

# Transcript of 'Modern Slavery Reporting and Regulation'

## Season 1, Episode 12, Transforming Tomorrow

[Theme music]

**Paul:** Hello, and welcome to Transforming Tomorrow, the podcast in the Pentland Centre for Sustainability in Business here at Lancaster University Management School.

I'm Paul Turner.

**Jan:** And I'm Professor Jan Bebbington.

**Paul:** So today Jan we're going to return to a topic that we discussed last year with Professor Linda Hendry, and that's modern slavery.

**Jan:** Indeed. And so for listeners I'll just recap on what modern slavery is.

It arises when people are exploited for personal or commercial gain. And quite often workers are tricked, forced or coerced into losing their freedom. There's a lot of modern slavery in the world, and in particular one aspect of it, which is called forced labour, is when people are in forced labour exploitation in the private economy, and there's about 17.3 million people caught in that particular, you know, dire and horrible situation.

**Paul:** I seem to remember you had a comparison last time, was it the number of people affected by modern slavery was the same as the population of South Korea?

**Jan:** Yes, so something like that, yes.

**Paul:** Yes, and maybe the number of people in forced labour was the same as the population of Australia.

**Jan:** Yes, that sounds about right. And it's a really - you were listening to our podcast, I'm very impressed...

**Paul:** ...I, I always listen to everything you say Jan. [Jan laughs] Worry not, it's all going in there, and it's kicking out useless information like my children's birthdays and things like that, but I can remember what you tell me.

**Jan:** Well, and we're going to add some more information to your really useful pot of information. Um particularly we're going to look at the intersection between what an accounting scholar would do with regard to, to modern slavery and forced labour.

[Theme music]

**Paul:** That's right Jan, we've got an accountant in to discuss modern slavery this time, and we're joined by Dr Mahmoud Gad, a Lecturer in Accounting in our Department of uh Accounting and Finance.

His research focuses on corporate transparency, ethical business practices, effective financial reporting, and for the last few years he's been working with Professor Steve Young here in Lancaster, the Financial Reporting Council and for the UK Independent Anti-slavery Commissioner on research that examines how UK companies comply with modern slavery reporting legislation.

Welcome, Mahmoud.

**Mahmoud:** Thanks Paul, and thank you Jan, for having me.

**Jan:** In a previous podcast Linda talked about modern slavery as a harmful aspect of economic systems. So where does your work fit in with both identifying, and hopefully remedying, modern slavery?

**Mahmoud:** Well I mean, if I, if I need to talk about my research, I mean not, the way I approach accounting I mean this goes back until actually up to when I was doing my PhD degree.

I mean at that time there was an Enron and WorldCom uh collapse, because of financial scandals, and um and basically this kind of informs the way I think about accounting. Accounting is not only kind of uh debit and credit, or like, uh number crunching exercise, but it goes beyond this up to like misreporting and, and financial impact on the society.

And you can see with those cases like WorldCom and Enron have had an impact, because of the bankruptcy, they have they had an impact on the society uh as a whole.

Now there is a recent fascinating paper by Ray Ball in the in the Journal of Accounting Research that sort of kind of summarises the way I approach accounting. The idea that accounting is, is contributes to the welfare of the society, the way he, he thinks about it, or the way also I think about it.

It's basically, accounting is not, as I said, a number crunching exercise, it's a way of recording financial and economic transactions, aggregating those transactions and providing disclosure that helps companies to make investment decisions, but also as investors to make decisions.

So I, accounting has some measurement aspect, but also have some disclosure aspect, and this kind of alludes to the modern slavery uh disclosures that companies make, which I'm interested in and, and I approach uh from that perspective.

**Jan:** And I think you're very right there to highlight that accounting is part of a public good, which is information to capital markets, but also to other users of accounts. That is also why accountants are part of a profession because of that public good, that public duty aspect of it.

Tell us about the Modern Slavery Act. Um, it's a UK act and it was really very novel, in terms of it was the first country that sort of brought all of its pieces of modern slavery related legislation together. Tell me about the Act and why it's of interest to an accountant.

**Mahmoud:** So the UK Modern Slavery Act when it was enacted in 2015 was kind of ground-breaking Act, in the sense that it was as you just mentioned was the first country to kind of require companies to produce Modern Slavery statements on an annual basis.

I mean you've got the California Supply Chain Act, which was like 5 years before that, but that was like really narrow in scope, and I'm happy to talk about it later.

So uh the, the kind of the innovative aspect of that is that companies are not only expected now to talk about the financial successfulness, or how financially successful they are, but also how they are socially responsible.

So initially if you think about regulators mindset was that we are going to mandate report to manage some financial risks. But here's the innovative aspects, that we are going to manage uh to, to mandate reporting in order to make companies more socially responsible, and this is kind of an innovative aspect of that.

Once regulators ask companies to talk about an aspect, the idea is that companies start thinking about it. So you can imagine perhaps, I think before

2015 many of the CEOs of companies maybe did not know about what's Modern Slavery.

But once they are asked to talk about it, they look into the issue, they look into their supply chain, they start hiring auditors, so we start getting this momentum into, into this.

So I think this is kind of the innovative aspect of it, and I think I'm going to bring in a really nice um uh research in accounting, from peer-reviewed papers in accounting, that kind of speaks to this.

This regul, this this kind of regulations is likely to have some real effect. So the, the paper that I'm going to mention now used the California Supply Chain Act. And they studied does this kind of supply chain act reads, leads to some real effects in terms of, of uh labour abuses in the supply chain.

And what they found, that they look at, for those companies that are uh subject to the regulation, and they mentioned the California Supply Chain Act applies to another scope, so mainly manufacturing and retail companies. But not to other companies.

So what happens they divide companies into treated and control group, so companies that are subject to the regulation, and companies that are not subject to the regulation.

And they found some really interesting results. First companies that are treated or affected by the regulation increase their supply chain due to due diligence, and what's more, uh interesting is that the suppliers human rights performance scores goes up after, uh implementing the regulation.

And that shows that these kind of mandated reporting have some real effects. And I expect the, the same for the UK and perhaps Australia and many other countries.

**Paul:** How many other countries have introduced it? You talk about the UK introducing it in 2015 ,you talk about California, and you've just mentioned Australia there.

Is it becoming more common now for countries to have equivalent legislation?

**Mahmoud:** Yes I think the EU is now having some kind of regulation around this.

We know that France, Germany, Norway have kind of regulations around this, and we know that Netherlands have some proposal. Canada have some proposal.

So I think we are likely to see uh many more in the next few years.

**Paul:** And what has been the effect of the legislation? Has there been a demonstrable effect on levels of reporting, detecting, remedial action on modern slavery?

**Mahmoud:** So, the paper I just mentioned kind of shows that it has some real effect, based on the California evidence.

But we don't have really kind of this kind of uh results for the UK, but we know that we started from like a really low base, from companies that provide no reporting.

So any kind of reporting will be useful, and I'm going to mention the report that I worked with, with Steve and the Financial Reporting Council.

Companies on average, performance is low. But I think I'm optimistic that companies start at a low level, but in the future things will improve as we scrutinise these, as a society we look at these, as regulators look at these, as the enforcement action increases.

And I think we are likely to see, to be fair so far I think the UK regime needs a bit more enforcement, uh more penalties and I think this is coming up. There are some discussions now at the Parliament, and I think some changes are going to come up soon in terms of enforcement penalties and so on.

**Paul:** Just to follow on from that, something that I've spoken about when I've discussed with Jan and we had Dasha in a little while ago talking about regulations and benchmarking and such, and my cynicism there said to me well are they just performing to be good on a, a report?

So in this regard, when it comes to the modern slavery the reporting, is there evidence as to whether the companies are just trying to make themselves look good in the reporting or is it actual action they're taking?

**Mahmoud:** I think the evidence that I'm going to talk about shows that it's mostly a tick, a tick boxing um exercise. And companies are approaching this from a compliance mindset, rather than a kind of a proactive mindset.

**Jan:** As an opening, if you know very little about a risk, and if a risk is as tricky to manage as, as forced labour and modern slavery risks are, then it might be that you're a bit shy about saying things early on? And so you might again have this evolution, so I think I'm with Mahmoud that is there is reason to be hopeful if there are interventions.

**Paul:** I can totally understand that, and I think it's something again we discussed with Dasha how, the longer the benchmarking process goes on, and in this case the longer the legislation goes on, the more the companies understand what they actually need to do, what the benefits of doing that will be, et cetera.

**Jan:** And indeed there's, there's a really nice paper that talks about the desire, not just in this particular bit of harm, but in like health and safety infringements, um accidents, those kind of activities which are right clearly harmful, that you need to find something called a taboo-free space where people can own up to their problems and find a way forward from that.

**Paul:** And I guess does that then mean that legislation around modern slavery, Mahmoud, does that have a similar way that the legislation ties in with things such as what Jan's talking about there, health and safety regulations and stuff like that, is it being approached in a similar manner?

**Mahmoud:** I think the Modern Slavery Act, although the focus was on the supply chain, but also on company's operation also, you can imagine. I mean company's operation, company's own employees kind of employees on the supply chain are also expected to be affected.

And the Act they have in mind all employees, not only employees on the supply chain. So I think there are some, some aspects to, to that end there.

**Jan:** This might be a good time to talk to the research that you did for the Financial Reporting Council. And, um our listeners probably need to know what the F-R-C, the Financial Reporting Council is in the first case.

I can see Paul's nodding and saying, yes, he would like to know what they are as well.

**Paul:** Even though I'm slightly familiar with Mahmoud and Steve's work on this area, yes, being given a good rundown on exactly what the Financial Reporting Council is, it would never be amiss.

**Jan:** Excellent.

**Mahmoud:** So the Financial Reporting Council is the key regulator responsible for overseeing the accounting, or financial reporting quality but also corporate governance quality within the UK.

It sets the standard for accounting and auditing, and oversees application of those standards. It's tasked with regulating auditors, accountants, and oversees corporate governance, code how companies apply these codes, and so on.

So by enforcing those standards, and overseeing the application, it sort of contributes to ensuring that we have reliable financial reports and reliable information to users in capital markets.

So you can think of it as a gatekeeper of, of capital markets in the UK. It plays a crucial role in maintaining investors and public confidence in the financial markets.

**Jan:** So, I think we're saying they're a big deal [everyone laughs]

**Paul:** They, they sound pretty important to me...

**Jan:** ...and what they say and what they think about and how they act really matters for everyone else in the UK.

So how did you get involved with the FRC and what, what sort of research did you undertake on their behalf?

**Mahmoud:** So the project we did is to analyse Modern Slavery statements quality, and the extent to which those statements provide useful information to the users.

So that was a key project, and a joint project with, with also Steve and, and as you just mentioned in the introduction with also the Independent Anti-slavery Commissioner of the UK.

And to speak about this perhaps it's, it's good to outline to our listeners the methodology, what's our sample, because so that we report all of the results that I'm going to mention with knowing their context.

So what did, we looked at 100 companies that are listed in the London Stock Exchange. And this includes companies from FTSE 100, FTSE 250 and Small Caps.

And the idea is that we have some benchmarks, or some quality criteria we are going to assess those companies' modern slavery statements against. It basically it includes Business and Human Rights Resource Centre, uh criteria, in addition to some other augmented criteria that we added ourselves.

And the idea is that the Business and Human Rights Resource Centre criteria are focused only on the modern slavery statements. They did their, their own assessment in 2018 and they focused only on, uh, those criteria, on modern slavery statements.

But what we are doing is that we are looking beyond modern slavery statements, so we use this criteria, assess modern slavery statements, but as just mentioned if companies really care about modern slavery, if they think about it in a proactive approach rather than a compliance exercise, you should see a discussion of modern slavery in their own annual report, in their strategy report.

In their other kinds of report you see this kind of complementarity between the report, rather than only a modern slavery statement that's just there. So that's what we are doing in, in this report.

**Paul:** When it comes to the modern slavery reports, is every company that's listed on the FTSE 100, 250, the other exchanges, other companies, is everyone expected to produce a modern slavery report, or are there only certain companies that are?

**Mahmoud:** Any company in the UK with a turnover above 36 million pounds are required to produce an annual modern slavery statement.

**Jan:** This might also be a good time to say that even if you're not listed in the UK but you operate here you're also caught, but I will leave the word to the expert about that.

**Mahmoud:** Yes. So as long as you have an annual turnover above 36 million dollars, er pounds, you are expected to uh produce an annual modern slavery statement.

**Jan:** So it's really nifty bit of legislative design, and this design exists for a lot of the EU legislation as well. So if you're headquartered somewhere, that is it's where, if you like, your ultimate um control of the company comes, is rested, if that's resting in the, the UK, or if you have a significant business presence, then you are required to produce the reporting.



**Paul:** And it seems to me as well because it affects supply chains, you're then affecting companies that might not even be in the UK at all. Because that you're dealing with these companies that are in other parts of the world, but because they're dealing with you, then you have to make sure their practices. So it has the tentacles spreading out and the effects of the legislation.

**Jan:** Yeah. And sometimes it's called 'information governance', with the idea that the request for information leads to those tendrils going out across the world and sort of lighting up, if you want to sort of see it visually, and that that means that information is used to govern action elsewhere.

**Paul:** And this of course is very much tying in with the, what we discussed with Linda Hendry last year...

**Jan:** ...yes, indeed...

**Paul:** ...so anyone who hasn't heard that episode on Modern Slavery and Sustainability, do go back and listen to it 'cause we'll be disc, some of the topics we discussed in this episode very much overlap with the topics we discussed in that one.

**Jan:** Absolutely. So we were interrupting you [everyone laughs] for a wee gossip on the side, for which we apologise for.

So I think you had identified what the sample was, but also their reports, all over the place not just the, the modern slavery statement, but there other reports as well. So, what did you find?

**Mahmoud:** So, we look at two major, uh points. First we look at the modern slavery statement as I mentioned, and for those statements we look the extent to which they are forward-looking, the extent to which they are readable, the extent to which they are visible.

But also we look at three categories among the six categories that companies are sort of advised to report on. That's due diligence, risk assessments and effectiveness.

And the second kind of focus was on the annual report, as I mentioned. Specifically, section 172 statement, and I'm going to mention what's this. And beyond the 172 just kind of the annual report as a whole.

We looked at the uh the Business and Human Rights Resource Centre uh evaluation that happened in 2018, our evaluation happens in 2021, and we said okay, focusing on a modern slavery statement do we see an improvement?

And to be fair we find a slight improvement, which is also another reason to be hopeful. Companies seem to be going in the right direction but of course we are very far from being a uh, a good position as I'm going to outline now.

First on the overall criteria, we found that modern slavery statements tend to be reactive rather than proactive, mostly backward looking. What are the issues? How we are dealing with these issues rather than anticipating issues in the future? So mostly, mostly backward-looking discussion, rather than forward looking.

Also we found that only one third of those reports are easy to read. So we are talking about two thirds of the reports are difficult to read, contain a lot of detail that are not useful, a lot of boilerplating. So talking too much does not necessarily mean adding too much information, so being specific is the thing that we're looking at. The specificity of the report was really poor.

Then for the visibility, or accessibility, we, we looked at some specific criteria where basically the Home Office has launched an online registry where companies have to [inaudible] or not have to, I mean, now it's voluntary, companies include their modern slavery statement in that registry, but this is going to be mandatory in the future.

And what we found that about 72% of companies file their modern slavery on the registry which is good, but about 80% of those companies have a direct link, the rest you have to click so many links in order to reach their modern slavery statement, so it's kind of indirect to reach their modern slavery statement. And about 6% have broken link. So you click on the link, you don't find the modern slavery statements. So that's kind of the visibility aspect of it.

By the way we access this information 2021. About 14% of the estimated statements belong 2019. So companies included information that's kind of an outdated information for the users.

**Paul:** Which I guess reflects what you're saying about some it being more of a tick box exercise on some, some fronts. It doesn't really seem like they're taking it that seriously if you're coming across statements that are massively

outdated, or that just include boilerplate statements that might copy and paste year to year and never actually put anything in there.

**Jan:** And indeed, if we circle back round to the podcast that we with Dasha. Um, when the person who created that benchmark and was benchmarking companies year on year, he marked them down if it was the same disclosure year on year.

And this is why looking at things over time is quite important. 'Cause you might look at something go, ooh that's interesting, but if you realise it's the same disclosure, and the same story for the last five years, then it becomes a sign of desperation rather than a sign of, of good practice.

**Paul:** Are there penalties in place for companies that aren't fulfilling their requirements, or that are producing poor reporting?

**Mahmoud:** I, I'm not sure if, if this is enforced or not, because I haven't heard of, of penalties imposed on some companies because they produce poor reporting. I'm not sure if this is the case, but in my view, or not in my view,, actually what's happening now, a discussion in the Parliament in making this really enforced with some clear penalties for poor reporting.

**Paul:** Is there going to be the potential as well that investors will start to pay more attention to this? 'Cause sometimes companies are only going to react if the market forces them to, so if markets are paying a lot more attention to modern slavery statements, what's going on there, there's more ethical investing or however it is, is that likely to push companies in this direction?

**Mahmoud:** I think this is playing an important role and investors are already engaged with this. I just saw a recent report by CCLA, the largest uh, kind of pension fund kind of investor that's focused on charity. And then basically what they are doing is that they, they provided a report called 'the benchmark' where basically they benchmark companies into five categories based on the quality of the modern slavery reporting against certain criteria.

So you see companies really benchmarked and you see that this is, benchmark is likely to have an impact, and they decide, they say like their investment is going to be affected by companies being placed at certain uh category of this benchmarks.

**Jan:** I also suspect, Paul, that we've headed off on another tangent, and I'm not convinced Mahmoud has told us all the results of this study [laughing]. So we apologise again, and we'll pass back over to you.

**Mahmoud:** That's all right. Um so the second category we looked at is basically, so when the Modern Slavery kind of Act was introduced, there was kind of an accompanying uh, guidance from the Home Office.

They asked company to report on six categories. That's basically what's the structure of the company, like how this company is working, what's their products, what are they doing, but also what are the policies they have in place. What due diligence actions they are taking, what are the risk management actions they are also taking, are they doing any training for their employees? But also the effectiveness of those actions they are taking.

We focus on three categories only, that's uh, due diligence, risk management and effectiveness. But it worth noting then that in our results we found that on average companies do not perform more than 50% in any of those six categories.

For due diligence we found that about 57% of companies report that they monitor the supplier on slavery and disclose the result of these monitoring processes. And 15% only work with, with their suppliers to improve the labour right practices.

So you can see, like these notes are pretty low.

**Paul:** Fifteen percent. That's, that's phenomenal.

**Jan:** And I think it's a real lost opportunity. Because sometimes if it's a larger firms, for example, they have more capacity, maybe more understanding, maybe more manpower. And they could be a force for good in terms of helping their whole supply chain um, meet the, the requirements for decent work, but then also to be able to provide that information going forward.

So I think hugely disappointing would be the understatement.

**Paul:** Yeah. Going back to what I said earlier, I had assumed that there would have been some kind of effect on companies that are further down the supply chain.

But if only 15% of companies are bothering to talk to the, the people further down the supply chain...

**Jan:** ...well though maybe it's slightly more annoying. Fifteen percent said they did it. [everyone laughs]

**Paul:** So, so 1.5% of companies are... [everyone laughs]

**Jan:** Well there's, there's that long discussion between doing it and saying it um, should be aligned categories, but maybe are not always. 'Cause there's also people not saying good things as well. So there's greenhushing, which is, you know, doing good things but not disclosing it, but then there's, you know, greenwashing as it were as well. So it could be any number I think we're saying, Paul.

**Paul:** So you're telling me that statistics are worthless... [Jan makes noises of disagreement then laughs]

From an accountant I would not have expecting that, Jan.

**Jan:** What can I say? I just call it the way I see it. [everyone laughs]

**Paul:** Sorry Mahmoud, I interrupted because I was so astounded by your statistics. Carry on.

**Mahmoud:** That's alright. So we found that also about 18% of companies disclose that they engage directly with worker in the supply chain using mechanisms like site visits, interviews, as a part of their monitoring process. And this is also low.

And it's important to notice that there are some nuances to this. Because what I noticed in some of those statements that companies say, okay, we do site visits, but actually some of those site visits are virtual. If you say site visits it could include some of it as virtual, but you do not disclose it. Also some of those site visits are announced. If the site visit is announced not clear if this is going, if this is the useful information for, for the readers.

Moving to the second category which is the risk assessment, we found also again 55% of companies reported that they assess modern slavery risks in their own businesses, but 70% assess the modern slavery risk in their supply chain. Which seems to be, uh, also a kind of a reasonable number, 70%.

Now the categories that companies seems to be doing the worst is the effectiveness. Measuring the effectiveness of their actions, like creating KPIs and measuring progress against those KPIs, companies seems to be doing really poorly in this. For example, only 8% of companies disclose that they have

developed KPIs in collaboration with experts. And only 3% of companies reviewed their existing KPIs, so really small numbers in, in that effectiveness section.

**Paul:** Does this speak to maybe a need for modern slavery statements to somehow be included in more general annual statements that are treated with great seriousness, there's lots of regulation worldwide on them. And if modern slavery was brought into that maybe more KPIs would relate to the uh modern slavery.

**Mahmoud:** Probably, yes. I think when we talk about KPI, meaning like company stating clearly that we are planning to do, uh remove say modern slavery from all supply chain within the next five years. And they say next year we did 20% of this, next year we did 40% of this. So this kind of, of effectiveness, this is really kind of poorly reported. Although it's one of these guidelines required by the Home Office, or suggested by the Home Office.

**Jan:** Well, Mahmoud, I think you've run us through the results, and we have been you know somewhat disappointed by them, as I'm sure you were and the Financial Reporting Council was as well.

What in your view will improve this situation?

**Mahmoud:** I think part of it is based on the results that we have, and part of it is more kind of about the future.

So based on the results for what we have, we can say enhanced detail is going to be useful. Being proactive and forward-looking is going to be useful. Improving the accessibility and visibility of modern slavery statements is, is kind of uh an important aspect. Also the effective use of KPIs in the modern slavery.

The other side of it is the regulatory enforcement, and as I said this is coming up in the next few years, or perhaps few months, is there will be an enforcement action and clearer details on what are, what's expected in those modern slavery statements.

The other side of it, I think, is uh, technology. And I think technology is likely to play an important role in, in dealing with this issue in the future.

**Paul:** I think you've read my mind there Mahmoud, because that was what I was wanting to move on to next, 'cause I know you're starting a new project

looking at the role of technologies such as AI, data analysis et cetera, in combating modern slavery.

What can you tell us about that?

**Mahmoud:** Well the project is at very early stage, and what we have in mind is the following. Is to train an AI model on what to expect in a modern slavery statement, in a good modern slavery statements, but also augmenting this with some information about the risk factors, like working with certain countries in certain areas, certain products, certain industries.

So that the, uh the AI model can predict the issues. And then once it reads the modern slavery statement it highlights the issues where there is lack of details, lack of specificity, higher risk, and provide recommendations on how to improve reporting.

So this is what we, we are kind of, uh working on at the moment. Perhaps once we have some results I'm more than happy to kind of share them in, in the podcast. But there are some interesting work going around in this area.

**Jan:** We certainly would like to hear from you after you've got the results of that. And, is it related to the phrase you used earlier? You talked about readability. And I feel sure that you didn't, you and Steve didn't just look at and go, oh yeah, that's readable or that's not readable. How did you judge readability?

**Mahmoud:** So, readability. We have, we had a group of researchers and we asked them to read those modern slavery statements, and measure specific aspects of readability, like the extent to which they are able to read it, extent to which they are able to kind of understand what's going on. So understandability, readability, kind of this is what we have in mind.

We did not use technology in that. It's basically human uh ability to read the statements.

**Jan:** And so are you then being able to translate that human ability through to an AI tool to be able to make those same judgments?

**Mahmoud:** Exactly. I think the nice thing about AI or, or technology is that computers can process a lot of information much more, more than what we can do as humans.

So basically it's able to read the text as a whole, give it a score based on its, its readability. Based on so many uh dictionaries there that enable uh the AI to measure the diction, the readability. So I think there is high potential there.

I mean, there are some very nice work going around. For example you have this work by the Made in a Free World, it's a, a non-profit US organisation that created this forced labour risk determination and mitigation. And this is like a software that, that kind of processes a lot of information, like information from the public records, from the supply chain, and so on. And once you give it information about your products and supply chain it's able to kind of determine the risk areas and provide tailored report to the companies based on the products they use and their supply chain about the, the risks of modern slavery in their supply chain.

There is also this company called Fair Supply in Australia that claims that their algorithm can identify up to the 10 tier suppliers in the supply chain, once they get information about your product and your...

**Jan:** ...wow, 10 tiers. So that suggests to me that companies must also, behind the scenes, be mapping their supply chains. Because you can't ask a company for due diligence in their supply chains if they don't know what country, what product, and all of these aspects.

So is that a very recent phenomena, or do you think that's been going on for a long time?

**Mahmoud:** I think the, the recent aspect of it is that the AI can help in this mapping. So the use of AI in mapping the supply chain, given the amount of data that's able to process, based on a lot of information about the suppliers, products, countries, and so on.

It helps companies in mapping those supply chain and identify risk areas, and also offer some recommendation on remediating those problems.

**Paul:** Hopefully they'll then end up communicating with their, their companies in their supply chains, because as we've pointed out 15%, that it's all well and good mapping it, but then doing nothing with that information afterward.

**Jan:** And I also, the other part of communication and that comes around to what, um Professor Linda Hendry also talked about, is that this is all happening in the world of corporate reporting. And although I'm very enthusiastic about the world of corporate reporting [Mahmoud laughs] I don't imagine very many



people read these reports. I think it's maybe only accounting academics that read some of these reports.

So, I wonder how that knowledge that sits there in these, um you know, financial and non-financial reports, how might that be conveyed to a consumer? Because, well, one of the consumers as the institutional investors and you noted that they are starting to do that analysis for themselves, but do you ever imagine this corporate reporting data is going to somehow come to me when I buy a product in a supermarket?

**Mahmoud:** So in the project that I'm working on now with Steve, um the plan is to create some scores. And the idea is that you don't need to read the whole report, but you have a score and some recommendation.

This recommendation are mainly for companies to improve their statements, but you have some scores that helps investors in investment decision. So benchmarking companies against each other and then scoring companies based on their uh modern slavery statements and performance.

And the idea is this is going to be a summary measure that helps investors in making decision, rather than having to read the full statements. So hopefully we're able to do that.

[Theme music]

**Paul:** Well it sounds like we're definitely going to have to have Mahmoud back at some point in the future, Jan, to find out what this research with AI has to find out as well.

**Jan:** And what I love, Mahmoud, about the story you told us and the journey that you took us on is that, that work for the Financial Reporting Council clearly has critically informed the next stage.

And what might be able to be done next, and I think that's one of the super things about talking to um our Pentland Centre colleagues about their research work, is you realise it's not a one, one shot you don't go, woo, I've solved that, I'm now off. [Paul and Mahmoud laugh]

But rather more questions keep on emerging, and more innovative research methods and techniques for gathering the information that you're looking for.

**Paul:** Well, thank you very much for joining us this week Mahmoud.

We'll, we'll call it a day there, Jan, but we will be back next week with Dr Jean-Baptiste Jouffray - have I got that right?

**Jan:** I think so.

**Paul:** You know him, I don't. [Jan laughs] It could be anything as far as I'm concerned.

Yes Jean-Baptiste Jouffray, and we'll be talking,, about amongst other things, biodiversity in the oceans, and various ocean challenges, which ties in with your own work on SeaBOS...

**Jan:** ...it does indeed.

**Paul:** Until then, if you do have any questions drop us an email – [pentlandcentre@lancaster.ac.uk](mailto:pentlandcentre@lancaster.ac.uk) - and we will see you then. I'm Paul Turner.

**Jan:** And I'm Professor Jan Bebbington.

[Theme music]