



All-Party Parliamentary Group on Sport, Modern Slavery and Human Rights

Session Summaries

July 2019

Due Diligence in Sports Supply Chains

Summary

Businesses are vulnerable to risks such as human rights abuses and/or modern slavery when they have distant and opaque supply chains. The chain from primary resources to finished product is often highly complex with a range of suppliers, geographies, materials and workers involved. This is the inherent problem in the production of any material product and sporting supply chains are no exception. The fact that the demand for many of these goods is coming from temporary organisations (ie. Local organising committees) which are again working towards a definitive and often short timeframe, further exacerbates this risk.

Demand for cheap labour to manufacture goods is often outsourced to developing countries such as India and China where practices such as low wages, unsafe working conditions, child labour and forced labour are common. Child labour for example, has long been associated with the Olympics, with concerns raised over the manufacture of mascot toys produced ahead of London 2012; the manufacture of merchandise ahead of Beijing 2008; and, with the manufacture of goods carrying the Olympic logo for Athens 2004.

However, supply chain risks do not just exist in sourcing practices for mega events. These risks are also present in the supply chain of sporting goods manufacturers, even in the UK. For example, in 2017, **Sports Direct were named in three separate modern slavery trials** over the enslavement of Polish migrant workers at a warehouse in Shirebrook, UK. The recruiters responsible for the workers targeted vulnerable people, including the homeless, and controlled victims financially and through threats of physical violence.

UK Modern Slavery Act – Section 54: Transparency in Supply Chains

Section 54 of the Act came into force on 29 October 2015. It requires commercial organisations in any sector with a global annual turnover of £36m or more who do business in the UK to disclose the steps they are taking to address modern slavery in their business and supply chain through an annual Slavery and Human Trafficking Statement. If an organisation has taken no such measures, this must be disclosed. The requirement is applicable regardless of the company's geographic location, thus the obligations also apply to overseas businesses providing goods or services within the UK.

The Act requires organisations to prepare and publish a statement, rather than to take any positive steps to eradicate slavery from their supply chains. However, the Government envisages that organisations that fail to take action will face commercial pressure to do so. According to the [TISC Report](#), there are currently 16,835 companies who are required to comply with the Act, and only 12,087 who have published reports to date.

What are the Risks?

The **human rights risks in the sports supply chain** are much the same as the human rights risks in any other supply chain and can include:

1. health and safety;
2. decent working conditions;
3. decent wages that are paid on-time and in full;
4. forced labour;
5. child labour;
6. issues specifically around public procurement.

Many of the issues were covered under the chapter on construction. These risks around wages, recruitment, forced labour etc can exist in consumer goods and agricultural supply chains just as easily as they can exist in construction. Much of the evidence received by this APPG however focused on child labour and issues linked to public procurement.

Child Labour

Human and child rights risks in sport supply chains are diverse, and reflect the breadth of the supply chain, which encompasses raw materials (e.g. for construction), metal ore (e.g. for medals), food products, services, textiles and toys for merchandise and sporting goods.

Child rights abuses in supply chains impact many rights articulated in the UN Convention on the Rights of the Child (UNCRC) and extend beyond familiar concerns regarding child labour (Article 32) in merchandise and sporting apparel manufacture or artisanal mining for metal ore. Conducting human rights due diligence that integrates a child rights approach, is the first step to identify and act on the full range of child and human rights risks at stake. A forthcoming synthesis report for global supply chains, reveals common challenges for children's rights across industries including:

- A child's right to health and health services (Article 24), to education and to go to school (Article

28), and to play (Article 31) may go unfulfilled due to poor or exploitative working conditions of the child or their parents / carers.

- Children may not enjoy an adequate standard of living (Article 27) or adequate care if their parents / carers are denied a decent wage or work long hours and they may be exposed to risks of abuse and exploitation (Article 34). It was also recognised that the use of migrant labour can have a particularly negative impact on children as one or both parents leave the home in search of work.
- Damage to the environment by suppliers, such as contamination of local water sources with pesticides and agrochemicals, may also expose children to life-long health risks as well as limit their access to essential resources. The typically short-time frames associated with MSEs can compound normal commercial pressures upon all suppliers and incentivise poor rights-based performance in order to meet deadlines.

Public Procurement

It is important to recognise that human rights due diligence and public procurement processes should be aligned with the UN Guiding Principles on Business and Human Rights. This means that the state duty to protect human rights, as outlined in the UNGPs, must also apply to a government's purchasing practices, and that contracting to a private company cannot absolve a state of this responsibility. Despite this, the recent **Sancroft-Tussell report** revealed the sobering fact that over 40% of the UK government's top 100 suppliers were found not to be in compliance with the Modern Slavery Act.

Some examples were given to the APPG in relation to publically procured construction materials for MSEs:

- Estimated that in the sourcing of sandstone from India, 30% of children in Rajasthan are used for child labour in this sector.
- Similarly, in Vietnam, prison labour is used for granite which the government does not acknowledge.

Both of these examples are daily issues. Children, forced labourers, migrants and rural communities are vulnerable to trafficking because of quarrying activities nearby. In addition, it must be recognised that this is not just an issue that happens deep down supply chains, in foreign countries. Particularly with Brexit, these issues will only be exacerbated in the UK – Carillion for example, is a warning for what could happen elsewhere. Falling migration is another risk factor as companies will be desperate for labour. All of this means that the **UK is now a medium risk country for trafficking**.

Emerging Good Practice

The Welsh Government developed a Code of Conduct for those procuring and potentially supplying. This was tasked to different Councils. The Code is geared toward organisations that receive funds from the Welsh Assembly – it binds any organisation, private or public. It is a very powerful tool and has been a bit of a breakthrough. They are considering replicating this approach for Birmingham 2022. The Code is really looking at fair public procurement and fair pricing all the way down, and identifying champions. An emerging area of good practice is the Dutch approach to tendering based on points rather than cost which is one possible solution.

Welsh Code of Practice – Ethical Employment in Supply Chains

This Code of Practice was established by the Welsh Government to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds. This Code is designed to ensure that workers in public sector supply chains are employed ethically and in compliance with both the letter and spirit of UK, EU, and international laws. The Code covers the following employment issues:

- modern slavery and human rights abuses;
- blacklisting;
- false self-employment;
- unfair use of umbrella schemes and zero hours contracts;
- paying the Living Wage.

In signing up to the Code, organisations agree to comply with 12 commitments designed to eliminate modern slavery and support ethical employment practices. The Welsh Government expects all public sector organisations, businesses and third sector organisations in receipt of public sector funding to sign up to this Code. Action taken in relation to the 12 commitments contained within the Code should be appropriate and proportionate, in line with the size and influence of each organisation and the level of risk of labour exploitation within its supply chain. Each of the 12 commitments can be viewed [here](#).

National Policy for Sustainable Procurement – The Netherlands

In 2005, clear goals for sustainable public procurement were established for the national government, municipalities, provinces and district water boards in the Netherlands to include sustainability as an aspect in government tenders. Initially the policy only included environmental factors, but “Social Conditions” were added in 2012. Since 1 January 2013, all tender contracts from the national government that exceed the **European thresholds** for supplies (€209,000), services (€135,000) and public works (€5,225,000) were required to include the Social Conditions.

The Social Conditions are generic conditions that apply to all product groups. They are based on the basic ILO standards: freedom of association and the right to organise, the abolition of forced and child labour, the elimination of discrimination and respect for human rights. For the purchasing of coffee, work clothing, tea, cocoa and flowers, there are additional conditions related to living wages, working hours, safety, fair trade standards, minimum price and pre-financing. If there are concrete indications for structural risks of labour rights violations in other product groups, such as natural stone or electronics, the additional standards can also be applied.

Suppliers can comply with the social conditions by following one of three ‘regimes’:

1. participating in an approved supply chain initiative;
2. making a declaration that no risk of violations of the social conditions is foreseen;
3. making a ‘reasonable effort’ to ensure that the social conditions are respected.

The Dutch government developed a number of tools to support procurers in implementing the social conditions.

Interim Findings

- All national and international sporting federations domiciled in the UK should ensure that the rights of children are central to their due diligence processes.
- Child safeguarding is a primary consideration for any event being hosted in the UK, particularly for youth events.
- The UK Government should implement in full the recommendations of the Independent Review of the MSA which reported to Parliament in May 2019. Of particular relevance are recommendations such as:
 - having a central, government-run repository that companies are required to upload their statements to;
 - government should take the necessary legislative steps to strengthen its approach to tackling non-compliance;
 - extending Section 54 to the public sector.