



# Closing the gap on modern slavery

An action plan to help your suppliers, and their suppliers  
reduce your modern slavery risk.

iPRO.NET Where accountability and action meet. ✓



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# Introduction

The abhorrent practices and tragedies of modern slavery exist throughout the world. By its very nature, it remains hidden; difficult to discover and challenging to solve. Yet while the ways modern slavery manifests are murky and indistinct, the reasons why businesses need to identify and address it are clear.

Businesses have both a moral and commercial imperative to tackle modern slavery.

The moral imperative is self-evident. No business should be comfortable being built on the misery of other human beings. You have a moral responsibility for all of those in your supply chain.

Beyond that, however, there are a variety of legal and commercial realities that make reducing your modern slavery risk a sound business decision. Perhaps the most obvious of these are your obligations under the Modern Slavery Act. The Federal Government has made it clear that individual businesses are responsible for investigating their supply chains and taking action where issues are detected. The mandatory annual Statement requiring companies with over \$100 million in revenue will keep the spotlight on what businesses are doing to address this issue, and failing to tackle the problem can put your supply chain at risk as trade regulations

prohibit the import of goods produced by forced or trafficked labour.

In addition, any missteps can have a detrimental effect on your business reputation. Increasing expectations from both consumers and investors that production will comply with social and human rights criteria means problems coming to light could lead to bad publicity, a consumer boycott, and significant damage to your brand.

An active approach to mitigating modern slavery risk, however, can offer positive outcomes too. Being seen as a leader in this area provides a way for your business to differentiate itself from its competitors and drive improvements across the whole sector.

The big challenge is in finding the problems. You might be confident that none of your suppliers have issues, but what about their suppliers? And theirs? And theirs? The problem could be anywhere in your supply chain, yet it's your reputation on the line.

It's essential that you do more than just investigate your first-tier suppliers. Greater visibility is vital across everyone in your supply chain.

**You need a plan of action.**



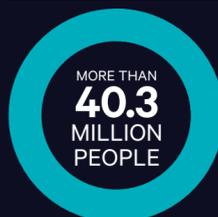
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# 01

The Australian Government defines modern slavery as encompassing eight types of serious exploitation: trafficking in persons, slavery, servitude, forced labour, debt bondage, forced marriage, deceptive recruiting for labour or services, and child labour.



IN MODERN SLAVERY  
GLOBALLY



IN FORCED LABOUR  
GLOBALLY



ONE IN FOUR  
ARE CHILDREN

## The reality of modern slavery

The 2018 Global Slavery Index (GSI) estimated that there were more than 40.3 million people in modern slavery globally with 71% being female. Of that number, 24.9 million were in forced labour, and it's estimated that one in four victims of modern slavery are children. And this isn't an isolated problem limited to poverty-stricken developing nations. The GSI estimated 15,000 people in Australia were living under modern slavery conditions.

The first step in identifying areas of risk is understanding the key factors that heighten the potential for human rights abuses. Globalisation has led to a huge increase in migrant workforces, particularly in our part of the world. Major trade partners, such as China and India, have significant migrant workforces, as do much of Africa and countries throughout Asia. Migrant workers are often subject to poor working conditions, excessive working hours, and underpayment or non-payment of wages. Their vulnerable position, whether through language, lack of education, or visa insecurity makes it virtually impossible for them to do anything about their situation.

Outsourcing labour can be an attractive business model by reducing administrative costs and complexity. Businesses across all sectors often outsource base-skilled labour for services, including cleaning, maintenance, security, transport, and so on.

But with outsourcing comes a lack of oversight, leading to the potential for abuse. There have been cases of overseas recruiters promising highly paid work in Australia, then charging applicants fees that they're unable to repay, leaving them in a situation of debt-bondage.

It's worth noting that some specific industry sectors are more likely to run into problems with modern slavery. For example, companies utilising raw materials are unlikely to procure them from a direct, tier one supplier. They need to pay special attention to where those materials are originating. The health care sector utilises products from a number of high-risk categories, such as gloves, surgical instruments, garments, and electronics. While industries using temporary workforces, most commonly seasonal or construction work, are also likely to be at a higher risk.

Another significant indicator of risk is the country where the product is manufactured or processed. Nations that are conflict-affected, have a weak rule of law, or a high level of migrant workers are all potential red flags.

# 02

## Challenges in modern slavery compliance

So, there's no doubt that the problems exist, and they're widespread. The real challenge for any business is how to find them.

While a company has both leverage and clear channels of communication with their first-tier suppliers, they have far less visibility and control over suppliers further down the chain. Yet this is often where the most risk lies.

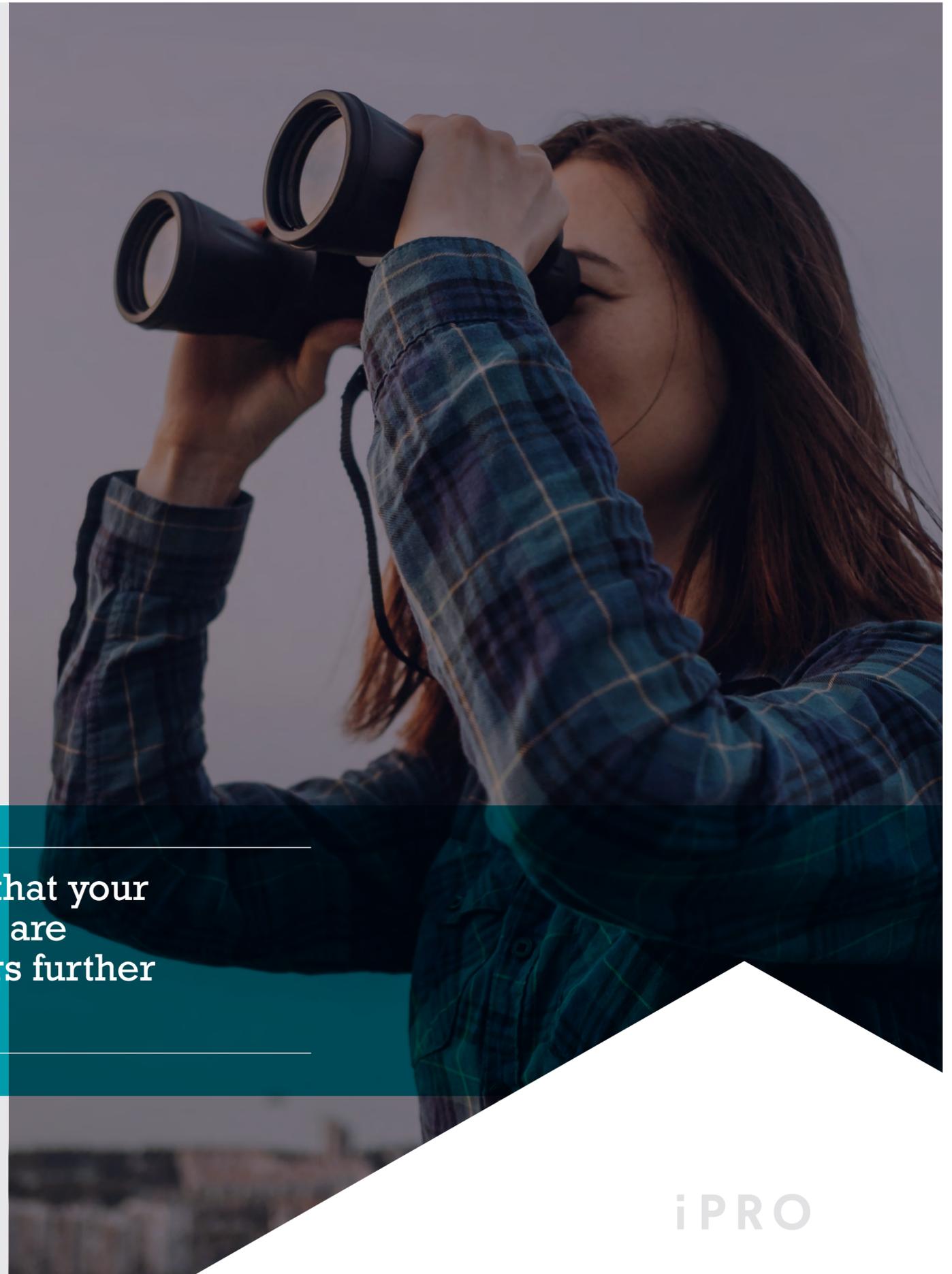
Businesses tend to expect their immediate suppliers to comply with set standards and require them to ask for similar compliance from suppliers further down the chain.

Unfortunately, this is no guarantee that those standards are being met. And, of course, it's the original business that's liable for any breaches.

The fact is that these lower-tier suppliers may be least equipped to meet the standards. They're likely to lack the resources and experience to alter the way they've always operated. At the same time, their cultural heritage might make what's being expected of them an absolutely revolutionary concept.

How then, do you get around these challenges?

**There's no guarantee that your compliance standards are being met by suppliers further down the chain.**



# 03

## Your action plan

Begin by getting a full picture of your organisation.



# 03

1

## Obtain a comprehensive picture of your modern slavery risk

Begin by getting a full picture of your organisation.

This can be done by mapping your organisational structure and complete end-to-end supply chain. This will ensure you're clear about where your products, raw materials, and labour are being sourced and help to assess where your risks lie. While this can be a demanding first step, it's impossible to manage your modern slavery risk without it.

An iPRO Smart Assessment is one way to reduce the effort of this process. By creating a heatmap overview of your business' entire supply chain it'll identify hot spots and red flag any high-risk suppliers. These will then automatically receive a deeper dive to fully explore the dangers that they may contain. Included in these deep dives are recommendations for addressing the areas of concern. It's only by investigating every level of your supply chain that you can gain a thorough understanding of the risks within.

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## Prioritise where to take action

Once you have this initial overview you can use the insights from your assessment to prioritise your next steps.

Look for those risks that have the greatest impact or are the most severe. Use the key factors for slavery risk to guide your attention—vulnerable populations, in particular migrant and base-skill workers; third-party labour hire; high-risk sectors, such as mining, construction, and agriculture; and high-risk geographies that are conflict-affected, have a weak rule of law, feature large migrant populations, or are remote—making legal oversight difficult.

You need to not only consider those areas where your business is directly causing or contributing to modern slavery, but also how you may be indirectly involved in creating issues further down your supply chain.

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## Establish company goals to address modern slavery

Begin by discussing in broad terms what your business wants to achieve in addressing the issue of modern slavery risk.

You should aim to meet those outlined in the UN Guiding Principles on Business and Human Rights, including the establishment of a policy commitment, the forming of a human rights due diligence process, and the creation of measures to enable remediation of adverse human rights impacts.

Next, you should establish specific goals and targets. These can include broad overall strategies for approaching modern slavery risk as well as any specific issues brought to light by your initial assessment.

Assign responsibility for the management of modern slavery risk at the board level and consider what the KPIs should be.

Plan how you can incentivise first-tier suppliers to help you achieve your goals and targets. This could be through the creation of some sort of award system, by offering long-term contracts

in response to changes, or giving them preferred supplier status. Then work with them to help set their own long-term goals.

You also need to establish a dialogue with lower-tier suppliers and involve them in the overall strategy. Ideally, changes in the behaviour of first-tier suppliers will cascade down to lower-tier levels but direct intervention makes this far more likely to occur.

Finally, nominate a point person on staff to extend your organisation's program to first- and lower-tier suppliers. Research indicates that this greatly increases its effectiveness.

# 03

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## Turn strategy into action

### First-Tier Suppliers

Ensure that you've put processes in place to monitor modern slavery targets for all your first-tier suppliers.

Assign responsibility to a working group within your business to give this the ongoing attention that it needs.

Initiate a discussion with each first-tier supplier about how they can adjust their procurement procedures and establish good hiring practices. The recruitment stage is often where workers are most at risk.

Areas to be addressed might include:

- Only working with labour providers who are legitimate, registered business entities
- Having clear service level agreements in place
- Conducting checks on labour providers' management systems to confirm right to work documents, payslips, contracts, and so on
- Instigating regular conversations with workers to confirm that they're being treated correctly

In addition, consider creating training programs and offering them to suppliers along with incentives for implementing best practices.

And, finally, put in place processes for workers to independently advise of risks and concerns. A multi-lingual, confidential hotline or similar, that's promoted to workers and relevant communities.

### Lower-Tier Suppliers

Use what you've learnt from your risk assessment to identify potentially concerning lower-tier suppliers.

Work with relevant first-tier suppliers to deploy risk-mitigation programs where needed.

Ask for evidence that suitable code of conduct, procurement policies, supplier contracts and service level agreements, anti-bribery and corruption policies, labour provider contracts and service level agreements are in place between your suppliers and their suppliers.

Establish regular supplier social audit procedures for your lower-tier suppliers. And ensure that your grievance processes are available to, and promoted to, lower-tier workers.

Investigate whether there's the opportunity to partner with a local industry body or a non-government organisation (NGO) that shares similar goals to you to help educate and inform suppliers directly where they operate.

### Staff

To ensure genuine systemic change, your own staff need to be brought into the process.

Begin by educating them about the problem and communicating your business' goals for tackling modern slavery.

Align the incentives for all functions that interact with first- and lower-tier suppliers. Create a culture that includes social responsibility along with the traditional criteria of cost, quality, and meeting deadlines.

Train relevant staff in how to implement your policies and identify potential modern slavery risks. Also, educate staff who visit suppliers about how to spot the signs that may indicate worker exploitation.

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## Use the power of the collective

Modern slavery is an immense problem and addressing it requires a concerted effort by many parties.

Look to collaborate with other businesses in your sector and major suppliers to develop and disseminate industry wide standards. By working together, you can spread the load, make initiatives more feasible, and increase the visibility and effectiveness of campaigns.

Multiple businesses with the same modern slavery requirements will encourage adoption and participation from suppliers. Working in conjunction with others in your industry is the way to instigate real change without suffering a competitive disadvantage.

# 04

## Conclusion

As the world becomes more global, the problem of modern slavery is growing in complexity. Now's the time to act. Not only in response to legal requirements, but to protect your reputation in the long term.

Ensure that you look at the entirety of your supply chain and dig deeply into every area. Be proactive in collecting data about your suppliers' capacity, monitor them closely, and engage with them in finding ways to continually improve.

It's only by making changes now that you'll be ready to identify any issues as they appear, and have the satisfaction of not only doing good business, but also doing good.



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# 05

## About iPRO

iPRO's Smart Assessments are designed to assess third-party suppliers and contractors and automate the generation of due diligence reports for Modern Slavery Statements.

iPRO can quickly provide you with an overview of your business' risks, including potential areas for concern with a deeper dive into the hotspots and suggest recommendations to mitigate the problems. All declarations are securely stored by iPRO and flagged as auditable at any time.

iPRO also enables you to establish a basis for transparency and continued collaboration with the stakeholders in your supply chains.

iPRO is the very definition of where accountability meets action.

### **Schedule a free, no obligation demonstration**

Discover the benefits of automating the compliance verification process for your business.

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