The introduction of the Modern Slavery Act 2015 creates many challenges for organisations as it requires them to take responsibility for behaviours that take place in their supply chains, both in the UK and internationally. These FAQs cover the corporate requirements of the Act and how they will impact your business.

1. **What is the Modern Slavery Act 2015?**
   
   The UK Parliament passed the Modern Slavery Act (MSA) in March 2015 with the objective of consolidating and extending current offences relating to slavery and human trafficking.
   
   This act is a milestone as, for the first time, the UK has a law that attempts to ensure commercial organisations take responsibility for behaviours that take place in their supply chains, both in the UK and internationally. Whilst it is a domestic law, it implicitly has extraterritorial reach.
   
   This law is the first of several human rights related laws that are due to come into force in the coming years. They will be binding on UK organisations of various sizes to demonstrate their respect for some, if not all, human rights both within their own corporate structure and also their supply chains.

2. **What is slavery?**
   
   Annex A to the guidance issued under section 54(9) MSA, includes definitions of slavery, servitude, forced or compulsory labour and human trafficking. The guidance defines slavery as ‘the status or condition of a person over whom all or any of the powers attaching to the right of ownership are exercised.’ In several places, the Act references securing the services of children although it shies away from specifically including child labour. However, to all intents and purposes, organisations should read it as including child labour. After all, it wouldn’t be in the organisation’s interests if it references slavery and human trafficking in all its contracts and draws up processes to address these abuses, and then children were found to be working in the supply chain.

3. **What is the principal requirement for organisations under the Modern Slavery Act 2015?**
   
   Section 54 of the Act requires organisations to prepare a slavery and human trafficking statement for each financial year and is:
   
   • a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains and in any part of its own business; or
   
   • a statement that the organisation has taken no such steps.
   
   The Act suggests that this statement may include information about the following:
   
   1. The organisation’s structure, its business and its supply chains
   2. Its policies in relation to slavery and human trafficking
   3. Its due diligence processes in relation to slavery and human trafficking in its business and supply chains
   4. 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
   5. 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
   6. The training about slavery and human trafficking available to its staff
   
   This statement must be signed by a director and approved by the Board and published in a ‘prominent’ place on the organisation’s website.
To which organisations does the Modern Slavery Act 2015 apply?

The Act specifically refers to ‘commercial organisations’. These are defined as any body corporate or partnership which carries on a business in the UK. The Guidance to the MSA states that ‘it does not matter if it pursues primarily charitable or educational aims or purely public functions. The organisation will be caught if it engages in commercial activities and has a total turnover of £36m – irrespective of the purpose for which profits are made.’ Accordingly, it would appear that charities, universities and other educational establishments will be caught if the annual turnover threshold of £36m is met.

E.g. A UK parent company may only have turnover of £1m. However, together with all its subsidiaries the group annual turnover is more than £36m. The UK parent will have to prepare a statement.

What happens if organisations don’t comply with the Modern Slavery Act 2015?

The Act states that the duty to make this statement can be enforced by civil injunction. However, it would seem that the Government is essentially relying on public opinion to ensure compliance. We believe that the majority of organisations are likely to set out the steps they are taking, rather than state that they have not taken any.

The potential for adverse PR is likely to result in organisations properly addressing the spirit of the law and not just the letter. There may also be pressure from larger organisations who are likely to demand that all their smaller suppliers, not caught directly by the Act, are in compliance with the legislation in order to provide them with the comfort that their supply chains are MSA compliant.

When does the Modern Slavery Act 2015 become effective and what are the transitional rules?

The Act became effective on 29 October 2015.

It requires all organisations to publish their statements within six months of their financial year-ends.

The first year-end to which the Act applies are those ending on or after 31 March 2016. Therefore, those with year-ends falling on that date will have until 30 September 2016 to publish their statement. For those organisations with a December year-end, the first statement should be published by 30 June 2017.

How should organisations update their processes to comply with the Modern Slavery Act 2015?

Whilst the Act is primarily forcing organisations to report publicly, the reality is that if such a statement is to be meaningful, most organisations will need to implement appropriate and effective polices and processes to demonstrate compliance with the spirit of the law.

The Guidance to the MSA refers to a tool that can help organisations; the United Nations Guiding Principles Reporting Framework (www.ungpreporting.org), of which Mazars was one of the co-architects. The Reporting Framework ‘sets out the ways in which businesses can choose to meet their responsibilities’.
PLEASE GET IN TOUCH...

For more detailed information on the process that organisations should follow, or to find out how we can add value to your business, please contact:

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