

U.K. Modern Slavery Act: New Disclosure Requirements for Companies Operating in the United Kingdom

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Companies that do business in the United Kingdom should assess their exposure to the U.K. Modern Slavery Act, which goes into effect this October. The transparency provisions of the Act are applicable to companies that do *any part of their business* in the United Kingdom if they have annual gross worldwide revenues of £36 million (approximately \$56 million) or more each year.

The transparency provisions are applicable to all commercial organizations, including corporations and partnerships. Unlike the California Transparency in Supply Chains Act, these provisions are not limited to retailers and manufacturers.

What do the transparency provisions require?

Companies subject to the Act will be required to publish an annual “slavery and human trafficking statement.” The statement should reflect what efforts, if any, a company has made during the previous financial year to ensure that its business operations, and its supply chain, are free from slavery and human trafficking.

The Act specifically states that this statement may include information on the following subjects:

- 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.

The slavery and human trafficking statement must be approved and signed by a company’s top management. For corporations, the statement must be approved by the Board of Directors and signed by a director. The statement must then be published on the company’s website. A link to the statement must be included in a prominent place on the website’s homepage. If a company does not have a website, it must be prepared to provide a copy of the statement within 30 days of receiving a written request.

How do the transparency provisions of the U.K. Modern Slavery Act compare to the California Transparency in Supply Chains Act?

The Modern Slavery Act’s transparency requirements are modeled after the California Transparency in Supply Chains Act, which requires retailers and manufacturers doing business in the State of California to publicly disclose their efforts, if any, to ensure that their direct supply chains are free from slavery and human trafficking.

Key similarities and differences between the two pieces of legislation include:

California Transparency in Supply	Transparency Provisions of the U.K.
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Chains Act
Modern Slavery Act

Applicability	<p>Applies just to retailers and manufacturers.</p> <p>Applies just to product supply chains.</p>	<p>Applies to all business sectors.</p> <p>Applies to goods and services, including, but not limited to, product supply chains.</p>
Financial Threshold	<p>Applies to companies with at least \$100 million in annual global gross receipts.</p> <p>Applies only to companies that qualify as “doing business in California” under the California Tax and Revenue Code.</p>	<p>Applies to companies with at least £36 million in annual global gross turnover.</p> <p>Applies to companies that carry out any part of their business in the United Kingdom.</p>
Compliance	<p>Requires a public disclosure on a corporate website.</p> <p>Companies can comply by stating that they have taken no steps to address the risks of slavery and forced labor in their supply chains.</p>	<p>Requires a public disclosure on a corporate website.</p> <p>Companies can comply by stating that they have taken no steps to address the risks of slavery and forced labor associated with their business operations, including their supply chains.</p>

Enforcement	The exclusive remedy for failure to comply with the law is an action brought by the Attorney General of California for injunctive relief.	The exclusive remedy for failure to comply with the transparency provisions is an action brought by the Secretary of State for injunctive relief.
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How will the transparency provisions of the U.K. Modern Slavery Act be enforced?

The exclusive remedy for failure to comply with the transparency provisions is an action by the Secretary of State seeking injunctive relief. In other words, British authorities can seek a court order requiring a company to make the required disclosure.

Ultimately, the Act is dependent more on “private” enforcement, including the behavior of consumers and investors who will have a new source of information regarding corporate efforts to address significant human rights harms. As stated in a recent Consultation Summary by the U.K. Home Office:

[T]his requirement will make it absolutely transparent what action a business is or is not taking and will allow investors, consumers and the general public to decide who they should and should not do business with.

Like the California statute, companies that will be impacted by the legislation include both brand name multinationals that have already faced considerable scrutiny with regard to human rights issues as well as companies that have not historically received much attention with regard to these issues.

What steps should companies take in order to comply?

Identify whether the legislation applies to your company

If your company does business in the United Kingdom and has global revenues of at least £36 million, the Act applies.

Review any human rights policies and standards applicable to your product supply chain

If the legislation applies, it is time to closely review your corporate policies and supplier standards that address issues of human rights.

- Does your company have policies in place that address slavery and human trafficking?
- How does your company inform employees and suppliers of these policies?
- Does your company have procedures to evaluate the risk of slavery or human trafficking associated with specific business activities, including sourcing?
- What are the highest risk areas for your company?

Review, or implement, auditing and verification mechanisms

Policies and procedures must be implemented and verified. It is important to evaluate the capacity of existing verification procedures:

- How does your company verify compliance with its human rights policies?
- Does your company have systems in place to audit its operations and its suppliers for compliance with corporate human rights policies? What performance indicators support these systems?

- Are existing, or planned, auditing procedures sufficient to evaluate the specific risks of slavery and human trafficking associated with your company's business?
- Does your company use independent auditors?

Review internal accountability mechanisms and training procedures

- What functional areas within your company are best-positioned to implement policies on slavery and human trafficking?
- Are the correct people within the functional areas noted above held accountable for implementing corporate policies on slavery and human trafficking?
- Is your company providing sufficient training to the right personnel to ensure that corporate policies are carried out effectively?

Start thinking about the content of disclosures

It is important to begin internal discussions about the content of the required disclosures within your company. The Act allows for a range of potential approaches to managing the risks of slavery and human trafficking (including inaction). It may be appropriate to engage in discussions with external as well as internal external stakeholders when determining what information should be provided and how the company will aim to demonstrate improvements over time.

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