

November 18, 2015

U.K. Implements Global Supply Chain Disclosure Requirements

On October 29, 2015, Part 6 of the U.K. Modern Slavery Act 2015 (“MSA 2015”) came into force. The MSA 2015 has been described as a “historic milestone” by the U.K. Home Secretary and is representative of the increased focus on combatting human trafficking in global supply chains that we have seen from both U.S. and U.K. regulators in recent months.

Attorneys
[Jonathan D. Schmidt](#)
[Paul Jay Cohen](#)
[Mark Hunting](#)

Part 6 of the MSA 2015 requires suppliers of goods or services with an annual turnover of £36 million (approximately \$54 million) or more who carry on all or part of their business in the U.K. to prepare a statement detailing the steps they have taken during the fiscal year to ensure that human trafficking and slavery are not taking place in their supply chains or in their own businesses, or a statement setting out that no such steps have been taken. Companies with a website must publish their statement on their website and include a link to the statement in a prominent place on their homepage.

Companies whose fiscal year ends before March 31, 2016 will **not** have to comply with Part 6 of the MSA 2015 for that fiscal year. The first Part 6 disclosures will be due for companies with a fiscal year ending on or after March 31, 2016. While the MSA 2015 contains no prescribed deadline for disclosures, the guidance from the Home Secretary states that companies should seek to publish their statement “as soon as reasonably practicable” following the relevant fiscal year end, and are encouraged to do so within six months of this date.

Thus, if a company’s fiscal year ends on December 31, its first disclosure will be due for the fiscal year ending December 31, 2016, and the company should be prepared to report by June 2017.

Part 6 of MSA 2015 is similar to the California Transparency in Supply Chains Act, (the “California Act”) which went into effect in 2012. The California Act requires retail sellers or manufacturers with worldwide gross receipts of more than \$100 million and doing business in California to issue a disclosure regarding their efforts to combat human trafficking and slavery. The disclosure must be posted on the retailer or seller’s website with a conspicuous and easily understood link on their homepage.

While the MSA 2015 does not dictate the layout or content of a company’s disclosure, save to suggest topics that *may* be included, the California Act requires specific disclosures. Under the California Act, companies must disclose to what extent they:

- Engage in verification of product supply chains to evaluate and address risks of human trafficking and slavery;
- Audit suppliers to evaluate their compliance with company standards regarding human trafficking and slavery;
- Require direct suppliers to certify that materials incorporated into the product comply with local laws regarding human trafficking and slavery;
- Maintain internal accountability standards and procedures for employees or contractors failing to meet company standards regarding human trafficking and slavery; and
- Provide training on human trafficking and slavery to company employees and management who have direct responsibility for supply chain management.

Unlike the California Act, the MSA 2015 requires that the statement be approved and signed by an appropriate senior person and/or management body within the business. For corporations this means a director and/or the board of directors (or equivalent).

For both the California Act and the MSA 2015, enforcement is limited to an injunction for specific performance. However, in recent months, U.S. class action suits have been filed against several companies alleging that human trafficking and slavery are present in their supply chains and that their disclosures under the California Act are misleading. And in September of this year, U.S. Attorney General Loretta Lynch announced that the Justice Department has dedicated \$44 million to combat and prosecute human trafficking.

Given the disclosure obligations, the risk of private civil suits, and the enhanced attention from prosecutors, qualifying companies should consider reviewing and updating their supply chain anti-trafficking measures.