

# UK Modern Slavery Compliance Update: Post-Brexit & Spotlight on Financial Services

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## What is UK modern slavery compliance all about?

Under the UK Modern Slavery Act 2015 (the 2015 Act), compliance disclosure/transparency requirements mean that an organisation with an annual turnover of UK £36 million or more that sells goods or services in the UK is required to annually publish a slavery statement demonstrating what they are doing to ensure that there is no slavery or human trafficking in the business or the supply-chain – this also applies to organisations based *outside* the UK selling goods and services *into* the UK.

As the UK's official accompanying guidance on the disclosure/transparency requirements states, organisations must “paint a detailed picture” of all the steps that they have taken. This compliance obligation has now been in force since 29 October 2015 and many organisations who fall under it have already previously published their statements in the last few years. The UK government's recently updated online guidance can be found here: <https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement>.

## What about Brexit?

2015 Act is entirely UK-based and driven, i.e. it is unrelated to EU legislation or any other EU requirements. Therefore there is no post-Brexit impact on compliance with the requirements of the 2015 Act.

The UK government is considering strengthening the compliance requirements including from the enforcement perspective, which we reported on here <https://www.corderycompliance.com/uk-govt-modern-slavery-consultation-conclusions/>. If enacted, the UK government may then seek to highlight its enhanced fight against modern slavery as a post-Brexit issue.

Further, more recently, the UK government announced that it will introduce measures to prevent UK organisations from either profiting from or contributing to human rights violations perpetrated against Uighur Muslims in Xianjing which could include financial penalties under the 2015 Act, which we reported on here <https://www.corderycompliance.com/new-supply-chain-laws-china/>.

## What about financial services?

Because of their lending and investment portfolios financial institutions connect to many businesses directly who in turn connect to many more businesses further down the supply chain. The upshot is that potentially there is significant exposure to modern slavery and human trafficking (shortened from here on to just “modern slavery”). Further, ill-gotten gains made by criminals from modern slavery will likely pass through financial institutions which constitutes money laundering.

Recently, the UK's Independent Anti-Slavery Commissioner, Dame Sara Thornton, in conjunction with the organisations Themis International Services and the TRIBE Freedom Foundation, have put the spotlight on financial services in a report they published entitled “Preventing Modern Slavery and Human Trafficking: An Agenda for Action Across the Financial Services Sector”.

The report highlights the prevalence of modern slavery risks in the financial services sector stating that only a small number of financial services companies are actively managing their risk and engaging with clients and suppliers on issues relating to modern slavery. The report urges the sector to consider its power to be a force in the fight against modern slavery and sets out the following recommended actions:

- CEOs of all financial institutions in the UK should stand together against modern slavery by putting it firmly on their Board or Senior Management agenda;

- Business leaders should set the tone across the organisation by signaling that modern slavery is an important risk to be integrated into all decision-making;
- Board members should be made fully aware of the commitments they have made towards the 2015 Act and understand the contents of the statements they sign off to comply with this;
- Wherever possible, modern slavery elements should be incorporated into existing risk assessments and due diligence processes across the business – at every significant decision point or gateway, modern slavery issues should be considered alongside other business critical factors;
- Leaders should encourage a culture of transparency with regards to the identification of cases of modern slavery within the organisation, its supply chain and business relationships – publicly identifying such risks demonstrates that monitoring systems are effective and encourages greater awareness of and engagement with the issue;
- Companies should map and monitor the direct risks of modern slavery in their day to day activities by performing a risk assessment of staff, suppliers, and business partners;
- Procurement departments should review recruitment processes of manpower suppliers and ensure the same is carried out across the supply lines of partner organisations;
- Companies should prioritise areas of geographical and sector risk across their supply chains for particular monitoring;
- Companies should report publicly any cases or suspected cases of identified in the supply chain, and their intended remedy;
- Investment companies should incorporate modern slavery elements into any enterprise-wide human rights due diligence framework, to ensure a joined-up approach across all functions and levels of the organisation;
- Lenders and investors should engage with companies and demand proof that modern slavery is not present in their supply chains as a pre-condition of any investment or lending terms;
- Investors should define a risk tolerance map, outlining their risk appetite and developing a set of action protocols – this should include clear examples of when to withhold funds and should be signed off by the Board;
- Investors and lenders should maintain regular engagement with companies and when modern slavery concerns are identified they should work with the affected business to manage the risk rather than immediately divest from the company;
- Departments working on financial crime should ensure that modern slavery considerations are built in as an integral part of any anti-money laundering and terrorism financing control framework;
- Modern slavery should be brought into the scope of financial or economic crime agendas for policy formation;
- Modern slavery should be an integral part of mandatory company training and in addition it should feature on anti-money laundering and terrorism financing control & bribery and corruption mandatory training that should highlight modern slavery risks;
- There should be a company-wide modern slavery risk assessment focusing on financial crime risk, which should then be brought into the internal audit testing plan;
- Retail bank staff should be trained to look for wider patterns of suspicious activity as well as looking at individual accounts;
- Retail banks should facilitate access to bank accounts and ongoing support services to survivors of modern slavery; and,
- Where banks wish to support philanthropic causes they should consider supporting charities that work on modern slavery issues that relate to their core business.

As the report says: “Increasingly, customers want to know that the financial institutions that they are dealing with are protecting the most vulnerable in society. Institutions who do not show this commitment may find clients voting with their feet”.

The report can be found here <https://themisservices.co.uk/msht-full-report>.

### **What practical steps can I take?**

Consider taking the following key practical steps:

- Undertake supply-chain due diligence and risk assessment;
- Have a modern slavery compliance policy in place;
- Publish your annual disclosure statement;
- Train your employees and suppliers on how to spot the signs that modern slavery may be taking place – we have made a short film about that can be found here <http://www.corderycompliance.com/spotting-the-signs-of-modern-slavery/>; and,
- Keep the Board updated and remind them of the reputational risk.

Covid-19 has also raised modern slavery compliance issues, in particular risks such as the health and safety of employees, which we have reported on here <https://www.corderycompliance.com/uk-govt-modern-slavery-compliance-covid19-guidance/>.

We report about modern slavery compliance issues here <https://www.corderycompliance.com/category/modern-slavery/>.

We report about compliance issues here <https://www.corderycompliance.com/news/>.

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