

The Financial Services Sector Has The Power To Help Eradicate Modern Slavery

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Although we think of the financial sector predominantly in terms of investment and the global movement of funds, the City is in a position to immensely influence social and human rights matters such as climate change and modern slavery. With regard to the latter, the Independent Anti-Slavery Commissioner has recently published a report entitled: "*Preventing Modern Slavery & Human Trafficking: An Agenda for Action across the Financial Services Sector*" (the Report). It highlights that the financial sector must do more to address modern slavery and human exploitation and sets out recommendations for how this can be achieved.

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Generating illegal profits of around \$US150 billion per year, modern slavery is one of the top three international crimes, alongside drug trafficking and trade in counterfeit goods. While the City of London may seem far from the dilapidated textile factories of Leicestershire because money laundering and fraud are intertwined with modern slavery, the financial sector must be at the heart of steps to combat it. However, the Report shows that many who work in finance have a narrow view of the sector's impact on worker exploitation and slavery. Often only direct examples were considered, such as whether office cleaners, caterers, and construction workers were victims of such practices. However, the Report has called for the City to focus on the wider impact its business practices have on modern slavery, particularly relating to its investments, client relationships, and lending.

Dame Sara Thornton, the UK Independent Anti-Slavery Commissioner comments in the Report's foreword:

"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?"

Although 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, Dame Thornton states that the Report's findings show this does not go far enough to address the "spectrum of abuses".

Below are some of the recommendations made by the Report.

- Change begins at the top. Business leaders need to stand together against modern slavery and labour exploitation and put the issue on their Board and Senior Management agendas.
- Wherever possible, modern slavery should be incorporated into existing risk assessments and due diligence practices.
- Board members should be fully aware of the commitments they have made towards the UK Modern Slavery Act 2015 and understand the contents of the statements they sign off relating to compliance.
- A culture of transparency regarding the identification of modern slavery and labour exploitation in the business and its supply chains and/or client relationships should be encouraged.
- Procurement departments should review the recruitment processes of manpower suppliers and ensure the same is carried out across the supply lines of partner organisations.
- Investment companies should incorporate modern slavery and labour exploitation elements into any company-wide Human Rights Due Diligence framework, ensuring everyone across the entity is using the same risk assessment and due diligence practices.

- As a precondition of investment or lending terms, financial businesses should ask for proof that no modern slavery and labour exploitation exists in the borrower's supply chain.
- Modern slavery red flags should be incorporated into existing money laundering control frameworks.
- Retail bank staff should be trained to look carefully at suspicious activity and facilitate access to bank accounts and support services for victims of modern slavery.

As gatekeepers to capital, financial institutions are in a unique position to positively influence clients and businesses. Dame Sara Thornton comments that although 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?". Furthermore, the British Academy has confirmed that 'the purpose of business is to solve the problems of people and planet profitably and not profit from causing problems.

By implementing some of the Report's recommendations, the financial sector can significantly contribute to ending the scourge of modern slavery and the human misery it creates.

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