

Tackling modern slavery risks in the food & beverage packaging industry

The food & beverage packaging industry has always required excellence from its suppliers. Quality control is core to its ability to stay in business, as is the ability to provide quick and competitively priced products in great volumes. It must also remain agile and innovative, ever responding to customer demands, as it is a primary marketing tool for goods it encases.

With the introduction of the Modern Slavery Act in 2015, designed to encourage transparency in supply chains, businesses are required to investigate and report on such risks publicly. Food packaging is often overlooked when it comes to the ethical sourcing debate, yet this is a sector that must get to grips with detecting, managing and mitigating the risks of modern slavery. The social, environmental and reputational impacts associated with these risks are elevated and require serious attention and immediate action by businesses in this sector.

A snapshot of the sector

The global packaging industry is worth \$400 billion, of which food & beverage packaging accounts for 69%¹. As it stands, currently 61% of the packaging market is in Europe and North America, both highly regulated markets with very low incidents of modern slavery in their supply chains. However, this is expected to shift, with a growing middle class in the BRIC nations (Brazil, Russia, India and China), where there is a growing demand for consumables. This shift will move a greater percentage of the market into territories with less regulatory controls in place regarding decent work conditions, opening the sector to more risks.

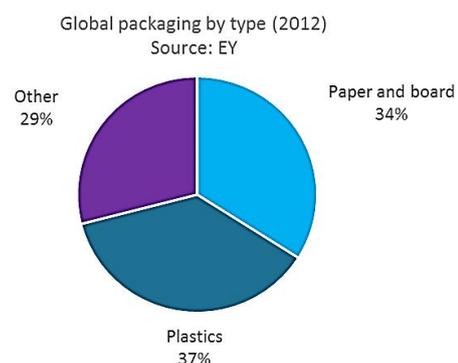
There are two basic material types that dominate the packaging industry, both of which have an elevated risk of slavery plastics (soft and rigid) and paper / board. This means that food packaging businesses should be at the forefront when tackling the risks of modern slavery.

Where are the risks?

For the food & beverage packaging industry, there are two distinct types of risks that require businesses to adopt a different approach to detect, mitigate and manage them. These are:

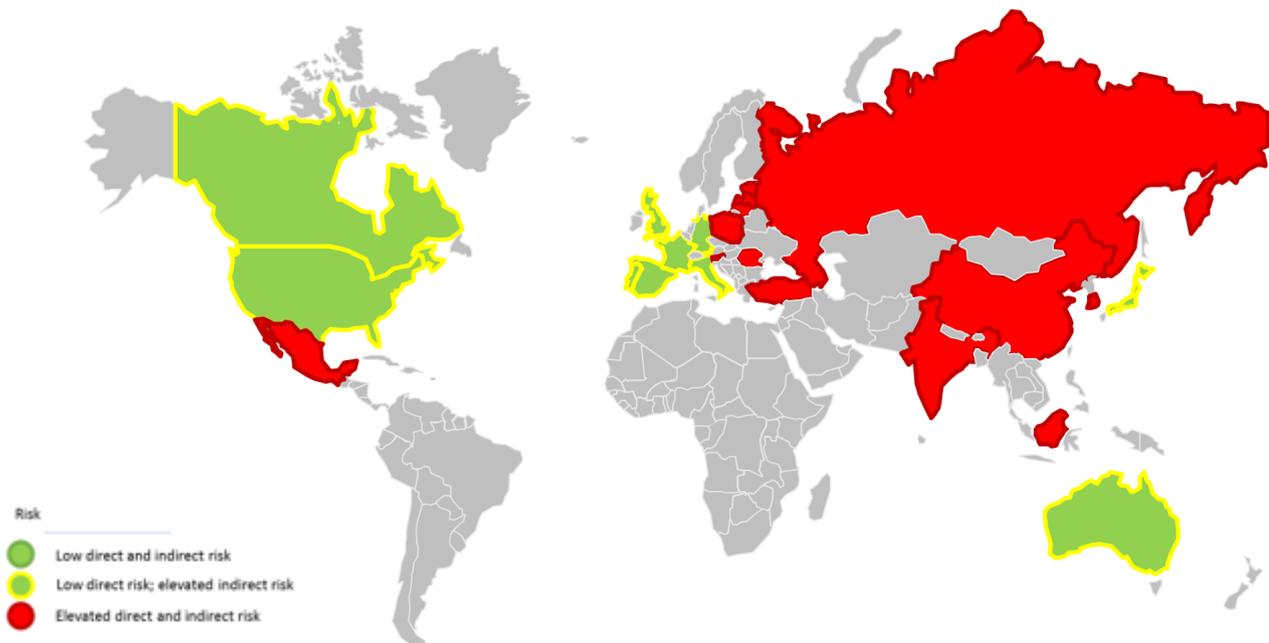
- **Direct risk suppliers** - tier one suppliers operating in countries with an elevated risk of modern slavery and could therefore be a direct risk to the business
- **Indirect risk suppliers** – suppliers operating in low risk parts of the world, but are purchasing their goods from suppliers in countries with an elevated risk

Carbon Smart's in-depth analysis of plastic and paper based packaging shows that areas of elevated direct risks are concentrated in Asia and Eastern Europe. **This means that for every £1 spent in these regions, a packaging business is more likely to encounter incidents of modern slavery than in other parts of the world (this does not mean that all, or indeed most, suppliers in these locations use forced labour).**



¹ EY: Unpackaging the packaging industry:

[http://www.ey.com/Publication/vwLUAssets/Unwrapping_the_packaging_industry_%E2%80%93_seven_factors_for_success/\\$FILE/EY_Unwrapping_the_packaging_industry_-_seven_success_factors.pdf](http://www.ey.com/Publication/vwLUAssets/Unwrapping_the_packaging_industry_%E2%80%93_seven_factors_for_success/$FILE/EY_Unwrapping_the_packaging_industry_-_seven_success_factors.pdf)



However, when purchasing from suppliers in highly regulated western countries with little or no incidents of modern slavery, this does not mean that there is no modern slavery risk for a business. **This is because western businesses often purchase raw materials, component elements or finished products from parts of the world where there is an elevated risk.** The modern slavery risk is therefore indirect with a business' suppliers' suppliers (tier 2+) further down the supply chain.

What is driving these risks?

- **Fast moving consumer goods** - brand retailers want cheap, quick packaging. The pressure to produce cheap goods and produce them quickly has pushed packaging production to Eastern Europe and Asia where it is cheaper to produce goods, but where there are also less regulatory controls in place to manage modern slavery risks and decent working practices
- **Staggering volumes** – the demand for packaging is increasing, making it challenging for brand owners and packaging producers to find suppliers who can deliver both on volume and quality. This pressure can result in suppliers exerting pressure on workers to deliver customer requirements
- **Supply capacity** – availability of raw material fluctuates, and when it does, it can push up the prices of the materials. This exerts additional price pressure on packaging producers (the converters) who must remain competitive in a low value product market

What are the barriers for addressing modern slavery in the packaging industry?

Addressing modern slavery in a supply chain, in a growing market of a low-cost products with a quick turnaround is not an easy task. Some of the core challenges that businesses in this industry face are:

- **Packaging supply chains are complex** – packaging supply chains have multiple tiers with a global reach, which often makes it a challenging and daunting task to access good reliable data throughout a vast supply chain
- **Resources to invest in managing modern slavery risks** - compared to more niche markets, the packaging supplier base is large and at times volatile, with suppliers working hard to outcompete others. Businesses with limited time, know-how and money often struggle to know whether to invest in risk

assessments, supplier audits, engagement and training, as well as how much to invest to gain a meaningful impact

- **Varying legal requirements from territory to territory** – although modern slavery is illegal in every country in the world, the ability to enforce and bring to justice criminal offenses varies significantly. Legal requirements are therefore not something that businesses can always rely on to support them in tackling modern slavery risks
- **Buyers' practices** – buyers are focused on price and quality (the product safety) of products. Introducing modern slavery consideration requirements can be a real challenge for many organisations where price is the main driver for making procurement decisions

How can you overcome these barriers?



Understand where the direct and indirect areas of elevated risk in your supply chain are – a weighted risk assessment based on spend, sector and territory will help you to understand where your direct and indirect risks are, allowing you to focus your attention and resources where it matters



Focus on areas of elevated direct and indirect risk to your business – one size does not fit all, especially when managing social risks in supply chains. Once you have identified where the direct and indirect areas of elevated risks are, tailor your approach; make sure the way you engage, communicate and the tools and training you use match the specific risks you face



Engage and collaborate with your suppliers – collaboration is one of the most powerful tools that businesses can utilise to address the risks of modern slavery. Effective action is not just about audits and stopping trading where risks are identified. Supporting your suppliers to understand what their risks are and how they can implement controls to manage the risks within their own business and supply chain will enable you to tackle the risks deeper into your supply chain



Empower buyers with the right tools and training to manage your risk – your buyers are often your business's main point of contact with suppliers. Equipping them with the right tools and training will empower them to act and combat modern slavery within your supply chain whilst embedding modern slavery risk management into everyday working practices

Modern slavery, driven by customer pressure for quick and cheap products in large quantities, poses various risks to businesses in the food & beverage packaging industry. By understanding which and where elevated risks exist, and by actively engaging with suppliers on this issue, you can manage the level of exposure to the risks of modern slavery and join other leading businesses in tackling one of the greatest crimes of our time.

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