



Modern Slavery Engagement

Summary and Introduction

Summary

CIG engagement on modern slavery

- In 2016 the CIG contacted 265 of the UK's largest listed companies regarding Modern Slavery. This focussed on the requirements placed upon them by the Modern Slavery Act.
- Our engagement encouraged companies to develop mechanisms to better understand and identify the risk of modern slavery occurring within their supply chain and develop policies and processes to address it.
- 103 companies responded to the CIG. 82% of companies described action taken or planned.
- 51% of companies had conducted or would conduct risk assessment and due diligence of their supply chains.
- The CIG will continue to engage with a smaller, more targeted group of companies in 2017.

Introduction

Modern slavery is a term that encapsulates the crimes of forced labour and human trafficking. It is a significant global problem. The International Labour Organisation believes that there are 21 million victims of forced labour worldwide and the Home Office estimates that there were 10,000-13,000 victims in the UK alone in 2014.

Modern slavery is also a key concern for business. Research conducted by the Ethical Trading Initiative and the Ashridge Hult Business School found that 71%, of 51 retailers included within their study, felt there was a likelihood of modern slavery being present at some point within their supply chain. Of these only 20% were confident that their 'tier one' suppliers, those with whom they had a direct relationship, were slavery free.

Churches, from all denominations, have been at the forefront of efforts to tackle modern slavery. In December 2014 Pope Francis, Archbishop Justin Welby and representatives of Ecumenical Patriarch Bartholomew joined other faith leaders in signing a declaration to eradicate modern slavery across the world by 2020.

Recognising the scale of the problem, and the opportunities created by the UK's Modern Slavery Act, members of the Church Investors Group (CIG) have decided to engage with their investee companies on the issue. During this first year the work has taken two forms. First, we have sought to promote improved responses to modern slavery, specifically by encouraging better understanding of the risks in companies' supply chains. Second, the CIG sought further information from companies in order to decide where it could build constructive dialogues in future years.

This short briefing note provides further details of the engagement process, background on how this relates to the Modern Slavery Act and the initial findings from our work.

The Modern Slavery Act

CIG Engagement

Section 54 of The Modern Slavery Act Transparency in the Supply Chain

The Transparency in the Supply Chain provision of the Modern Slavery Act requires that companies operating in the UK with an annual turnover over £36m produce a 'Slavery and Human Trafficking Statement' for each financial year end of the organisation that falls after 31st March 2016. This statement **must** be linked to from the company's homepage; be approved by the board and signed by a director.

The Act states that the Slavery and Human Trafficking Statement is "a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains, and in any part of its own business". Alternatively this can be "a statement that the organisation has taken no such steps". The Act (and a subsequent Home Office Guidance Document) then says that the statement **may** include information about:

- (a) the organisation's structure, its business and its supply chains;
- (b) its policies in relation to slavery and human trafficking;
- (c) its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- (d) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;
- (e) its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;
- (f) the training about slavery and human trafficking available to its staff.

CIG Engagement

During 2016 the CIG engaged with 265 of the largest UK-listed companies regarding their obligations under Section 54 of the Modern Slavery Act – the Transparency in the Supply Chains provision (see text box). The companies were contacted with a letter to their CEO or Chairman. A sub group of 136 companies were deemed to have greater risks and additionally received an email to their investor relations contacts. Three companies subsequently met with representatives of the Church Investors Group to explain their approach in more detail.

In writing to the companies, the CIG was aware that the Modern Slavery Act had only recently been introduced and as such companies would still be developing their response. Additionally the CIG noted that the depth and breadth of company supply chains posed a significant challenge for companies to understand fully.

As a consequence our engagement emphasised the importance of developing mechanisms for identifying and assessing the risk of modern slavery occurring within their supply chain and processes and policies for addressing it where found. It specifically asked questions about supply chain risk management and due diligence processes for suppliers. Additionally it encouraged either the Chief Executive or Chair to sign the companies' statement and for the company to submit their statement to a central repository.

2016 Engagement Findings

Companies contacted by the CIG by sector

Sector	Contacted	Response	
		No.	%
Consumer Discretionary	60	33	55
Consumer Staples	15	6	40
Energy	7	2	29
Financials	65	23	35
Health Care	15	6	40
Industrials	47	16	34
Information Technology	19	3	16
Materials	25	9	36
Telecommunication Services	4	2	50
Utilities	8	3	38
Total	265	103	39

Findings

103 companies responded to the CIG's enquiries by letter, email or phone. The depth of the responses differed considerably. One reason for this is because of the varied amounts of work on the issue of modern slavery (and human rights more broadly) carried out by companies prior to the introduction to the Act. A further reason for the differing level of response was how open companies were willing to be. There was some reticence for companies to disclose information prior to their statement being released.

The majority of respondents (82%) demonstrated responsiveness to the Act by explaining recent activity or plans of future action that was in addition to their production the statement required. Further details are provided overleaf.

With regard to the CIG's specific requests about risk management and due diligence analysis of the responses showed that:

- Over half (51%) of company responses discussed risk assessments and due diligence that they had either already conducted or were planning to conduct.
- Almost half of these, 23% of all responses, provided further details of the risk assessment methodology.
- Six companies had completed risk assessments in partnership with NGOs working on modern slavery.
- Three companies were open enough to identify specific parts of their supply chain into which they lacked visibility.
- Three other companies detailed plans for more thorough due diligence beyond the first tier of their supply chain.
- 35% of companies referred to a published code of conduct that suppliers were expected to abide by.
- 29% of companies audited at least some suppliers to check compliance with their expectations.
- Fourteen companies wrote that they expected their suppliers to implement similar processes for the next step of the supply chain.

2016 Engagement Findings

Continued

In addition to the information on risk assessment processes, companies volunteered further details about their actions on Modern Slavery. The summary below highlights the different amount of work already conducted by companies on modern slavery and that some companies volunteered little information at this stage

Leading Companies

Some companies were able to describe their supply chain in detail and explain how they had been working in collaboration with suppliers and third parties to reduce the risk of modern slavery. Practices unique to this group were:

- Providing training on modern slavery to their suppliers.
- A history of collaboration with several other groups including the Ethical Trading Initiative, Stronger Together, NGOs local to their suppliers and trade unions.
- In some recent cases, instances of collaboration were around focused areas of concern such as leather tanneries or Thai seafood.
- Lobbying for the inclusion of the TISC provision in the Modern Slavery Act.

Making Progress

The majority of companies displayed responsiveness to the Act by explaining recent activity or plans of future action that they would be taking. Some examples of this were:

- Eight companies disclosed establishing a working group across different parts of the business to work on their modern slavery response.
- Other methods to govern their response to the Act were naming a senior manager as responsible (three companies); delegating the work to an existing committee (four companies) or conducting a structured review (three companies).

- 23 companies mentioned training. Twelve companies committed to training their procurement teams and five their senior managers. Nine companies planned to train staff but didn't provide details.
- Fifteen companies mentioned reviewing their human rights policies. One company committed to openly report any violations of their policies.
- Seventeen companies either had reviewed or would be reviewing contractual arrangements with their suppliers to insert clauses around modern slavery.
- Four companies were reviewing the ways their procurement processes might increase the risk of forced labour in their supply chain.
- Eighteen companies openly acknowledged they had taken little action in the past on modern slavery but were taking action whilst they drafted their statement.

Fourteen companies, in responding to the CIG, provided very little detail other than their reassurance that they would produce a statement in line with the regulatory requirements.

2016 Engagement Companies Contacted

3i Group plc*	Close Brothers Group plc*	Hastings Group Holdings PLC*	Millennium & Copthorne Hotels	Shire PLC*
A.G. BARR p.l.c.	CMC Markets	Hays plc	Mitie Group PLC*	SIG plc*
Aberdeen Asset Management	Coca-Cola HBC AG	Henderson Group plc*	Mondi plc*	Sky plc*
Acacia Mining plc	Compass Group PLC*	Hikma Pharmaceuticals Plc	Moneysupermarket.com Group	Smith & Nephew plc*
Admiral Group plc*	Computacenter Plc	Hill & Smith Holdings plc	Morgan Advanced Materials plc	Smiths Group Plc
Aggreko plc	Countryside Properties PLC	Hiscox Ltd	N Brown Group plc	Smurfit Kappa Group
Aldermore Group	Countrywide Plc	Home Retail Group plc*	National Express Group PLC	Softcat plc
Allied Minds plc	Cranswick plc	HomeServe plc	National Grid plc*	Sophos Group
AMEC Foster Wheeler plc	Crest Nicholson Holdings Plc	Howden Joinery Group PLC	NCC Group plc	Spectris plc*
Anglo American plc+	CRH Plc*	HSBC Holdings plc	Next plc*	Spirax-Sarco Engineering
Antofagasta plc	Croda International Plc	Ibstock plc	NMC Health PLC	Spire Healthcare Group
AO World Plc	CYBG plc	ICAP plc	Ocado Group PLC*	Sports Direct International
ARM Holdings plc	Daejan Holdings PLC	IMI plc	Old Mutual plc*	SSE plc
Ascential plc*	Dairy Crest Group plc	Inchcape plc	OneSavings Bank plc	SSP Group*
Ashmore Group plc	Darty plc	Indivior plc	Paragon Group of Companies	St. James's Place Plc*
Ashtead Group plc+	DCC Plc	Informa Plc*	PayPoint plc	St. Modwen Properties PLC
Associated British Foods plc	Debenhams plc*	Inmarsat plc	Paysafe Group	Stagecoach Group plc*
AstraZeneca PLC*	Dechra Pharmaceuticals PLC	InterContinental Hotels Group*	Pearson PLC+	Standard Chartered PLC*
Auto Trader Group	DFS Furniture PLC+	Intermediate Capital Group plc	Pendragon PLC	Standard Life plc
AVEVA Group plc	Dignity plc*	International Consolidated Airlines	Pennon Group Plc	SuperGroup Plc*
Aviva plc	Diploma PLC	Intertek Group plc*	Persimmon Plc	Synthomer PLC
B&M European Value Retail*	Direct Line Insurance Group*	Intu Properties plc	Petrofac Limited	TalkTalk Telecom Group
Balfour Beatty plc	Dixons Carphone *	Investec plc	Pets At Home Group Plc*	Tate & Lyle PLC
Bank of Georgia Holdings plc	Domino's Pizza Group plc*	IP Group plc	Phoenix Group Holdings	Taylor Wimpey plc*
Barclays PLC*	Drax Group plc	ITV plc*	Polymetal International Plc	Ted Baker PLC
Barratt Developments PLC*	DS Smith Plc	J Sainsbury plc*	Polypipe Group PLC	Telecom PLUS PLC
BBA Aviation Plc	Dunelm Group plc*	Jardine Lloyd Thompson Group	Prudential plc*	Tesco PLC*
Beazley PLC	easyJet plc	JD Sports Fashion Plc*	PZ Cussons Plc*	The AA plc
Bellway p.l.c.*	Electrocomponents plc	John Laing Group	Randgold Resources Limited+	Thomas Cook Group plc
Berendsen plc	Elementis plc	John Wood Group PLC	Rathbone Brothers Plc	Travis Perkins plc*
Berkeley Group Holdings plc*	Entertainment One Ltd.	Johnson Matthey Plc*	Reckitt Benckiser Group plc*	TUI Group PLC*
BHP Billiton Plc*	esure Group Plc	Jupiter Fund Management plc*	Redrow plc*	Tullett Prebon plc
Bodycote plc*	Euromoney Inst. Investor	Just Eat plc	Regus plc	Tullow Oil plc
Bovis Homes Group PLC*	Evraz PLC	Just Retirement Group Plc*	RELX Group PLC	UBM PLC
BP p.l.c.*	Experian PLC*	Kaz Minerals plc	Renishaw plc*	UDG Healthcare Plc
Brewin Dolphin Holdings	Fidessa group plc	Keller Group plc	Rentokil Initial plc*	Unilever PLC
British Land Company PLC*	FirstGroup plc	Kier Group plc*	Restaurant Group plc*	UNITE Group plc
Britvic plc	Fresnillo PLC*	Kingfisher Plc	Rexam PLC*	United Utilities Group PLC*
BT Group plc*	G4S plc	Laird PLC*	Rightmove plc	Vectura Group plc
BTG plc*	Galliford Try PLC*	Lancashire Holdings Limited*	Rio Tinto plc*	Vesuvius Plc
Bunzl plc	Genus plc	Land Securities Group PLC*	Rotork plc*	Victrex plc
Burberry Group plc*	GKN plc	Legal & General Group Plc	Royal Bank of Scotland Group*	Virgin Money Holdings
Caim Energy Plc	GlaxoSmithKline plc*	Lloyds Banking Group plc*	Royal Dutch Shell Plc*	Vodafone Group PLC*
Capita plc*	Glencore plc*	London Stock Exchange Group plc*	Royal Mail plc*	Weir Group PLC*
Capital & Counties Properties	Go-Ahead Group plc	Man Group Plc	RPC Group Plc	WH Smith PLC*
Card Factory+	Grafton Group Plc	Marks and Spencer Group plc	RSA Insurance Group plc*	Whitbread PLC*
Carillion plc	Grainger plc*	Marshalls plc*	Saga plc	Wizz Air Holdings PLC
Carnival plc	Greencore Group Plc	McCarthy & Stone PLC	Sage Group plc	Wm Morrison Supermarkets*
Centamin plc	Greggs plc*	Mediclinic International*	Savills plc	Wolseley Plc*
Centrica plc	Halfords Group Plc*	Merlin Entertainments Plc*	Schroders PLC	Worldpay+
Cineworld Group plc	Halma p.l.c.	Metro Bank PLC	Senior plc	WPP Plc*
Circassia Pharmaceuticals Plc	Hammerson plc*	Michael Page International PLC	Severn Trent Plc*	WS Atkins plc*
Clarkson PLC	Hargreaves Lansdown plc*	Micro Focus International plc	Shawbrook Group	Zoopla Property Group

*Responded to the CIG

+ Acknowledged the CIG's letter

The Church Investors Group represents institutional investors from many Church denominations and church related charities. Whilst each investor is responsible for its own investment policy our members come together on issues of common concern.

Currently the CIG has 59 members, predominantly drawn from the UK and Ireland, with combined investment assets of over £17bn.

Further information

www.churchinvestorsgroup.org.uk

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