

PREVENTING MODERN SLAVERY & HUMAN TRAFFICKING:

An Agenda for Action across the Financial Services Sector

Providing greater insight, knowledge and awareness of human exploitation and highlighting what civil society and private enterprise can do to prevent these crimes.

Independent
Anti-Slavery
Commissioner

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Foreword

Dame Sara Thornton, UK Independent Anti-Slavery Commissioner



It was estimated that over 40 million people were held in modern slavery on any day in 2016 and of that total 16 million were victims of labour exploitation in private business. While slavery is illegal in every country in the world, our economic and financial systems appear to tolerate and even promote practices which result in this abuse. Governments bear significant responsibility in this and have made a commitment through the United Nations to eradicate forced labour and to end modern slavery, human trafficking and child labour. However, businesses themselves must focus on preventing harm in their organisations and their supply chains.

Modern slavery is estimated to generate \$150 billion in profits annually and is one of the top three international crimes alongside drug trafficking and trade in counterfeit goods. Financial institutions have a significant role to detect and disrupt this serious organised criminality but this report shows that through their lending and investment decisions they can do so much more. There is a growing recognition that investors and lenders do not want to invest in companies which are harming the environment. But similarly, do they want to invest in businesses that are harming people?

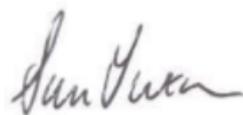
The UK Modern Slavery Act 2015 requires all companies with a turnover of more than £36 million to produce an annual statement on the steps taken to tackle modern slavery and human trafficking in their organisations and supply chains. While this has raised standards in many businesses there is no room for complacency. The government has recently announced that it will legislate to bolster these provisions mandating six areas of disclosure, setting a deadline for completion and requiring the statements to be filed in a new online registry. However I share concerns across civil society that this may not be enough to address the spectrum of abuses, including slavery and trafficking, suffered by the most vulnerable workers in fields, farms and factories across the world.

I am convinced that the only way we will make a step change is if business leaders set the tone from the top and commit to eradicating all forms of coercive labour practices. The UK Government supports the UN Guiding Principles on Business and Human Rights and expects business to respect human rights but human rights due diligence is not currently required by statute. Surely it is better to do the right thing rather than be forced to do so by legislation? The British Academy is clear that, 'the purpose of business is to solve the problems of people and planet profitably and not profit from causing problems'. The profits made from slavery and exploitation in our organisations and supply chains are privatised while the costs are socialised. And the weight of these costs is borne by the most vulnerable workers across the globe.

This report clearly demonstrates how financial institutions should be at the heart of this global effort. I have often heard from companies who deplore the absence of a level playing field. They know that businesses which tolerate modern slavery and human trafficking have lower labour costs and unfair competitive advantage and are able to access capital unfairly. As the Blueprint for Mobilising finance against Slavery published by the Liechtenstein Initiative correctly identifies, the world's bankers, investors and lenders, insurers and financial partners 'have unparalleled influence over global business....and that finance is a lever by which the entire global economy can be moved'.

This excellent report by Themis and The Tribe Freedom Foundation pulls together research, resources and advice. I hope that it serves as both a wake-up call and a useful guide providing information, insight and encouragement to those who lead financial institutions.

I commend it to you.

A handwritten signature in dark ink, appearing to read 'Sara Thornton', written in a cursive style.

Dame Sara Thornton



We are delighted to share this report on Modern Slavery and Human Trafficking and the Financial Services Sector with you. Combating financial crime is at the heart of what we do at Themis. Our purpose is to reduce the global impact of financial crime, and in particular those ‘hidden’ crimes such as modern slavery. The key objectives of this project have been to increase the awareness and understanding within the financial services sector of the scale and nature of Modern Slavery and Human Trafficking in the UK and globally, and to encourage cultural change and action at the most senior levels within the Financial Sector.

Throughout the research for this project one of the overriding responses we have received has been “What has this to do with us?” Our research highlights a clear involvement the financial sector has with Modern Slavery and Human Trafficking. At times this can be one step removed through investments or loans in suspect businesses, and at others more directly, when criminals use financial institutions to launder their money and engage in financial crime. What is clear is that every financial institution should ask themselves the following question:

How can you be sure that your organisation is not directly or indirectly supporting Modern Slavery and Human Trafficking?

For almost the entire duration of this project the world has been battling against the global pandemic of Covid 19. Unfortunately, the pandemic has brought financial insecurity to many and increased their vulnerability to exploitation and trafficking. These people need our support more than ever.

The project is a call to action. We sincerely hope that having heard it and based on the evidence set out in this report, this will be the beginning of financial services taking a long-term interest in tackling the global problem of MSHT.

We are asking boards and CEOs of all financial institutions in the UK to put this on their corporate agenda to stand together against Modern Slavery and Human Trafficking.

Take a stand. Spread the word. Act Now.

Dickon Johnstone, CEO Themis

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1. EXECUTIVE SUMMARY

Modern slavery and human trafficking is all about the money

There are over 40 million people in modern slavery worldwide. Modern slavery exists in every industry, in every country in the world. The financial services industry has a major role to play in combating this violent and abusive business. And yet our polling found that over one third (36%) of financial industry employees thought that their organisation had no influence at all in combating Modern Slavery and Human Trafficking (MSHT). It is no longer acceptable to look the other way. Ignorance is not a line of defence. If companies look hard enough, they will find it in their supply chains, but will they be prepared to respond? Saying you are concerned about MSHT through your MS statement is one thing, but taking responsible action is altogether harder but much more important.

This report is the culmination of a yearlong research and outreach project led by Themis in partnership with The Independent Anti-Slavery Commissioner's Office (IASC), and TRIBE Freedom Foundation. The main objectives of the project are to draw attention to the issue of MSHT, highlight the linkages within the financial services industry, and sound a call to action for the industry as a whole.

We are calling on senior leaders in financial services organisations to take a stand against MSHT in their organisation. We challenge them to answer these questions:

Do you have cases of modern slavery across your own business activities, within your supply chains, your customers or your staff?

Is any of the capital you are lending or investing contributing directly or indirectly to MSHT?

How do you know whether or not you do?
When did you last check?

What are you doing to manage the risk of MSHT in your business?

Key Findings

Despite MSHT links to money laundering and other financial crimes, and the introduction of the Modern Slavery Act in 2015, only a small number of financial services companies are actively managing their risk and engaging with clients and suppliers on issues relating to MSHT.

There are low levels of awareness of the prevalence of MSHT

30%

of financial services employees polled do not believe modern slavery is something which happens in the UK.

43%

of board level managers and director level employees either did not know if their organisation had a modern slavery policy to manage their slavery risks or confirmed they did not have one at all.

Insufficient procedures are in place to monitor MSHT

MSHT is not considered adequately in business decision making

68%

of financial industry employees surveyed did not believe the subject had been raised more than “a few times” by senior management, if at all, in the last 12 months.



Levels of awareness are lower among more senior employees:



45% of board level managers and directors agreed with the statement “modern slavery is not something which occurs in the UK”.

Companies could do more:



Over three quarters of those surveyed (77%) believed that their organisation could do more to address the risks of modern slavery and human trafficking within the financial services industry.

Procedures not in place:



Nearly half (45%) of all financial services employees said they would not know who to report suspected instances of modern slavery or human trafficking to within their organisation.

Lack of training on modern slavery:



71% of financial industry employees stated that they had never participated in any form of training with their current employer regarding MSHT.

Note: Results are based on a poll of 1001 financial services professionals undertaken in May 2020.

Key Risks

Whilst there are some wonderful exceptions of financial institutions championing MSHT across their organisations, many companies seem unwilling or unable to acknowledge the potential risks to their business of not addressing MSHT:



LEGAL RISK

Every company and public body in the UK with a turnover or budget of over £36 million is required by law to publish a Modern Slavery Statement.



REGULATORY RISK

MSHT is also a predicate crime to money laundering and so any financial institution found to be holding the proceeds of MSHT will be liable for money laundering offences.



REPUTATIONAL RISK

Investors and lenders are exposed to reputational damage if the companies they invest in are found to employ poor labour practices or modern slavery.



CUSTOMER RISK

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.



FINANCIAL RISK

All the above stated potential risks are likely to have a material impact on the business.



GOVERNANCE RISK

Poor management of MSHT risk may be an indicator of wider poor governance and a lack of controls in other areas.

Key Messages

We are calling on senior leaders to take a stand against MSHT in the following ways:

TONE AT THE TOP

Senior leaders can change attitudes by publicly acknowledging the links between MSHT and their business activities.

DETECT AND DISRUPT

MSHT due diligence can be incorporated into existing financial crime controls and screening processes that identify other types of risk.

MONITOR AND REPORT

Ongoing monitoring will enable companies to detect and manage potential linkages cases of MSHT.

INVEST AND ENGAGE

Investors and lenders have leverage over a wide range of companies. Through regular monitoring and engagement with clients they can influence behaviour.

SUPPORT | COLLABORATE | EDUCATE

Working with others across the industry, in the public and NGO sectors, nationally and worldwide is vital. This is a global issue that requires a global response.

2. RECOMMENDED ACTIONS

CALL TO ACTION



We are calling on leaders in the industry to take a stand, lead by example and collaborate to combat this crime

CULTURE AND STRATEGY

- We are asking CEOs of all financial institutions in the UK to stand together against MSHT, by putting MSHT firmly on their Board or Senior Management agenda.
- Business leaders should set the tone across the organisation by signalling that MSHT is an important risk to be integrated into all decision making.
- Board members should be fully cognisant of the commitments they have made towards the UK Modern Slavery Act 2015 and understand the contents of the statements they sign off to comply with this.
- Wherever possible, MSHT elements should be incorporated into existing risk assessments and due diligence processes across the business. At every significant decision point or gateway, MSHT issues should be considered alongside other business critical factors.
- Leaders should encourage a culture of transparency with regards to the identification of cases of MSHT 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.

MONITOR AND REPORT

- 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 MSHT identified in the supply chain, and their intended remedy.

INVEST AND ENGAGE

- Investment companies should incorporate MSHT 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.

DETECT AND DISRUPT

- Departments working on financial crime should ensure that MSHT considerations are built in as an integral part of any anti-money laundering and terrorism financing control (AML/CFT) framework.
- MSHT should be brought into the scope of financial or economic crime agendas for policy formation.
- MSHT should be an integral part of mandatory company training and in addition it should feature on AML/CFT and Bribery and Corruption mandatory training that should highlight MSHT risks.
- There should be a companywide MSHT risk assessment focusing on financial crime risk, and then be brought into the internal audit testing plan.

EMPOWER AND SUPPORT

- 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.
- Where banks wish to support philanthropic causes, they should consider supporting charities that work on MSHT issues that relate to their core business.

3. FURTHER HELP

If you have further questions on anything in this report or how to take action to detect and prevent direct or indirect ties to MSHT, you can also continue the conversation on the [Themis Senate](#) and/or visit the project site here www.crime.financial/msht.

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Do you have a financial crime related question?

Welcome to the Themis Senate.

Your forum exclusively for the Themis Community Members powered by Senate SenseCheck. Contribute to and benefit from expertise across our Financial Crime network.

[ASK A QUESTION](#) [ALL QUESTIONS](#)

THEMIS INSIGHT | INTELLIGENCE | INNOVATION | MEMBERS

INSIGHT | INTELLIGENCE | INNOVATION

Our goal is to reduce the global impacts of financial crime.

Themis helps clients and members identify and manage their specific financial crime risks, through a combination of insight, intelligence and innovation.

Financial crime is a very real and evolving problem. It has been described as "a cancer on our society" and "an issue of international security." Not only is the scale of illicit activity in the trillions of £s, but the impact on all

Independent Anti-Slavery Commissioner **TRIBE** **THEMIS**

Preventing Modern Slavery: A Call to Action

The UK's Independent Anti-Slavery Commissioner has commissioned this important study in collaboration with Themis and The Tribe Freedom Foundation to lead a cross sector research programme focusing on ways that the financial sector can identify and prevent modern slavery & human trafficking (MSHT) and we would like as many Financial Institutions as possible to come together in this call to action and collective industry response.

[TAKE SURVEY](#)

What does this research cover?

The research will look to understand how financial institutions are currently set up to prevent being a conduit (either directly or indirectly) to MSHT as well as exploring the checks and balances they have in place to assess and monitor their own businesses, their clients and their suppliers.

We are examining the specific risks and links faced by different types of organisations and sectors within the financial services industry and want to tease out examples of best practise so that we can formulate a sector-wide response.

This work will also highlight practical steps that financial services firms can take to identify and prevent MSHT. The report will

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Take a stand.

Spread the word.

Act Now.