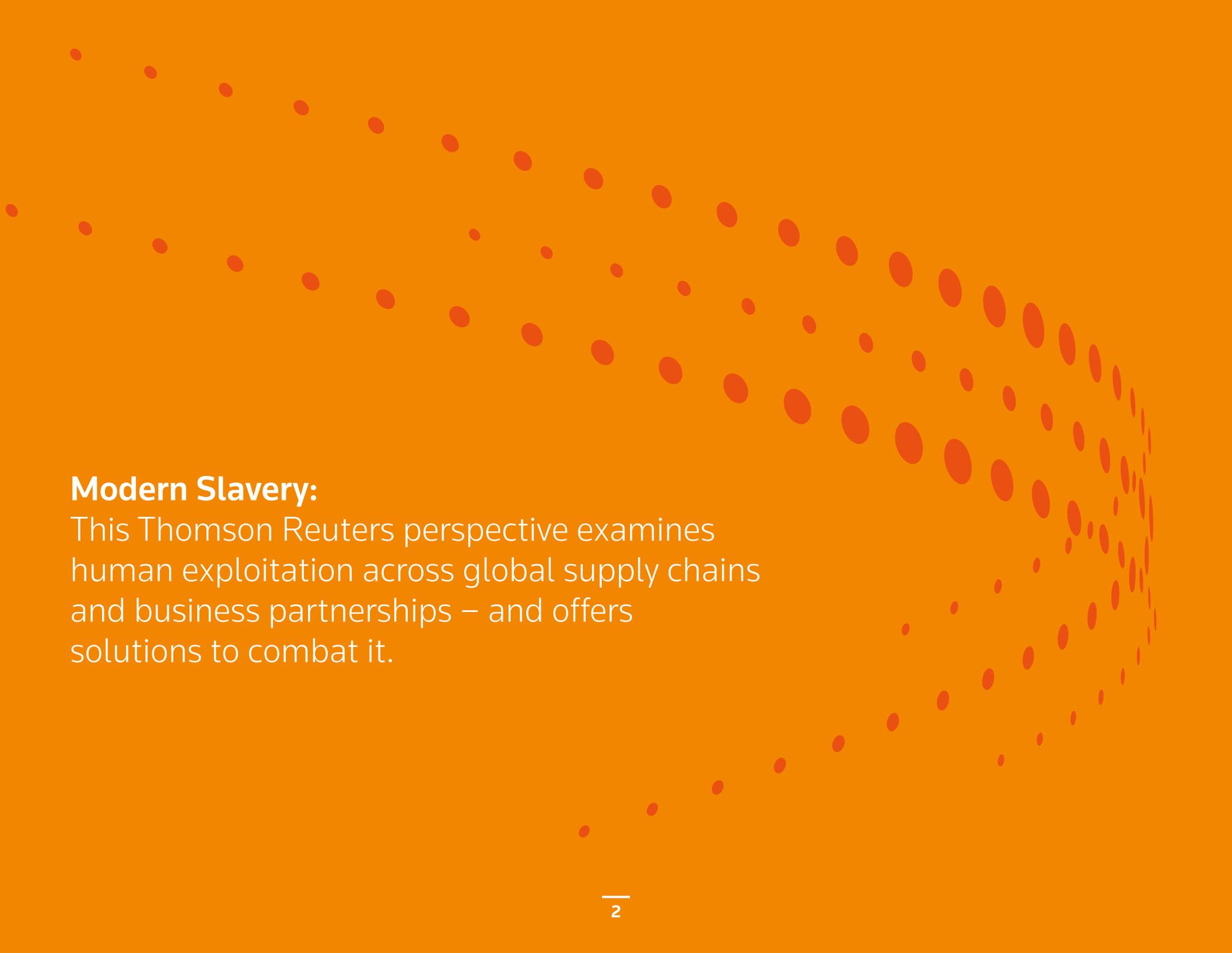




How can you  
eliminate modern  
slavery in complex  
supply chains?



THOMSON REUTERS®



## **Modern Slavery:**

This Thomson Reuters perspective examines human exploitation across global supply chains and business partnerships – and offers solutions to combat it.



REUTERS/Jorge Cabrera

“Conscious capitalism recognizes that by working collaboratively, governments, businesses, workers, and civil society can do well by doing good. They can achieve success in business, throughout global supply chains, and in sustainable development. Countries’ economies and companies’ bottom lines can grow by doing right by workers and, in particular, by finding sustainable solutions to end child and forced labor.”<sup>1</sup>

*Thomas E. Perez, US Secretary of Labor*

<sup>1</sup> [https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA\\_Report2016.pdf](https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf)

# Overview



According to the Global Slavery Index, there are 45.8 million people in some form of modern slavery.<sup>2</sup>

The International Labour Organization (ILO) reports nearly 21 million men, women and children are victims of forced labor globally. 26% are children and 55% are women and girls. Illegal profits generated by forced labor amount to \$150 billion USD annually.<sup>3</sup>

This report from Thomson Reuters looks behind the numbers to help you understand both the risks and prevalence of modern slavery globally. No matter how noble the intention, the potential for inadvertently using child or forced labor exists at every node in your supply chain and with every business partner.

Fortunately, this report also examines effective solutions to help you root out this global scourge, with workable strategies for eliminating the very real threat modern slavery presents to your reputation and revenue.

<sup>2</sup> <http://www.globalslaveryindex.org/findings/>

<sup>3</sup> <http://www.ilo.org/global/topics/forced-labour/lang--en/index.htm>

A close-up photograph of a man wearing a light-colored cap and a blue long-sleeved shirt. He is focused on handling a bunch of fresh green leafy vegetables, possibly bok choy, which are held in a wooden basket. The background is a lush, green field, slightly out of focus, with a red bird visible in the distance. The overall scene suggests a rural or agricultural setting.

# Modern Slavery Meets Modern Business

The thought of exploiting those of lesser means is repulsive, as is the notion of capitalizing on men, women or children forced into labor.

Yet business leaders today could unwittingly be involved in these activities if they're working with organizations engaged in illicit practices as part of their supply chain or business relationship networks.

62% of global leaders surveyed say they only conduct due diligence on the first tier of their third-party relationships. And only 16% say they are sufficiently knowledgeable about slavery and forced labor.<sup>4</sup>

<sup>4</sup> 2016 Thomson Reuters Third Party Risk Survey; 1,132 professionals from nine countries across five continents

## PARTNER NETWORKS

While globalization has created immense opportunity for businesses today, it has also introduced new players into organizations' supply chains. Interconnected webs of partners collectively bring solutions to market. They are the hallmarks of the 21st century. A company's ultimate product – a T-shirt, smartphone, automobile, electronic game, fresh produce – wouldn't be possible if it weren't for the supply chain.

This is one of the reasons why government regulations are so essential. They hold players across the continuum responsible for how and with whom they do business, ensuring there isn't a trail of corruption, exploitation and blood in its wake.

Recent years have seen a regulatory shift in approaches toward due diligence in supply chains and third parties. However, legislation is increasingly mandating public transparency and disclosure as a requirement in its own right. For example, this new approach of "Comply or Explain" has been used in both the California Transparency in Supply Chain Act and the UK Modern Slavery Act. It brings the additional force of consumer and investor pressure to bear on companies to let the market decide what is acceptable. And, history is proving that organizations that aren't compliant with the regulations are at risk of creating brand, financial and reputational crises of enormous proportion.

"It is astonishing that more than two centuries after the United Kingdom outlawed slavery, this practice can endure across the world. It is reported that the 'cost' of a slave is lower now than it has been for three centuries – a genuinely chilling thought."

*David Craig, President,  
Thomson Reuters Financial & Risk*

When surveyed 53% of respondents list fear of reputational damage as the second most important reason to conduct third-party due diligence (behind compliance with regulations).<sup>5</sup>

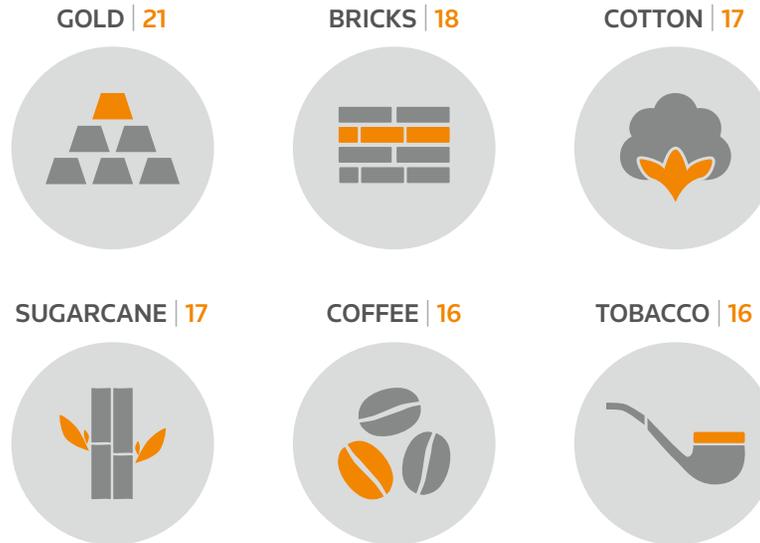
5 2016 Thomson Reuters Third Party Risk Survey

### TRAFFICKING-TAINTED INDUSTRIES

Certain industries have a history of human exploitation and modern slavery. The Bureau of International Labor Affairs in the US identified the world's top products involving child and forced-labor practices: gold, bricks, cotton, sugarcane, coffee and tobacco, as shown in Figure 1.<sup>6</sup> These products, the staples of modern life, mean much of what we consume each day has the potential to be tainted by slavery and exploitation.

In addition to these industries, some countries have an unfortunate history of not regulating against child and forced labor. Many nations across the developing world wear this scar, across the continents of Africa, Asia and South America.<sup>7</sup> Figure 2 (see page 8) shows the full list of countries and goods as listed on the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2016.

Figure 1. Goods with most child labor listings by number of countries



Source: US Bureau of International Labor Affairs List of Goods Produced by Child Labor or Forced Labor

<sup>6</sup> [https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA\\_Report2016.pdf](https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labor/findings/TVPRA_Report2016.pdf), pg 35

<sup>7</sup> Ibid



**Figure 2.** Countries and goods on the 2016 TVPRA list

Country	Good	Category
Burkina Faso	Granite	child labor
Cambodia	Sugarcane	child labor
Costa Rica	Cattle	child labor
Costa Rica	Coffee	child labor
Indonesia	Fish	child labor
Indonesia	Tin	forced labor
Iran	Bricks	child labor
Kenya	Sand	child labor
Lebanon	Potatoes	child labor
Nigeria	Gold	child labor
Sudan	Gold	child labor
Uganda	Gold	child labor
Uganda	Stones	child labor
Uzbekistan	Silk Cocoons	forced labor
Vietnam	Cashews	child labor
Vietnam	Coffee	child labor
Vietnam	Fish	child labor
Vietnam	Footwear	child labor
Vietnam	Furniture	child labor
Vietnam	Leather	child labor
Vietnam	Pepper	child labor
Vietnam	Rice	child labor
Vietnam	Rubber	child labor
Vietnam	Sugarcane	child labor
Vietnam	Tea	child labor
Vietnam	Textiles	child labor
Vietnam	Timber	child labor
Vietnam	Tobacco	child labor

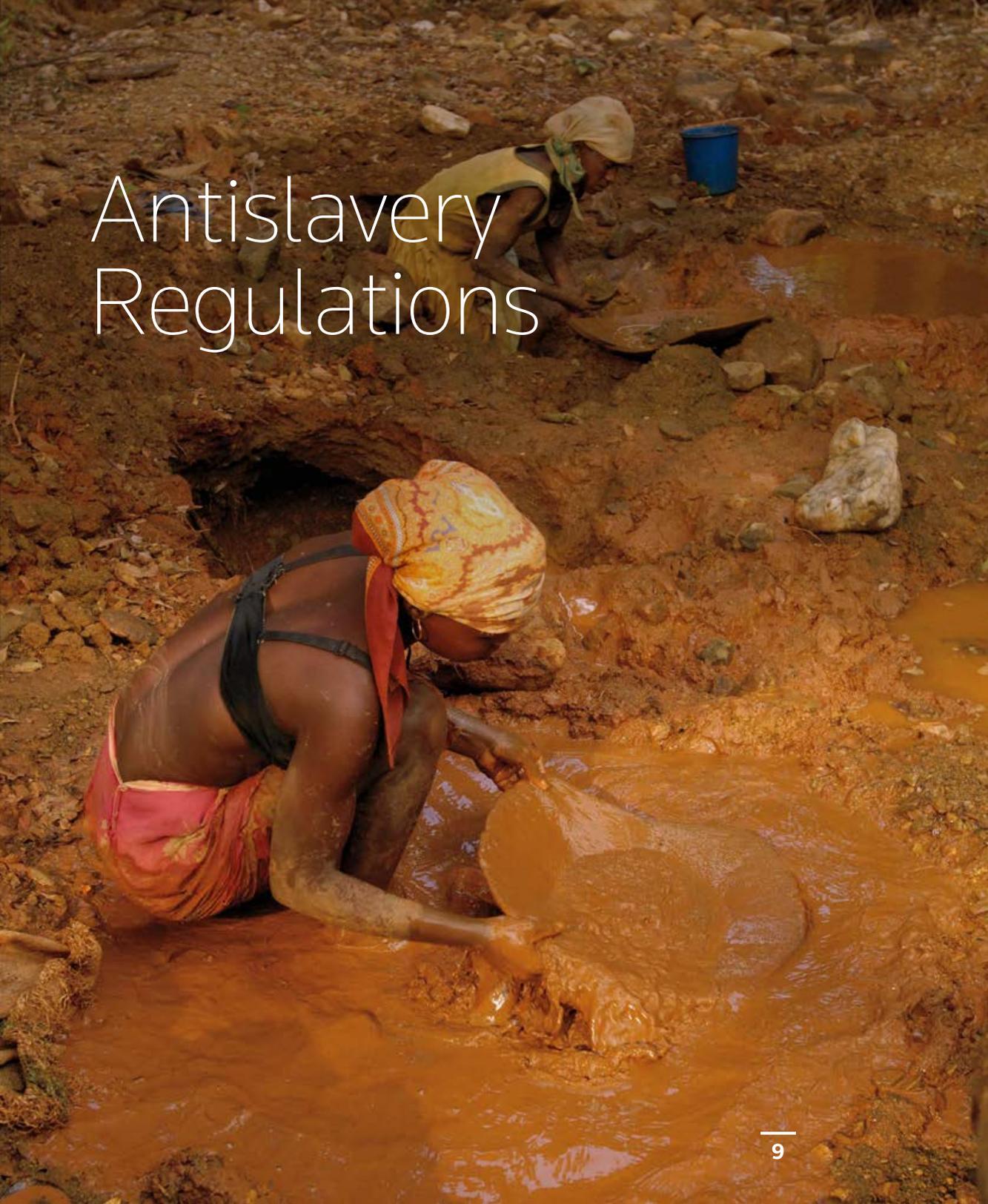
Human trafficking in conflict countries is also used as a weapon of war, creating an environment where people fleeing conflict become easy prey to well-organized criminals who can operate across borders and regimes.

These victims can be forced into unpaid labor, including child labor, and refugees often become subjects of trafficking-related exploitation, such as forced prostitution and early marriage, or organized begging. Vulnerability to corrupt labor brokers offering promises of work for a fee is also linked to this migrant status.<sup>8</sup> ●

Source: US Bureau of International Labor Affairs List of Goods Produced by Child Labor or Forced Labor

8 <https://blogs.thomsonreuters.com/answeron/can-fight-human-trafficking-conflict-answer-data/>

# Antislavery Regulations



A number of 21st century initiatives have been launched, as shown in Figure 3 (see page 10), to raise awareness for human slavery and promote actions to combat it. Most have clear supply chain requirements for organizations involved in the manufacture or production of goods and services.

Manufacturers need to demonstrate compliance with local labor laws. Additionally, in a growing number of countries such as the United States and the United Kingdom, these organizations must be compliant with international anti-trafficking protocols and national laws in order to export goods to them.<sup>9</sup>

<sup>9</sup> <http://thomsonreuters.com/en/press-releases/2015/06/thomson-reuter-partners-with-ngos-to-fight-human-trafficking.html>

Figure 3. 21st century initiatives in the fight against modern slavery



Source: Thomson Reuters Research & Analysis

**US Trafficking Victims Protection Act (TVPA) (2000):**

A US law since 2000, the TVPA seeks to combat trafficking via prosecution, protection and prevention (the “three P’s,” as they are called).

Prosecution involves passing appropriate laws to criminalize trafficking and jailing abusers who exploit other human beings for profit. Protection includes the identification of victims and provision of medical care, shelter and, when necessary, repatriation for victims. Prevention is raising awareness of the inhumane practices of the trafficking trade and creating programs to reduce the demand for such trafficked goods and services.<sup>10</sup>

**UN Protocol to Prevent, Suppress and Punish Trafficking in Persons (2003):**

The purpose of this United Nations protocol is to prevent and combat the trafficking of persons, especially women and children; protect and assist victims of trafficking; and promote cooperation among States’ Parties to meet these objectives.<sup>11</sup> It was entered into force by the United Nations on December 25, 2003 and has been ratified by 170 parties as of September 2016. While this is the most global initiative against trafficking to date, its impact is still unrealized.

“Even though many Asian nations have signed the United Nations Convention against Corruption, few have gone on to introduce

legislation that is sufficiently strong to deal with corrupt companies and directors or provided appropriate resources to investigate and prosecute corrupt activities or examine slavery issues,” said Niall Coburn, Thomson Reuters regulatory intelligence expert for the Asia Pacific region. “Firms must be more diligent and ensure that they have strict anti-corruption practices in place, especially in foreign jurisdictions.”<sup>12</sup>

**Anti-Trafficking in Persons Act (2003):** An Act of the Philippines that was signed into law in 2003, this institutes policies to eliminate and punish human trafficking and establish protection and support mechanisms for victims. Unfortunately, this Act has had limited success in its efforts to identify, stop and punish human trafficking to date.

**US California Transparency in Supply Chains Act (2010):** This Act was signed into law in January 2012, requiring mid-size and large retailers and manufacturers in California with total annual revenue greater than \$100 million USD to report on the specific actions they are taking to eradicate slavery and human trafficking in their supply chains. Companies must disclose whether or not they verify supply chains for risks of human trafficking; audit suppliers; certify product materials comply with slavery and

10 <https://fightslaverynow.org/why-fight-there-are-27-million-reasons/the-law-and-trafficking/trafficking-victims-protection-act/trafficking-victims-protection-act/>  
11 [https://ec.europa.eu/anti-trafficking/sites/antitrafficking/files/united\\_nations\\_protocol\\_on\\_thb\\_en\\_4.pdf](https://ec.europa.eu/anti-trafficking/sites/antitrafficking/files/united_nations_protocol_on_thb_en_4.pdf)  
12 <https://risk.thomsonreuters.com/content/dam/openweb/documents/pdf/risk/white-paper/top-ten-regulatory-risks-asia-pacific-2016.pdf>

trafficking laws in the countries in which they're doing business; have accountability standards for those not meeting company standards; and provide trafficking training for employees.<sup>13</sup>

**UK Modern Slavery Act (2015):** The Modern Slavery Act was issued in the United Kingdom requiring all commercial organizations with business operations in the UK and global annual turnover of 36 million GBP or more to complete a statement as to the steps being taken "to ensure that slavery and human trafficking are not taking place in any of its supply chains, and in any parts of its own business."<sup>14</sup>

A recent Reuters article underscores this challenge and call-to-action for organizations fighting slavery. Kevin Hyland, independent commissioner of the Act, said, "While the Modern Slavery Act has undoubtedly pushed modern slavery up the agenda and into the boardrooms of large businesses, this is just the first step. There is still much more to be done to ensure that companies produce statements that both comply with the Act's obligations and point to decisive action being taken, as opposed to merely being a 'tick box' exercise."<sup>15</sup>

### **US End Modern Slavery Initiative Act (2015):**

A tangential effort to the UK Modern Slavery Act, this gained momentum in the United States with Senator Bob Corker of Tennessee. The mission of the End Modern Slavery Initiative Act of 2015 is to "eradicate modern-day slavery domestically, ... continue to coordinate across departments and agencies to prevent and respond to heinous activity that involves over 21,000,000 people worldwide through sustained investment in integrated, inter-agency, anti-trafficking initiatives; . . . [and] There is an urgent need today for international public and private cooperation to increase resources available to programs that can make a measurable impact in reducing the prevalence of modern slavery . . ."<sup>16</sup>

This Act has not yet passed through US Congress to become a law, but has garnered support from members across the aisle and is on its way to becoming a driving force for identifying and preventing human exploitation.

### **Trade Facilitation and Trade Enforcement**

**Act (2016):** An amendment to the Tariff Act of 1930, this law was signed in Q1 2016 removing the "consumptive demand" clause of the Tariff Act, which allowed goods produced using forced labor into the US market in order to meet public demand. The repeal of this clause now makes it illegal to import goods into the US produced by forced, slave, convict, forced child or indentured labor.<sup>17</sup>

These are just a few government initiatives that are creating a framework for the fight against human exploitation and oppression. Business leaders cannot turn a blind eye to 21st century slavery. It can cost an organization its reputation and revenue, as well as being a moral and ethical failure of epic proportion. News articles, such as the one that accuses several global automotive manufacturers of using cobalt from child labor in the Democratic Republic of Congo for lithium-ion batteries, are starting to raise greater awareness for the issues of human slavery in the supply chain.<sup>18</sup> ●

<sup>13</sup> <https://www.dol.gov/ilab/child-forced-labor/California-Transparency-in-Supply-Chains-Act.htm>

<sup>14</sup> <http://www.legislation.gov.uk/ukpga/2015/30/section/54/enacted>

<sup>15</sup> <http://www.reuters.com/article/us-britain-slavery-prosecutions-idUSKCN12COT6>

<sup>16</sup> <https://www.congress.gov/bills/114th-congress/senate-bill/553/text>

<sup>17</sup> <https://www.cbp.gov/trade/trade-community/programs-outreach/convict-importations>

<sup>18</sup> <http://news.trust.org/item/20160930000228-17mo6>

# Business Road Map to Reduce Risk and Protect Your Supply Chain

A five-step approach<sup>19</sup> identified by Thomson Reuters helps organizations minimize the risks associated with modern slavery and create a framework for compliance and success. It is based on mapping an organization's supply chain and overlaying a risk assessment based on country, product and internal supply chain considerations.

<sup>19</sup> *Expanding Existing Due Diligence Programs to Cover Modern Day Slavery in the Supply Chain*, James Swenson, Thomson Reuters, June 2015, p 7.



REUTERS/Danish Siddiqui

## FIVE STEPS TO IDENTIFYING SUPPLY CHAIN ISSUES

Thomson Reuters outlines these actions to identify high risk areas requiring detailed due diligence:

- 1. Verify the legal standing** of the supplier, including a review of registration documents from the company registry or tax office, which may provide corporate details, audited financial statements, disclosure of shareholders/directors and any former or trading names.
- 2. Search for adverse media** in international and local press to conduct a reputational assessment of the third-party's track record.
- 3. Review regulatory, litigation and bankruptcy databases** in the jurisdictions where the supplier is registered and operates.
- 4. Conduct a reputational review** of the principals and shareholders of the company, which may include a review of the reputation and legal standing of the individuals.
- 5. Screen counterparties** against international sanctions, watch lists and prohibited parties' databases published by governments, international organizations and development banks.

Supplier screening such as this should extend deep into the supply chain where risks of modern slavery and forced labor are likely to lie and should pay particular attention to known high-risk supplier types such as labor brokers and recruitment agents.

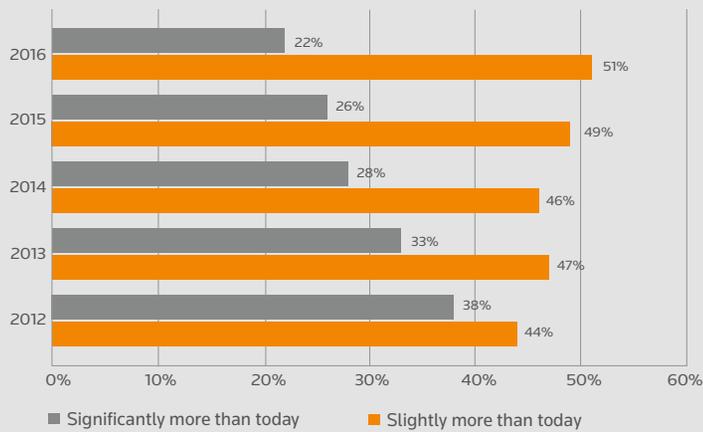
Thomson Reuters has a suite of solutions that aid in the fight against modern slavery, to help ensure an organization is compliant with the growing number of regulations and requirements.

<sup>19</sup> *Expanding Existing Due Diligence Programs to Cover Modern Day Slavery in the Supply Chain*, James Swenson, Thomson Reuters, June 2015, p 7.

## MANAGING REGULATORY RISK

As shown in Figure 4, 73% of respondents in the 2016 Thomson Reuters Cost of Compliance survey say they expect the regulatory focus on managing regulatory risk to increase over the next 12 months from where it is today.

**Figure 4.** Will regulatory risk focus increase in the future?



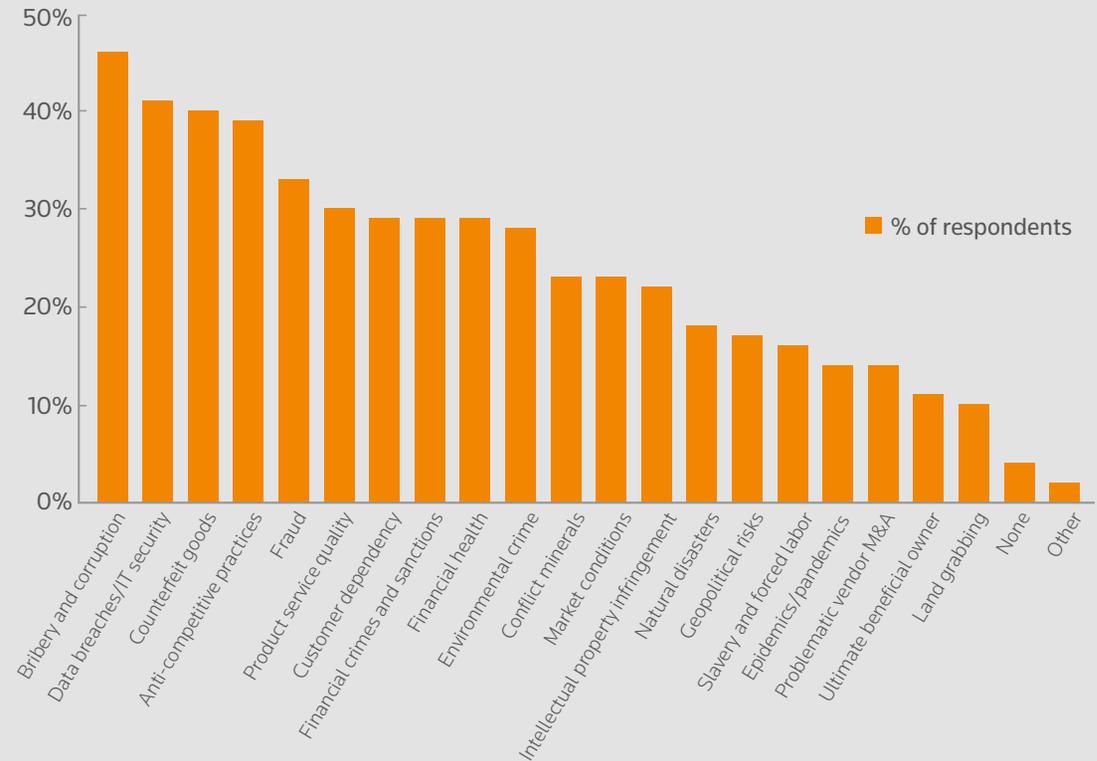
Source: Thomson Reuters 2016 Cost of Compliance survey<sup>20</sup>

Additionally, just 16% of respondents in the Thomson Reuters Third Party Risk survey felt sufficiently knowledgeable about Slavery and Forced Labor, as shown in Figure 5. That number increased to 24% when looking at the responses of professionals in compliance and risk roles.

The effects of these risks are real. Organizations currently lose \$200 billion annually by not managing their risks effectively, and this number is believed to be on the rise.<sup>21</sup>

With such high costs associated with improper risk management and such low numbers in terms of risk acknowledgement and understanding, it is essential that organizations be educated about the threats posed to them and ways to address them. ●

**Figure 5.** Level of “sufficient” risk knowledge



<sup>20</sup> <https://risk.thomsonreuters.com/content/dam/openweb/documents/pdf/risk/report/cost-compliance-2016.pdf>

<sup>21</sup> Thomson Reuters Commodities Team, 2016 Third Party Risk Report

A young woman with dark hair in a ponytail, wearing a blue uniform, is focused on her work in a server room. She is looking down at a computer monitor. The room is filled with server racks and cables. The background is slightly blurred, showing other people working in the same environment.

# Antislavery and Risk Management Solutions

Although modern slavery leaves a data footprint, it's difficult to detect and report because there's a lack of overt data on traffickers and offenders. Nevertheless, organizations can minimize their risk by thinking outside the box and looking for proxy data sets to support their risk information.

Research shows a high correlation between money laundering, corruption and slavery risk, thereby offering the opportunity to utilize data from the financial, legal and tax areas that can act as proxies for modern slavery.

The proceeds of slavery emerge in the financial system. Knowing that a country ranks high on the list for corruption risk and spotting money laundering red flags can be a starting point for modern slavery due diligence. As part of a wider risk-based approach, organizations can bucket suppliers into risk categories and adopt appropriate levels of due diligence to screen them.

## **THOMSON REUTERS ANTISLAVERY AND RISK MANAGEMENT SOLUTIONS**

Thomson Reuters has a suite of solutions that enable companies to detect, assess and minimize potential risks associated with suppliers, distributors and partners while monitoring them for any change in status.

### **Thomson Reuters Country Risk Ranking**

Country Risk Ranking has geopolitical risk-based information on more than 240 countries and territories divided into criminal, economic and political areas. It includes an intelligent risk ranking based on a number of factors including human trafficking, bonded labor and slavery.

### **Thomson Reuters World-Check**

World-Check® is the leading source of structured risk intelligence on politically-exposed persons (PEPs) and high-risk individuals and organizations around the world. It collects open-source data on people or organizations under sanction or embargo, those who have been convicted of corruption or bribery, those convicted of criminal activity and terrorists.

World-Check is used by organizations for conducting risk assessments and identifying third parties that represent a heightened risk of forced and bonded labor. With over 63,000 profiles concerning human trafficking and

related human rights abuses, data compiled in World-Check is useful in the fight against money laundering, threat financing, bribery and corruption, organized crime, human trafficking, forced labor and the exploitation of others.

### **Thomson Reuters Screening Resolution Service**

This managed service conducts screening due diligence on third parties using World-Check. Screening Resolution Service highlights positive and possible matches of those who may require further scrutiny. It has a strong quality assurance process with a full audit trail that ensures peace of mind and demonstrates compliance to regulators. Using Screening Resolution Service allows organizations to concentrate resources where they are most needed and reduce the overall cost of compliance.

### **Risk Solutions for Legal Professionals**

Across the legal industry, there are a number of solutions that are essential for managing the risks related to modern-day slavery. Offerings such as Westlaw®, Practical Law™ and Thomson Reuters Legal Tracker enable clients to understand the legal and regulatory requirements that safeguard their businesses and supply chains from the risks posed by human trafficking and modern slavery.

Additionally, training opportunities are emerging such as the development of a Compliance Learning course on modern slavery, in conjunction with the Legal and Ethical Training Initiative (ETI) at Thomson Reuters. It connects ETI's industry expertise with Thomson Reuters technology solutions and provides an introduction to modern slavery and its implications for business, especially around the UK Modern Slavery Act.

### **Practical Law**

Thomson Reuters Practical Law lets lawyers work faster and counsel clients with confidence via a team of expert attorneys who create and maintain thousands of up-to-date resources across all major practice areas. These experts are available to answer questions and act as a sounding board for complex legal matters including human trafficking and related crimes. The Practical Law services complement primary law and research, providing increased efficiency and greater value.

## CLEAR

Thomson Reuters CLEAR® is an online investigative platform designed to find people, assets, businesses, affiliations and other critical data via a vast collection of public and proprietary records. It meets clients' unique, investigative needs, allowing researchers to dive deep into information and uncover hard-to-find facts. CLEAR provides a single working environment that streamlines content into a customizable dashboard with an intuitive interface, so researchers can search and review results efficiently and productively.

## Checkpoint

Thomson Reuters Checkpoint® is an industry-leading intelligent information source for tax and accounting professionals with expert research, guidance, technology, tools, learning and news. Checkpoint allows users to understand complex information, make informed decisions and efficiently use knowledge.

Checkpoint Catalyst® is an award-winning solution to quickly and efficiently perform complex tax research. It includes Ernst & Young Tax Alerts with timely updates and authoritative insights on key developments in the industry and legislative changes that could impact clients.

## Restricted Party Screening

Party Screening on the ONESOURCE® and Checkpoint platforms is backed by World-Check to deliver intelligence on heightened risk individuals and organizations.

## Thomson Reuters Enhanced Due Diligence

When an initial risk-assessment identifies a scenario where more investigation is needed on a third-party, Enhanced Due Diligence can provide deeper insight related to forced, bonded and child labor. Hundreds of in-house analysts speaking over 60 languages produce reports containing comprehensive and structured research completed on the organization, its owners, and its operating and litigation history, as well as key management, decision makers and beneficial owners. They're an added layer of information that can prove vital to organizations combating modern slavery.

## Thomson Reuters Compliance Learning

Compliance Learning provides practical, interactive, customizable and cost-effective compliance training programs that assist in changing behavior and supporting a culture of integrity. More than 800 ethics and compliance training courses are available in over 42 different languages, powered by world-leading regulatory intelligence that tracks over 500 regulators and exchanges globally.

## Partnerships

Multi-stakeholder collaboration is an essential component of the fight against modern slavery. This includes working with NGOs such as Liberty Asia (with which Thomson Reuters partners) to provide guidance and data analysis to uncover the links between forced labor and labor trafficking in supply chains and other crimes such as corruption. NGO partnerships have shown that technology-driven intelligence can help fill the modern-day slavery data gap.

## Thought-Leading White Papers

Reports and expert perspectives provide added insight and counsel for organizations seeking to mitigate risks associated with human slavery and ensure their organization is not unwittingly working with corrupt partners. One such paper is *A Risk Based Approach to Mitigating Slavery in Third Party Relationships*<sup>22</sup>, among many others that are available at no charge to clients. ●

<sup>22</sup> <https://smartsales.thomsonreuters.com/exLink.asp?78355116OP25G94I348438804>

# Conclusion

Solutions such as these provide a framework for business leaders to ensure their organizations are prepared for the fight against modern slavery and human trafficking. Being aware of the government requirements and prepared with tools to monitor and mitigate risk are essential to protecting one's brand, revenue and reputation against the silent slavery epidemic.

*"We've done studies analyzing companies that have been involved in scandals, and we've seen a very close correlation between bad publicity and the company's stock prices."<sup>23</sup>*

*B.C. Tan, Thomson Reuters Asia*

<sup>23</sup> <https://blogs.thomsonreuters.com/answeron/building-a-profile-of-the-modern-day-slave-monger/>

## Conclusion

Such solutions are also essential for the quest to maximize commercial opportunities and ensure supply chains comply with mandates to eliminate human exploitation. With Thomson Reuters, clients can create custom views into the risk posed by suppliers or third-party partners, demonstrating to regulators they've carried out the required levels of due diligence.

*"Companies can make their supply chain a competitive differentiator, if they have the transparency."*

*Shaun Sibley, Managing Director,  
Supply Chain & Commodities,  
Thomson Reuters*



REUTERS/Chaiwat Subprasom

For more information about solutions to protect your organization against the perils of modern-day slavery, go to [tr.com/endslavery](https://tr.com/endslavery)

