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# Supply Chain Transparency

June 2016



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## Introduction

The Modern Slavery Act (2015) obliges all organisations, including universities, whose annual turnover exceeds £36 million, to produce an annual statement that describes the steps they have taken to ensure there is no modern slavery in their own business and their supply chains. If no such steps have been taken, then the annual statement must make this clear. The annual statement applies from the financial year ended 31 July 2016 onwards. The statement must be included on institutions' websites, and must have a prominent link from the home page.

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## Defining Modern Slavery

Modern Slavery in the context of the 2015 Act includes slavery, servitude and forced or compulsory labour; and human trafficking. The Home Office guidance acknowledges that modern slavery can be difficult to identify. It is not always clear at what point, for example, poor working practices and lack of health and safety awareness cross into instances of human trafficking, slavery or forced labour. Indeed it is notable that although many recent publications suggest that there are 30 million victims of modern slavery worldwide, the most recent data suggests that the real figure could be closer to 45 million people.

The test may be whether the employee can leave freely and easily without threat to themselves or their family. The *Tackling Modern Slavery in Supply Chains* publication by the Walk Free Foundation highlights warning signs such as the withholding of workers' passports; significant recruitment fees incurred by new workers, potentially tied to loans with prohibitive interest rates; and compulsory use of employer or agent accommodation with limited freedom to come and go.

The Home Office guidance argues that, rather than focusing on precise definitions, businesses have a moral duty to influence and incentivise continuous improvements in supply chains and a responsibility to ensure that workers are not being exploited, that they are safe, and that relevant employment (include wages and working hours), health and safety and human rights laws and international standards are adhered to, including freedom of movement and communications.

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## The Annual Statement

The Act does not prescribe the structure and content of annual statements in detail. The only absolute requirements are that a statement must be made; that it must be an accurate description of the steps that have been taken to identify modern slavery in the organisation and its supply chain; and that the statement be prominent on the organisation's website.



An organisation could choose to argue that there is a rationale for not taking steps to assess the risk of modern slavery in its supply chain – however this approach is unlikely to impress prospective students; funders; or business partners.

Home Office guidance suggests that annual statements might include descriptions of:

- a. the organisation's structure, its business and its supply chains;
- b. organisational policies in relation to slavery and human trafficking (without repeating the policies in full);
- c. due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- d. the parts of the business and supply chains where there is a risk of slavery and human trafficking, and the steps taken to assess and manage that risk;
- e. 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; and
- f. the training and capacity building about slavery and human trafficking available to its staff.

Statements must be signed off by the governing body.

For 2016, we anticipate that many universities may only be able to comment on their most significant suppliers and that statements will describe plans and proposed approaches that will allow institutions work towards a full understanding of their supply chains.

## Risk Areas

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Clearly it is difficult to be categoric about where modern slavery risks may be greatest. Here are some of the areas where we suggest particular care may be needed:

- Food ingredients – even where catering provision may be outsourced, universities are at least indirect purchasers of significant amounts of food. There have been established cases of modern slavery in food production both in the UK and overseas. Understanding where raw ingredients have originated from, and under what conditions, and the subsequent processing steps that these ingredients have passed through is essential.
- Technology is an extremely difficult but very significant area for universities. It can be difficult to establish the sources and history of minerals and components that make up computers and mobile phones. Manufacturing practices may also be open to question – but obtaining information and being able to differentiate between different manufacturers is undoubtedly challenging.
- Agency workers may be used in many ways. Catering, facilities and administrative tasks may be outsourced. Contractors on capital projects may employ staff directly or indirectly sourced through a range of complex approaches. It is important to gain assurance that the employment terms of all staff, however employed, are acceptable.



- Textiles may account for a relatively low level of expenditure in universities, but clothing has had a reputation as a commodity that is particularly prone to poor labour conditions. Most institutions have some expenditure on uniforms and protective clothing and it should prove relatively straightforward to verify the conditions under which purchased clothing has been produced.

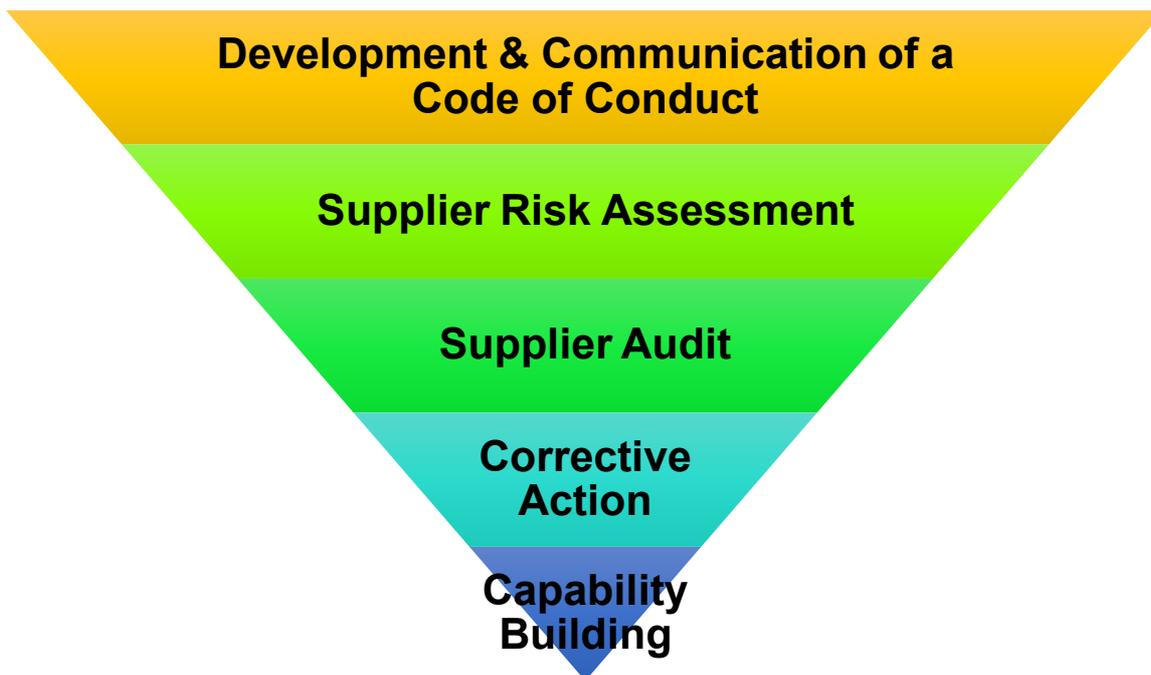
The more tiers that exist in the supply chain, and the greater the complexity of the chain, the greater the challenge that institutions face to ensure that modern slavery is not taking place.

Institutions need to reflect on the extent to which they measure procurement success in price and quality terms or whether appropriate focus is also given to the transparency and ethics underpinning supply chains.

## Evaluating and Managing Risk

There are several freely available toolkits to help universities establish suitable control frameworks and evaluate supplier risks. We found the aforementioned *Tackling Modern Slavery in Supply Chains* publication by the Walk Free Foundation particularly user friendly and comprehensive, however, there are other options including the OECD Guidance for Multi-National Enterprises. Working through any one of these toolkits should allow universities to suitably underpin their annual statements.

Broadly the steps taken should include:



## Purchasing Consortia and Procurement Practices – An Opportunity?

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The potential benefits of purchasing consortia are well understood and most universities already have well-established relationships with their regional consortium. Consortia have already moved to provide training and assessment toolkits to help universities comply with the Modern Slavery Act and some purchasing consortia, recognising the expenditure that they facilitate on behalf of their member universities, already have modern slavery statements on their own websites.

While individual institutions, whose annual turnover exceeds £36 million, will be responsible for their own annual statements, there is potentially an enormous opportunity for institutions and consortia to pool their efforts to investigate supply chains and in doing so to use their combined purchasing power to exert influence on suppliers, where needed, to provide transparent information about their own supply chains and to improve working conditions for their staff. Technology is one area where collaborative effort will be essential to achieve leverage and it is encouraging to note that sector purchasing consortia have begun to engage with supplier ethics in this sector.

It is also timely for universities to remind their own staff that the Modern Slavery Act creates a further legal and moral imperative to ensure expenditure is routed via approved suppliers only and to ensure that professional procurement advice is sought, and ethical dimensions considered, for expenditure that falls outside of existing contracts.

## How Uniac can Help

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We can provide Boards with independent assurance to support their sign-off of annual statements. We can also support procurement specialists in their assessment of the supply chain – through benchmarking with other institutions and validation of risk and supplier assessments.

To discuss this further, please contact us.



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