The Modern Slavery Act 2015 (the Act) passed into legislation in the UK in March 2015 and an aspect which will be of particular interest to organisations, is that it imposes an annual reporting obligation on businesses that supply goods and services, with a minimum turnover of £36 million per year. This is determined by taking into account the turnover of the organisation and its subsidiary undertakings. The Government has estimated that at least 12,260 companies will be affected by this new disclosure obligation.

The annual statement must set out the steps an organisation has taken during that year to ensure that slavery and human trafficking are not taking place in any of its supply chains, and in any part of its business.

To ensure the importance of the statement is recognised, it must be approved at the highest level – for example, in a company it must be approved by the board of directors and signed by a director. Businesses will be required to publish the statement on their website, if they have one, and there must be a prominent link to the statement on the homepage. If a company fails to make a statement, the Secretary of State may enforce the duty by seeking an injunction in the High Court.

In principle businesses can comply by publishing a statement that no steps have been taken, although this approach risks attracting negative stakeholder and media attention. Failure to comply with the Act could be accompanied by a loss in market share or a decrease in the share price.

Potentially of even greater concern is the loss of corporate customers, who, mindful of their own obligations under the Act, may switch away from suppliers who cannot meet the required ethical standards.

The Department for Business, Innovation and Skills has made it clear that the Act’s aim is to encourage organisations to take a stance against unethical activities in supply chains.

The Government intends to bring the new disclosure obligation into force at some point this month so businesses that are likely to be affected should start thinking about what they need to do to ensure they can make the required statement, and what its contents should be.

This could include performing additional due diligence on the businesses in their supply chains and they may wish to include provisions in contracts allowing them to carry out spot checks on their suppliers. However, it will be for individual businesses to determine what activities they think are reasonable and proportionate.