an organisation but the following general points can be applied to all as a base to start from

- Ascertain whether your organisation is subject to the reporting requirement and specifically which parts of the organisation ie which subsidiaries.
- Be clear on when you need to make your first statement (eg for December year end organisations this will be will be within 6 months of the year ended 31 December 2016)
- Read the government Guidance and brief the board
- Agree who will be responsible for the new requirements in your organisation

Follow this up with

- Risk assessments of the areas of your business and supply chain that are at risk of slavery and human trafficking
- Establish what steps need to be taken to combat the risk of slavery and trafficking and roll these out
- Establish internal reporting procedures to capture information on the steps taken
- Agree a policy on Modern Slavery and Human Trafficking
- Specify the responsibilities of internal audit, the audit committee and board
- Roll out staff training on slavery and trafficking and make any necessary changes to HR policies and procedures
- Consider what form your statement(s) will take and the possible link to the Strategic Report and other reporting eg on CSR

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/471996/Transparency\\_in\\_Supply\\_Chains\\_etc\\_A\\_practical\\_guide\\_final\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/471996/Transparency_in_Supply_Chains_etc_A_practical_guide_final_.pdf)

**For more information or to discuss how these issues might affect your board please contact  
Julia Casson**

[juliacasson@boardinsight.co.uk](mailto:juliacasson@boardinsight.co.uk)

Tel: 0844 5446985

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