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About Us:



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Agenda

- Introduction – understanding Modern Slavery
- Slavery & Climate Link – Impact on Environment
- Regulatory Landscape
- Barriers to Change
- Valuing Impact
- Call to Action
- Q/A session



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Understanding Modern Slavery

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Key Forms of Modern Slavery



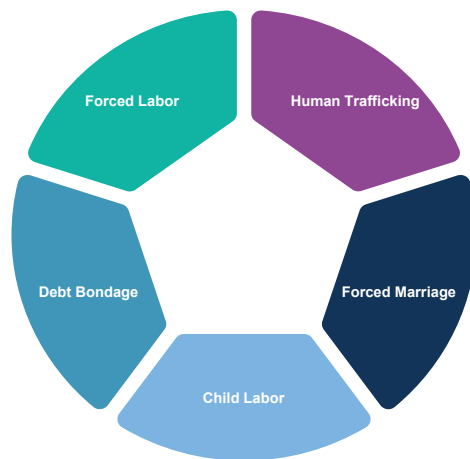
Forced Labor

- Individuals are compelled to work under threats or penalties.
- Common in industries such as agriculture, construction, and manufacturing.
- Workers often receive little or no pay.



Debt Bondage

- Workers are forced to work to repay debts under unfair conditions.
- They are often trapped in a cycle of debt they can never repay.
- Common in informal and unregulated industries.



Human Trafficking

- The illegal trade of humans for exploitation.
- Includes forced labor, sexual exploitation, and involuntary servitude.
- Victims are transported and controlled for profit.



Forced Marriage

- Individuals are forced into marriage without their consent.
- Often leads to further exploitation and abuse.
- Affects women and girls disproportionately



Child Labor

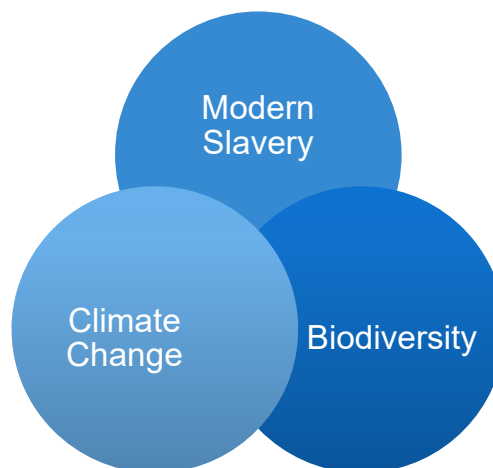
- The exploitation of children in dangerous work.
- Deprives them of education, safety, and a proper childhood.
- Often found in factories, mines, and agriculture

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The Link

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Interaction of Modern Slavery, Climate Change and Biodiversity

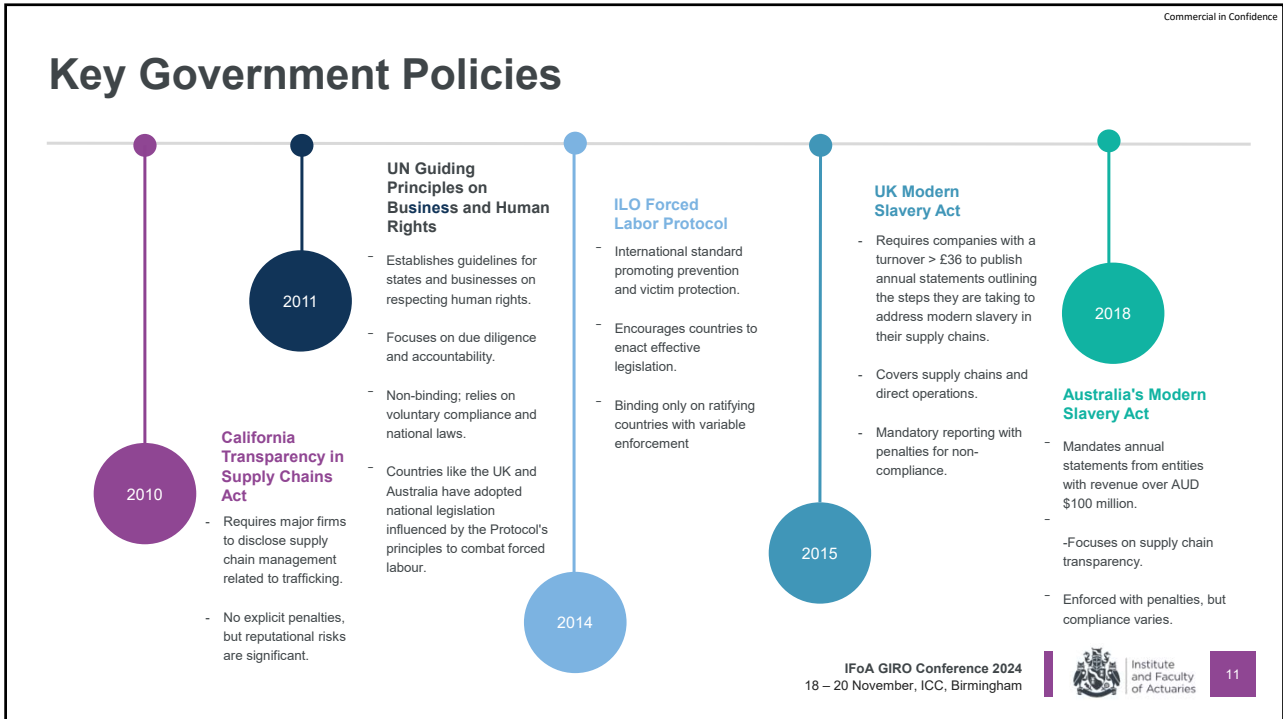


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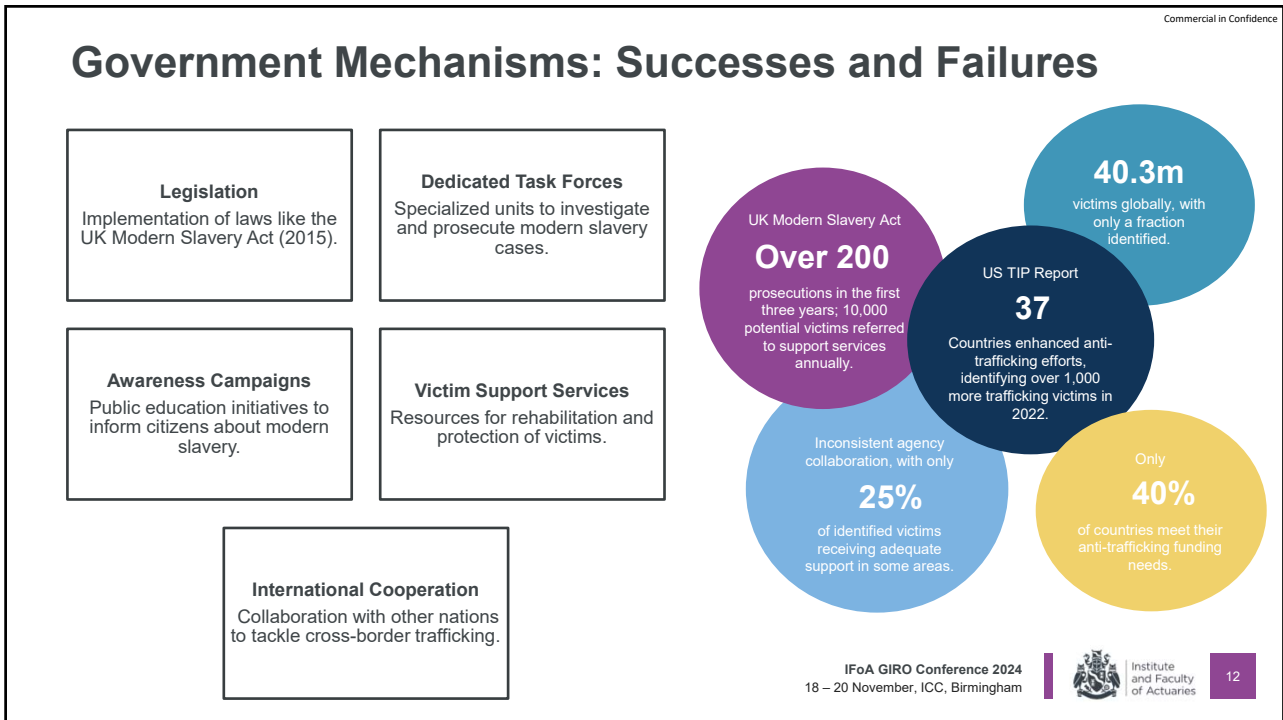
A Vicious Cycle – Myanmar’s Farming Example



Regulatory Landscape

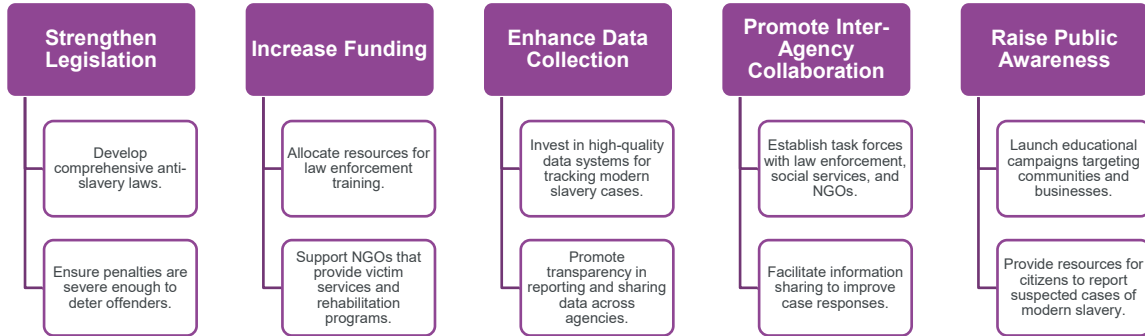


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What else can Governments do



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Corporate Landscape



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Corporate Responses: Key Focus Areas

<p style="text-align: center;">Supply Chain Transparency</p> <p>Ensuring visibility into operations to identify risks related to modern slavery.</p> <p style="text-align: center;">Example: Apple</p> <ul style="list-style-type: none"> - Advanced technology to map its supply chain - Requiring detailed reports from suppliers. - Employ third-party auditors to perform unannounced checks 	<p style="text-align: center;">Ethical Sourcing</p> <p>Procuring materials and labour in a way that avoids exploitation.</p> <p style="text-align: center;">Example: Unilever</p> <ul style="list-style-type: none"> - Uses blockchain technology to track the origins of palm oil and collaborates with local suppliers - Ensuring certification through bodies like the Roundtable on Sustainable Palm Oil (RSPO)
<p style="text-align: center;">Due Diligence Practices</p> <p>Regular assessments and audits to identify risks of forced labour or human trafficking.</p> <p style="text-align: center;">Example: Marks & Spencer</p> <ul style="list-style-type: none"> - Conducts detailed risk mapping of suppliers prioritizing high-risk regions like Southeast Asia - Implement unannounced audits - Work with external experts to monitor labour conditions 	<p style="text-align: center;">Remediation Strategies</p> <p>Taking corrective action when modern slavery is identified, including supporting affected workers</p> <p style="text-align: center;">Example: Primark</p> <ul style="list-style-type: none"> - Partners with NGOs to rehabilitate workers affected by exploitation - Provide access to education and training programs - Use grievance mechanisms for workers to report labour issues confidentially

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Corporate Challenges

<p style="text-align: center;">Complex Supply Chains</p> <p>Large companies often have multi-tiered supply chains, making it difficult to trace the origins of all products.</p> <p style="text-align: center;">Example: Bohoo Group</p> <ul style="list-style-type: none"> - Criticism for failing to monitor its suppliers in Leicester, where workers were reportedly underpaid and worked in poor conditions. - Complexity of their supply chain contributed to this oversight. 	<p style="text-align: center;">Inconsistent Regulation</p> <p>Different countries have varying labour laws, making it hard for global companies to enforce a single standard</p> <p style="text-align: center;">Example: Cargill</p> <ul style="list-style-type: none"> - struggled to eliminate child labour in its cocoa supply chain in West Africa, where regulations around child labour are weak or inconsistently enforced.
<p style="text-align: center;">Hidden Labour Practices</p> <p>Exploitation can occur in informal or undocumented sectors, making it difficult to identify.</p> <p style="text-align: center;">Example: Nike</p> <ul style="list-style-type: none"> - Found it challenging due to hidden nature of forced labour in subcontracted factories. 	<p style="text-align: center;">Lack of Worker Voice</p> <p>Workers in vulnerable situations often lack the ability to report exploitation.</p> <p style="text-align: center;">Example: H&M</p> <ul style="list-style-type: none"> - Invested in grievance mechanisms for workers, but in countries where freedom of speech is limited - Many workers still fear retaliation, making it difficult to get honest feedback.

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Why Modern Slavery Matters for the General Insurance Market

Direct Exposure	Indirect Exposure
<p>1. Own Operations</p> <ul style="list-style-type: none"> ▪ Risks in services like catering, cleaning, maintenance. ▪ Possible exploitation in outsourced facility management. <p>2. Supply Chain</p> <ul style="list-style-type: none"> ▪ Modern slavery risks in vehicle/home repair parts suppliers. ▪ Involvement of contractors with poor labor practices. <p>3. Own Practices</p> <ul style="list-style-type: none"> ▪ In-house repair services, especially subcontractors. ▪ Risk extends to operations both in the UK and abroad. 	<p>1. Insuring Firms</p> <ul style="list-style-type: none"> ▪ Insurers may cover businesses that ignore modern slavery risks. ▪ Relevant for Employers' Liability, Public Liability, Directors & Officers Liability policies. <p>2. Investing in Assets</p> <ul style="list-style-type: none"> ▪ Poorly managed modern slavery risks in investment portfolios. ▪ Growing pressure on ESG compliance affects investment decisions.


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Consequences for Insurers Ignoring Modern Slavery

 Reputational Risk	 Financial Impacts	 Operational Challenges
<ol style="list-style-type: none"> 1. Brand damage from links to unethical practices. 2. Loss of customer trust, business, and market share. 	<ol style="list-style-type: none"> 1. Claims Severity and Frequency <ul style="list-style-type: none"> • Higher Employers' Liability, Public Liability claims. • Increased payout due to exposure in insured firms. 2. Operational Risks <ul style="list-style-type: none"> • Supplier replacement and contingency costs. • Regulatory fines and disrupted operations. 3. Asset Depreciation <ul style="list-style-type: none"> • Investments tied to firms with labour violations. • Loss of value due to public backlash or regulatory actions. 	<ol style="list-style-type: none"> 1. Supply Chain Disruption <ul style="list-style-type: none"> • Difficult to replace unethical suppliers quickly. • Disruptions lead to service delays and increased costs. 2. Due Diligence Costs <ul style="list-style-type: none"> • High costs for conducting regular audits and supplier monitoring. • Ensuring compliance with modern slavery laws adds operational expenses.

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Difficulties in Valuation

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Managing Sustainability in the Absence of Metrics and Measurement

- Lack of reliable data/ statistics
- Difficulty in identifying and tracing victims and perpetrators
- Underreporting and hidden nature of modern slavery
- Varying definitions and interpretations
- Limited resources for comprehensive assessments

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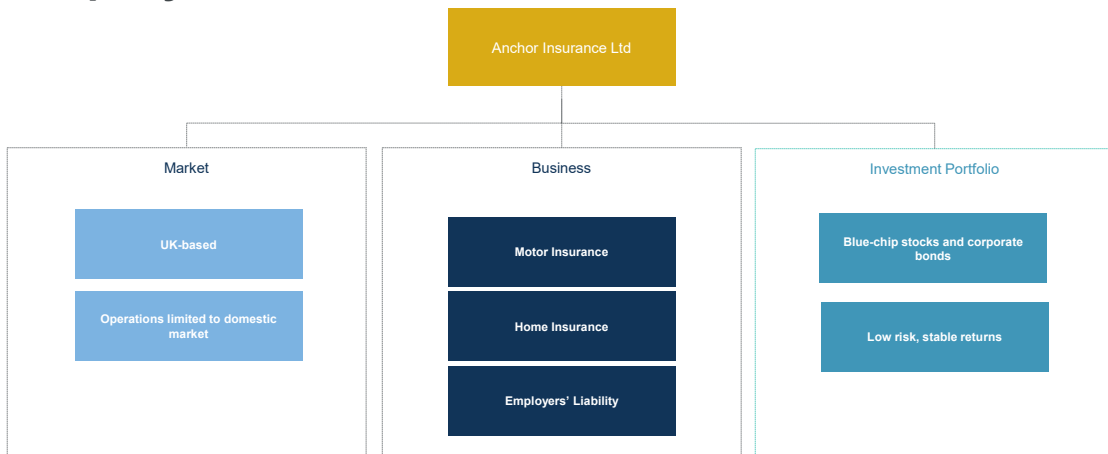
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Case Study Valuing Impact

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Company overview



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Where to Start: Assessing Modern Slavery Risks

High-Level **Qualitative** Assessment Using Value Chain & Heat Maps

Steps

- Map Anchor Ltd's value chain:
 - Focus on IT service providers and home repair contractors.
- Develop heat maps:
 - Identify high-risk regions (e.g., parts of Asia for IT services).
- Use data from labour risk indices and supplier reports.

Example Output

Heat map highlights claims processing and repair services as high-risk areas, prioritizing follow-up actions.

Detailed **Quantitative** Assessment Based on UK Government's Modern Slavery Tool

Steps

- Conduct audits on high-risk suppliers:
 - E.g., audit top IT service provider for labour violations.
- Rank suppliers based on factors such as labour intensity, recruitment processes, and regional vulnerability.
 - Apply risk scoring using the UK Government tool
- Develop an action plan:
 - Implement corrective measures (e.g., revise contracts or terminate non-compliant suppliers).

Example Output

- Termination of high-risk contracts.
- Revised contractual obligations to ensure compliance with the UK Modern Slavery Act.
- Introduction of third-party audits for continuous monitoring.

Per Victim Cost

Wage Data

Legal minimum wages less Actual wages paid

Average number of working hours per year for the victimized worker.

Health and Emotional Trauma

Estimated healthcare costs for treating victims' physical injuries

Mental health costs

From forced labour or unsafe working conditions

Psychological trauma due to exploitation, need for counselling or therapy

Law Enforcement and Judicial Data

Rehabilitation and recovery costs

Housing, job training

Costs associated with investigating modern

Police resources, legal trials, and imprisonment for convicted perpetrators.

Costs of regulatory compliance monitoring


Audits and inspections

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Data Requirements

- 1. Supplier Information**
 - List of vehicle repairs, claims processing, IT services suppliers.
 - Location of suppliers (domestic and international).
- 2. Worker and Wage Data**
 - Number of workers employed.
 - Wages paid vs. UK legal minimum.
- 3. Sector-Specific Risk Data**
 - Use industry reports on modern slavery risks.
 - Focus on manual labor, low-skilled industries.
- 4. Health and Well-being**
 - Worker injuries and emotional trauma data.
- 5. Compliance and Law Enforcement**
 - Regulatory compliance and audit results.
 - Regions with weaker labour protections.

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Assumptions made

- Prevalence of Modern Slavery**
 - Higher risk in vehicle repairs, IT services due to subcontracting, low-skilled labour.
 - Percentage of workers at risk varies by sector.
- Wage Disparities**
 - Victims often underpaid vs. legal wages.
 - Wage gaps reflect subcontracting practices and regional differences.
- Healthcare & Emotional Impact**
 - Costs vary by sector: physical injuries in labour sectors, emotional trauma in others.
 - Rehabilitation needs differ based on job type.
- Law Enforcement & Compliance Costs**
 - Involve investigations, audits, and supplier monitoring.
 - Higher in sectors with complex supply chains.
- Service-Specific Adjustments:**
 - Manual labour has higher health risks (e.g. repairs)
 - Long subcontracting chains increase risks and costs.

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Worked Example For Anchor Insurance Ltd.

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Step 1: Focus on UK-Specific High-Risk Sectors

Motor Insurance

- Anchor Insurance outsources vehicle repairs to a garage with 200 workers.
- Assume 5% are at risk of wage suppression due to manual labour and subcontracting practices.
- **Rationale for 5%**
 - Subcontracted and low-skilled labour is particularly vulnerable in the UK's vehicle repair sector.
- **Source:** Independent Anti-Slavery Commissioner Annual Report, citing subcontracting as a risk factor.

Home Insurance

- Construction firm for home repairs, 300 workers.
- Assume 3% are at risk due to subcontracting chains, a known source of exploitation in UK construction.
- **Rationale for 3%**
 - Subcontracting and labour exploitation are prevalent in the construction sector, with oversight gaps.
- **Source:** UK Modern Slavery Act Guidance, highlighting construction and subcontracting risks.

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Step 2: Justify Adjusted Per-Victim Cost

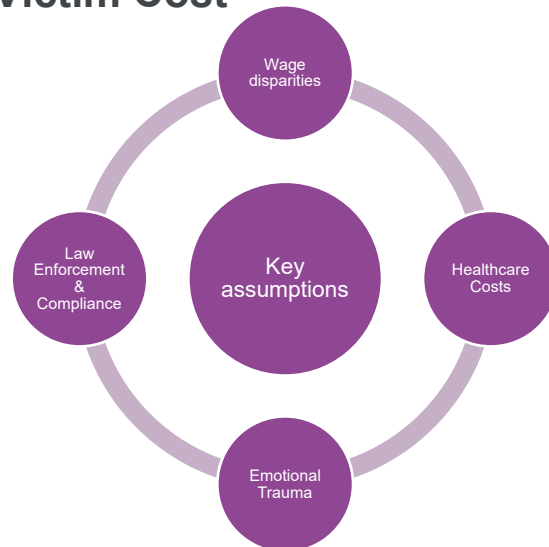
UK Government's Per-Victim Cost

£318,810

This includes factors such as:

- **Lost wages**
- **Healthcare**
- **Emotional trauma**
- **Law enforcement costs**

Now, let's adjust it based on the characteristics of **Anchor Insurance's** UK-based operations.



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Assumptions and Adjustments

Wage Disparities

UK Government's Rationale

The original figure assumes severe wage suppression, which may not fully apply to the regulated UK market.

•**Anchor Adjustment:** In the vehicle repairs and construction sectors, wage suppression is less pronounced due to UK minimum wage laws, though it can still occur in subcontracted work.

•**Adjustment:** Reduce by **20-25%** to reflect smaller wage gaps.

$$£318,810 \times 0.25 = £79,702.50$$

i.e. reduction in wage disparity cost.

Healthcare Costs

UK Government's Rationale

•The estimate accounts for significant healthcare costs due to physical injuries from forced labour.

•**Anchor Adjustment:** Victims in manual labour may still face physical injuries, but NHS access reduces overall healthcare costs for victims of workplace exploitation.

•**Adjustment:** Lower healthcare costs by **10-15%** due to NHS coverage.

$$£318,810 \times 0.15 = £47,821.50$$

i.e. reduction in healthcare cost.

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Assumptions and Adjustments

Emotional Trauma

UK Government's Rationale

•The full cost includes psychological trauma, particularly severe in cases like sexual exploitation or domestic servitude.

•**Anchor Adjustment:** In manual labor sectors (e.g., vehicle repairs and home construction), emotional trauma is less intense but still present due to stressful working conditions.

•**Adjustment:** Reduce emotional trauma costs by **40-50%**.

$$£318,810 \times 0.50 = £159,405$$

i.e. reduction in emotional trauma cost.

Law Enforcement & Compliance

UK Government's Rationale

•Costs include law enforcement activities like investigations and prosecutions.

•**Anchor Adjustment:** The UK Modern Slavery Act 2015 ensures strong compliance and frequent audits, reducing law enforcement efforts. However, subcontractor monitoring still incurs costs.

•**Adjustment:** Keep law enforcement costs at **10%**, reflecting regulatory oversight.

$$£318,810 \times 0.10 = £31,881$$

i.e. law enforcement and compliance cost.

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Step 3: Adjusted Per-Victim Cost (Contd.)

Adjusted Per-Victim Cost

$$\begin{aligned} &£318,810 - (79,702.50 + 47,821.50 + 159,405) + 31,881 \\ &= £163,762 \text{ (approximate).} \end{aligned}$$

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Step 4: Total Calculation for Anchor's Vehicle and Home Repair Supply Chains

Vehicle Repairs

10 workers at risk × £163,762 per worker = £1,637,620 total cost.

Home Repairs

9 workers at risk × £163,762 per worker = £1,473,858 total cost.

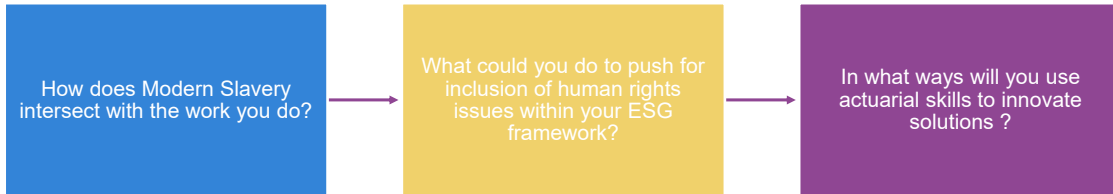
Final Total

£1,637,620 (Vehicle Repairs) + **£1,473,858** (Home Repairs)
= **£3,111,478** estimated modern slavery contribution.

Key Takeaways

- 1 **Not Impossible**
Quantifying modern slavery contributions is challenging, but possible with structured assessments.
- 2 **Leverage Existing Studies**
Use frameworks and case studies from other fields (e.g., sustainability reporting) to guide the process.
- 3 **High-Level Insight**
Even a broad assessment can offer meaningful insights and a starting point.
- 4 **Active Role**
Companies can play an important role in reducing modern slavery risks by prioritizing assessments and taking action.

Conclusion and Call to Action



Questions?

