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Insights

IT'S TIME FOR A MODERN SLAVERY RESET

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SUMMARY

Enforcement action is no longer fanciful. Facing up to modern slavery risks, be those operational, legal or reputational, is inescapable.

Corporates and financial institutions alike must act quickly to avoid falling foul of the ever-increasing legislative, investor, and customer demand for higher levels of transparency and proactive human rights due diligence.

While failure to meet these demands could lead to fines, operational hazards and severe reputational risk, there are opportunities for companies who undertake rigorous due diligence and are willing to take positive action to tackle human exploitation in their supply chains. If predictions that sustainable investment products will outnumber conventional funds by 2025 hold true, those who are visible in being a force for good stand to benefit at the expense of those who are not.

Be it an institutional investor owning a stake in a business profiting from forced labour, an underwriter covering the risk of a fishing vessel harbouring the same, or simply a retail bank offering cash management services to human traffickers, financial institutions cannot afford to be apathetic to growing legal and reputational risks.

Instead, those seeking to build resilience in 2021 and beyond will implement appropriate measures to safeguard against investing in, underwriting, or loaning capital to businesses dependent on an illegal activity that is becoming more and more regularly exposed.

Mukul Chawla QC and Luke Hardingham wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

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