

Corporate Compliance

# Anti-Human Trafficking Regulatory Compliance Services

Supply Chain Transparency

In recent years, a surge of new regulations aimed at eliminating human trafficking and slavery have been enacted, requiring companies to define their role in preventing these acts from occurring within their supply chains. With an estimated 21 million victims of forced labor globally,<sup>1</sup> regulatory bodies are just one of the many stakeholders demanding supply chain transparency. Investors, nongovernmental organizations, and consumers are also leading the charge, demanding transparency so they can make better-informed decisions.

# Protect your business reputation

## Steps to Compliance



## Supply Chain Transparency Regulations

	California <i>Transparency in Supply Chains Act of 2010</i>	U.K. <i>Modern Slavery Act of 2015</i>
<b>Date enacted</b>	Signed into law in October 2010, went into effect in January 2012.	Signed into law October 2015, the first statement disclosures will be required for those companies whose fiscal years end on or after March 31, 2016.
<b>Who is subject to disclosure requirements?</b>	Companies that meet the following criteria: <ul style="list-style-type: none"> <li>• Doing business in California</li> <li>• Annual worldwide gross receipts greater than \$100 million</li> <li>• Identifies itself as a retail seller or manufacturer on its California tax return</li> </ul>	Commercial organizations that meet the following criteria: <ul style="list-style-type: none"> <li>• Corporations or partnerships, wherever incorporated or formed, that supply goods or services</li> <li>• Carries on a business or part of a business in the U.K.</li> <li>• Total annual turnover or turnover of parent company is greater than £36 million</li> </ul>
<b>What is required to be included in the disclosure?</b>	Companies must disclose information on five topics relating to human trafficking and their product supply chain: <ul style="list-style-type: none"> <li>• Verification: To what extent do they verify product supply chains to evaluate and address risks of human trafficking?</li> <li>• Audit: To what extent do they audit suppliers to evaluate compliance regarding human trafficking and slavery?</li> <li>• Certification: To what extent do they require certifications from direct suppliers?</li> <li>• Internal accountability: To what extent do they maintain internal accountability for employees and contractors?</li> <li>• Training: To what extent do they provide training to employees and management on mitigating risks of human trafficking and slavery in the supply chain?</li> </ul>	Companies must disclose the following information regarding human trafficking and their product supply chain: <ul style="list-style-type: none"> <li>• The structure of the organization, its business model, and its supply chains</li> <li>• Its policies in relation to human trafficking and slavery</li> <li>• Its due diligence processes in relation to human trafficking and slavery in its business and supply chains</li> <li>• Where within the business there is a risk of human trafficking and slavery in their supply chain and the steps taken to assess and manage that risk</li> <li>• Their effectiveness in ensuring that human trafficking and slavery are not taking place in their supply chain, measured against appropriate performance indicators</li> <li>• The training regarding human trafficking and slavery available to staff</li> </ul>
<b>Where must the disclosure be published?</b>	On the company website via a conspicuous and easily understood link on homepage.	On the company website for each financial year. The link must be in a prominent place on the company's website.
<b>Signatory?</b>	Not required.	The published disclosure on the website must be signed by a director or partner for the company.
<b>Penalty for noncompliance</b>	Injunctive relief by the California attorney general.	Civil proceedings in the High Court for an injunction in England and Wales. In Scotland, civil proceedings for the Court of Session for specific performance.
<b>Website</b>	<a href="https://oag.ca.gov/SB657">https://oag.ca.gov/SB657</a>	<a href="http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted">http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted</a>

California's *Transparency in Supply Chains Act*, the U.K. *Modern Slavery Act*, and recent amendments to the Federal Acquisition Regulations (FAR) in the United States are the latest regulations requesting supply chain transparency. While the FAR amendments affect federal contractors and subcontractors,<sup>2</sup> the California *Transparency in Supply Chains Act* and U.K. *Modern Slavery Act* cast a wider net, affecting a larger percentage of companies. The table above compares the regulatory requirements for the California and U.K. acts.

## Complying With Fair Labor Practices

As pressure builds to eliminate human trafficking from global supply chains, companies should develop robust compliance plans to not only meet these regulatory requirements but to protect their business reputation. Furthermore, the global regulatory landscape in the field of human rights is rapidly evolving; new anti-human trafficking regulations are emerging in diffuse countries, including Ireland,<sup>3</sup> France,<sup>4</sup> and East Africa.<sup>5</sup>

Creating and implementing a comprehensive compliance plan is no easy task. Crowe advisory specialists can help you understand the regulations applicable to your company and assist with services including:

- Crafting the required disclosures to facilitate legislative compliance
- Designing a comprehensive program to meet evolving customer demands
- Integrating with other supply chain transparency requirements related to conflict minerals, such as Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) legislation, the Restriction of the Use of Certain Hazardous Substances (RoHS) directive, and California Proposition 65
- Auditing/certifying suppliers and maintaining internal accountability standards
- Conducting training for employees, contractors, and agents

## Taking Pre-emptive Steps

A structured and risk-based approach can help make the task of complying with the human trafficking regulations more efficient and can also lead to short- and long-term benefits, including:

- Protecting revenue and relationships with key customers
- Preparing for enforcement and reducing the risk of reputational damage
- Demonstrating social responsibility for customers and investors
- Leveraging the process to improve supply chain transparency and performance
- Enhancing your brand as humanitarian organization

# Integrating With Other Supply Chain Transparency Requirements

The global supply chain compliance landscape has grown increasingly complex, and many companies struggle to effectively manage a litany of supply chain regulations and customer demands. Integrating human trafficking compliance with other supply chain compliance programs such as REACH legislation, the RoHS directive, California Proposition 65, and other conflict minerals regulations offers many benefits:

- Increasing efficiencies
- Reducing supplier fatigue
- Improving risk identification and mitigation
- Allowing for more informed sourcing decisions
- Quicker response time to emerging and evolving regulations and customer requirements

Crowe combines proven regulatory and industry expertise with customized technology to design and implement an efficient and effective compliance program. Our holistic approach can enhance your visibility, prioritize key risks, and provide a clear road map to regulatory compliance and revenue protection.

---

<sup>1</sup> "ILO 2012 Global Estimate of Forced Labour: Executive Summary," International Labour Organization, June 1, 2012, [http://www.ilo.org/global/topics/forced-labour/publications/WCMS\\_181953/lang--en/index.htm](http://www.ilo.org/global/topics/forced-labour/publications/WCMS_181953/lang--en/index.htm)

<sup>2</sup> The 2015 FAR amendments will apply to all federal contracts and subcontracts. The amendments seek to strengthen protections against human trafficking by imposing employment-related requirements on all contracts and subcontracts. In addition, contractors and subcontractors who provide supplies acquired abroad or perform services outside the U.S. with an estimated value exceeding \$500,000 must implement a human trafficking compliance plan and must confirm on an annual basis the absence of any trafficking activities.

<sup>3</sup> Fionnuala Jones, "Tánaiste Publishes New Anti-Human Trafficking Plan," Newstalk, Oct. 17, 2016, <http://www.newstalk.com/Tnaiste-publishes-new-antihuman-trafficking-plan>

<sup>4</sup> Nadia, Bernaz, "Unpacking the French Bill on Corporate Due Diligence: A Presentation at the International Business and Human Rights Conference in Sevilla," Rights as Usual blog, Oct. 21, 2016, <http://rightsasusual.com/?p=1087>

<sup>5</sup> Anita Chepkoech, "Law Compelling EAC States to Prosecute Human Traffickers Passed," Daily Nation, Oct. 19, 2016, <http://www.nation.co.ke/counties/kisumu/Anti-human-trafficking-law-for-EAC-passed/1954182-3422804-126i2bp/>





## Connect With Us

To understand how your organization can address the risk of human trafficking, please contact:

Christopher McClure  
Partner, Forensic Services  
+1 312 606 7123  
[chris.mcclure@crowehorwath.com](mailto:chris.mcclure@crowehorwath.com)

## About Us

Crowe Horwath LLP is one of the largest public accounting, consulting, and technology firms in the United States. Our dedicated professionals create value for our clients by connecting deep industry knowledge with innovative technology, while maintaining a commitment to independence, integrity, and objectivity. By listening to our clients, we learn about their businesses and the unique challenges they face. We forge each relationship with the intention of delivering exceptional client service while upholding our core values and strong professional standards. We invest in tomorrow because we know smart decisions build lasting value for our clients, people, and profession.

[crowehorwath.com/conflict-minerals](http://crowehorwath.com/conflict-minerals)