

Is Your Company Doing Enough to Prevent Human Trafficking and Modern Slavery?

Introduction

In today's world, the terrible problem of human trafficking and modern slavery continues to exist within global supply chains across many industries, from technology to manufacturing. As more people become aware of this issue, and countries have important observances like National Human Trafficking Prevention Month, organizations are being held more responsible for either allowing this crisis to happen or working to stop it.

Governments around the world are making tougher laws like the U.S. Trafficking Victims Protection Act and the UK's Modern Slavery Act. These laws emphasize the urgent need for companies to follow ethical labor practices and comply with regulations. Companies face not only legal requirements but also potential severe damage to their reputation if they are found to be involved in these practices. By increasing oversight of their supply chains and providing comprehensive training and compliance programs, businesses can protect their operations and also contribute to the broader effort to create a more fair and ethical global economy.

In this modern era of increased accountability, organizations must embrace transparency, take responsibility, and fully commit to upholding human rights. Only through dedicated and coordinated efforts can we dismantle the machinery of exploitation and create a future where every individual's dignity is upheld and protected.



Human Trafficking: Breaking the Chain of Control

In the fight against human trafficking, organizations have a critical role to play. Whether it is empowering employees, working with suppliers, or engaging customers, organizations have the ability to make a serious impact on this global human rights crisis.

It's hard to comprehend that there are now twice as many people enslaved in the world as there were in the 350 years of the transatlantic slave trade. According to some researchers, the average modern slave is bought for just \$90 USD – compare this to 200 years ago where the average slave was sold for a price tag that equates to \$40,000 USD today. As a bit of perspective, humans are being bought and sold for the average price of a monthly cell phone bill.

Though now universally illegal, slavery does still exist and is happening every hour of the day, affecting some [40 million](#) men, women, and children. Many of these victims are trafficked, stripped of their foundational values and structures of civilization, and plunged into one of the largest and fastest-growing organized clandestine criminal enterprises on earth. Slavery represents a [\\$150 billion](#) empire that thrives on the exploitation of the desperate and impoverished.

It is an empire that bridges failed states with weak or no institutions and stricken economies to the advanced high-income post-industrial democracies. As former U.S. Secretary of State John Kerry once:

“Wherever we find poverty and lack of opportunity... we find not just vulnerability to trafficking, but zones of impunity where traffickers can prey on their victims.”

John Kerry

Former U.S. Secretary of State

From factories and fisheries to brothels and migrant camps, modern slavery touches our daily lives and continues to work its way into global supply chains, where some of the goods and services that we purchase every day may be tainted by the blood and sweat of forced labor.

The buck stops here

Through extensive media interest and increasing levels of scrutiny by consumers, organizations have seen the reputational and financial implications for business grow, as a result of ties to modern slavery, human trafficking, or child labor. Regardless of whether they are legally obligated to or not, corporations should constantly be assessing and identifying slavery and trafficking risks across their operations and within their supply chains. These risks include consumer backlash and potential shareholder divestment, among others.

When it comes to supply chains and reputational risk, cast your mind back to the 1990s, where a global sportswear giant was plagued with reports that it was employing child labor under sweatshop conditions within its supply chain. The company's image was tarnished and its bottom line sales took a nosedive. It was then forced to spend the next decade cleaning up its act to hold on to consumers.

This murky world of modern slaves in supply chains is an abuse of human rights in the pursuit of profits. Organizations have a duty not to indulge or tolerate it, whether deliberately or recklessly. This isn't charity or philanthropy; it is how an organization should run its core business.

By tackling modern slavery head-on, companies have an opportunity to demonstrate leadership in responsible business practices that can translate into more resilient and transparent supply chains and increased brand equity.

Tackling the weak links in supply chains

From [cosmetics](#), clothes, [shrimp](#) and [smartphones](#), supply chains are incredibly complex, often with multiple layers spanning several countries. This alone makes it challenging to pinpoint and tackle exploitation, which is why detecting and eliminating modern slavery from a global supply chain is no small task.

Organizations need to first evaluate the effectiveness of their existing supply chain management systems and leverage technology and partnerships to connect those in sectors at risk with relevant stakeholders along the supply chain. Employee training is also a key component to tackle modern slavery for it is a clandestine crime. Being able to spot the signs is critical to ensure an organization's supply chain is slave-free.

Such actions will be challenging for organizations given the pressure on driving costs down and the complex nature of supply chains. However, they should see this as an opportunity to get ahead of the issue, taking the time to invest in supplier relationships, increase transparency, and work toward building more resilient and ethical supply chains.

What to Know About Human Trafficking Prevention

January is National Human Trafficking Prevention Month—a time to recognize the efforts of governments, businesses and citizens to raise awareness about the rising tide of human trafficking around the world.

Did you know there are an estimated 24.9 million people trapped in human trafficking, according to the [2022 Trafficking in Persons Report?](#) Another study, [Global Estimates of Modern Slavery](#), released by Walk Free, the International Labour Organisation (ILO), and the International Organization for Migration (IOM) estimates that nearly 50 million people are living in modern slavery, due in part to recent crises like the coronavirus pandemic, international conflicts and climate change.

Often used interchangeably, the terms “human trafficking,” “trafficking in persons,” and “modern slavery” all refer to crimes where traffickers exploit and profit at the expense of adults or children by forcing them to perform labor or engage in commercial sex. They lure victims and exploit them through physical, financial and/or psychological means.

Regulatory Action to Combat Slavery and Human Trafficking

Several countries are working to prevent human rights abuses by passing and implementing anti-trafficking laws. For example, there are now 178 parties to the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons (the UN TIP Protocol), which aims to prevent and combat trafficking, protect and assist victims and promote cooperation between governments.

The United States enacted the [Trafficking Victims Protection Act \(TVPA\)](#) more than 20 years ago, and more recently launched the [U.S. National Action Plan to Combat Human Trafficking](#), which includes measures to strengthen the prosecution of traffickers, enhances victim protection, and prevents these crimes from occurring within U.S. borders and abroad.

Targeting a specific region of concern, late in 2022, the [U.S. Congress passed the Uyghur Forced Labor Prevention Act \(UFLPA\)](#), which prohibits U.S. imports of any items mined, produced or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region (XUAR) of China, or by persons working with the XUAR government for the purposes of the Chinese “poverty alleviation” or “pairing-assistance” programs. It goes into effect mid-2023.

The United Kingdom’s [Modern Slavery Act](#) gives law enforcement tools to fight modern slavery, including an independent anti-slavery commissioner, along with severe punishments for perpetrators and enhanced support and protection for victims. The Canadian government has proposed a [Modern Slavery Act](#), which requires organizations to issue a public report on corporate structure, supply chains and efforts to fight forced labor and child labor. In Europe, the European Commission recently published a [proposal](#) for a law that will prohibit products made with forced labor from being sold in, imported to, or exported from, the EU.

Effective January 1, 2023, the [German Supply Chain Act](#) includes a range of due diligence obligations aimed at reducing human rights risks in global supply chains. And, in response to the Russian invasion of Ukraine, the EU adopted an [anti-trafficking plan for Ukraine](#), which includes emergency 24-hour helplines for potential victims, awareness material at border checkpoints and registration centers, and a dedicated EU website for refugees.



How to Ensure Your Organization Is Compliant

“Organizations need to step up efforts to help end human trafficking and modern slavery, not only in support of basic human rights, but as an urgent matter of compliance. As anti-human trafficking legislation increases around the world, taking steps to build awareness, and implementing effective training programs and reporting should be on every organization’s radar.”

Christine Brown,
VP Learning Product, SAI360

We know that monitoring compliance can be challenging, and the recent wave of anti-human trafficking legislation makes it even more so, particularly when it comes to ensuring compliance of third parties. Beyond the incalculable reputational risk of finding companies in your supply chain that may be exploiting workers, your organization may incur significant fines and supply chain disruptions.

Here are a few steps your organization can take to protect your brand and ensure compliance with anti-human trafficking regulations:*

- Develop a code of conduct for third-party suppliers that covers modern slavery and includes clear compliance requirements
- Create risk assessment processes to identify human trafficking or suspicions of human trafficking
- Train staff to spot the signs of human trafficking and how to report it
- Ensure grievance and whistleblowing mechanisms are in place
- Communicate clear lines of compliance responsibility
- Provide thorough documentation and reporting if/when this activity is found or suspected
- Regularly review and assess supply chain risks

**Note that in Germany, the Supply Chain Act includes specific due diligence requirements, described here.*

Be Part of the Solution

Since 2010, U.S. presidents have declared each January “National Slavery and Human Trafficking Prevention Month” to raise awareness of the issue. You too can help raise awareness by referencing and sharing these tools:

- [Understanding Human Trafficking](#) (U.S. Department of State)
- [Spot the Signs of Human Trafficking](#) (Hope for Justice)
- Human Trafficking Hotline in the [US](#) and in the [European Union](#)

The Ongoing Fight to Prevent Modern Slavery in a Global Supply Chain

The COVID-19 pandemic and its rolling lockdowns could have driven modern slavery further underground.

Instead, organizations are increasingly focused on maintaining an ethical global supply chain that's tied to meeting ESG goals.

Despite the many challenges of managing global supply chains through our modern pandemic, attention is still focused on the problem of human trafficking and how to ensure [modern slavery](#) isn't supporting the global goods pipeline. Citing a 2017 estimate by the International Labour Organization, the most recent data available, the [Human Trafficking Institute](#) says an estimated 20.1 million people are victims of forced labor; the McCain institute puts the number at 25 million.

As we noted two years ago, [modern slavery doesn't stop for a pandemic](#). In 2020, Australia was putting companies under the spotlight to ensure they were meeting the risk management framework and reporting obligations of the country's [Modern Slavery Act of 2018](#).

Measures to prevent modern slavery can encompass everything from company policy, such as a Supplier Code of Conduct that provides a basis for [reviewing third-party vendors and suppliers](#) and how they're protecting their workforces from abuse, to establishing a [whistle blowing program](#) that enables employees to report suspicious behavior. And as Environmental, Social and Governance (ESG) initiatives shift from boardroom aspirations to measurable corporate objectives, and new modern slavery laws come into play, company leaders have additional incentives to ensure that ethical business practices with downstream partners and vendors are prioritized to reduce regulatory exposure.

Increasing regulatory pressure to identify human trafficking

A bill introduced in New York state on Jan. 7, 2022, could make New York the first state in the U.S. to ensure fashion brands are accountable for monitoring and reporting on their supply chains. [The Fashion Sustainability and Social Accountability Act, or Fashion Act](#), backed by a coalition of nonprofits focused on fashion and sustainability including the New Standard Institute, the Natural Resources Defense Council and the New York City Environmental Justice Alliance, would require global apparel and footwear companies with more than \$100 million in revenues with operations in New York to map a minimum of 50% of their supply chain, starting with farms where the raw materials originate through to factories and shipping.

Companies would be required to disclose where in that chain they have the greatest social and environmental impact when it comes to fair wages, energy, greenhouse gas emissions, water and chemical management, and make concrete plans to reduce those numbers. Companies would be given 12 months to comply with the mapping directive, 18 months for their impact disclosures, and if they are found to be in violation of the law, they would be fined up to 2% of annual revenues.

The New York state bill follows on the heels of new U.S. law aimed at barring products made with forced labor into China, signed on December 23, 2021. While it's against U.S. law to knowingly import goods made with slave labor, the Uyghur Forced Labor Prevention Act shifts the burden of proof from customs officials to companies. Firms will have to proactively prove that their factories, and those of all their suppliers, do not use slavery or coercion. The details will be in how the Biden administration enforces the new regulations and changes the business practices of companies that source products from China.

"I anticipate that there will be many companies — even entire industries — that will be taken by surprise when they realize that their supply chains can also be traced back to the Uyghur region," Laura Murphy, a professor of human rights and contemporary slavery at Sheffield Hallam University in Britain, told the New York Times.

Australia is likewise adding teeth to its laws. "It's that pervasive, almost every business has a risk of slavery in their supply chains," Carolyn Kitto, the Sydney-based director of Be Slavery Free, a non-profit organization, [told Bloomberg](#). A program launched in Australia is making it easier for activists like Kitto, along with governments and investors, to track the harsh, slave-like conditions that afflict some 40 million people around the world, the vast majority of them in Asia. Under Australia's Modern Slavery Act, companies and investors generating more than A\$100 million (\$71 million) in revenue must detail how they're managing the risk of slavery in their supply chains – and are required to upload their reports into a [publicly accessible database](#).

The Australian program has successfully highlighted labor issues at global giants including Apple, Microsoft, and Unilever, along with changes they've made to address the problems. The [following table compiled by Bloomberg](#) details examples of modern slavery that the companies identified.

COMPANY	ISSUES FOUND	HOW IT WAS ADDRESSED
Microsoft	Third-party audits of 274 device factories found 46 major slavery issues, including workers paying fees to recruits or employers for jobs, and having their movements and basic freedoms restricted	Non-conforming supplies were forced to repay \$766,897 of recruitment fees and insufficient wages to 5,653 workers
Apple	Seven metal smelters and refiners weren't willing to be part of the company's third-party conflict minerals audit program for tin, tantalum, tungsten, and gold suppliers or didn't meet requirements for responsible sourcing of materials. No issues of forced or debt bonded labor were found	Offending smelters and refiners were removed from the supply chain
Newcrest Mining	A third-party contractor supplying bus drivers at its Lihir gold mine in Papua New Guinea was repeatedly paying staff late, an exploitative practice that could lead to modern slavery issues	Agreement with contractor was terminated after striking a deal with a new firm that agreed to employ the affected workers. Newcrest paid the workers what they were owed via the new bus driver supplier
unilever	Supply chain audits found 82 instances of forced labor, 56% of which related to debt bondage. About 22% of non-conformances related to a lack of policies or procedures to ensure all workers enter a job freely and equally, and aren't prevented from resigning and leaving	All issues were "effectively remediated." Unilever works with suppliers and workers to create fee repayments plans where large amounts of money are involved.

The Australian Council of Trade Unions and Human Rights Watch are calling for the addition of fines for poor disclosures when the Australian program is reviewed next year. Fines would be in line with Germany, which will penalize large corporations up to 2% of their revenue from 2023 if they [fail to comply](#) with a new law.

Advice on how to systematically root out modern slavery

China's Xinjiang region has been the focus of allegations of forced labor and human rights abuses against the ethnic Uyghur minority, with [reports from the Council on Foreign Relations](#) to work by Sheffield Hallam University documenting the region's abusive labor practices.

Forced labor, modern slavery and human trafficking, unfortunately, are in fact endemic issues in the global supply chain, human rights researchers at Stanford University said. A [new collaboration](#) among Stanford, Simon Fraser University, and Yale seeks to demonstrate how to systematically address human rights abuses that are built into supply chain structures. The [Re:Structure Lab's](#) goal is to examine the ways in which global supply chains can be restructured. Most recently, the team published Blueprint, a guidance document showing how businesses and governments can promote fair, equitable labor standards and protect workers from the kinds of forced labor, exploitation and abuse that have been intertwined with global supply chain for centuries.

Risk assessments to identify areas at most risk of abuse in the supply chain

In HR Director's Article of the Week (December 2021), Barry Stanton, an employment law expert with the Boyes Turner firm in the UK, wrote about modern slavery and [what goes on behind closed doors](#). Having a robust risk assessment process to understand the areas at most risk of abuse in the supply chain is essential, he stated. "Not surprisingly, the pandemic has created more risks of modern slavery, particularly in high-demand sectors that have had to recruit quickly. The pressures in some areas may mean that recruiters and agencies have not followed stringent checks and processes.

"In light of this, when reviewing the supply chain, it is important to spot suppliers where there is a significant increase in recruitment of temporary labor and, in such cases, exercise extra due diligence. In all circumstances, if anything is found that is of concern, action must take place. The longer and more complicated a supply chain the greater the risk as margins come under greater pressure," Stanton wrote.

Regular reviews of supply chain risk assessments are needed as businesses evolve to ensure vendors and suppliers are true to their word:

- Are suppliers and vendors following through on their commitments and to your Supplier Code of Conduct?
- Are there effective grievance and whistleblowing mechanisms in place?
- Is your organization supplementing information provided by suppliers with in-person audits to visiting suppliers and meeting their workforce?
- Is your own workforce aware and trained on how to spot the signs and mitigate against modern slavery?

ADDITIONAL RESOURCES

[STOP THE TRAFFIK](#) is a pioneer in human trafficking prevention. Working to unite people around the world by inspiring, informing, equipping and mobilizing communities to; know what human trafficking is, know how to identify it and know how to respond appropriately if they saw it. Utilizing the power of people and technology, STOP THE TRAFFIK is working to prevent human trafficking globally through our innovative Intelligence-led approach.

The [TRIBE Freedom Foundation](#), in partnership with Nasdaq, has a goal of increasing awareness of modern slavery and promote financial literacy empowerment for survivors through a centralized portal, including content, practical tools and educational financial literacy material, tailored for financial institutions and survivor support organizations to support survivors.

[KnowTheChain](#) is a resource for businesses and investors to understand and address forced labor risks within their global supply chains. Benchmarking is used as a tool to identify and share best practices, and as a way to harness the competitive nature of markets to create a “race to the top” that encourages businesses to adopt standards and practices that protect worker’s well-being.

At SAI360, we understand that modern slavery is a corporate imperative. Talk to a risk management expert today to see how we can help.

[Let’s Start a Conversation](#)

Our unified approach to risk sets us apart

Today’s complex risk landscape demands more. SAI360 leads the way with an integrated GRC platform and Learning solution that spans the entire risk spectrum.

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