

**Home Affairs Committee inquiry into Modern Slavery
Submission by CCLA Investment Management and the Church Investors Group
September 2018**

Executive Summary

1. We welcome the opportunity to submit evidence to the Committee. Our extensive engagement with investee companies about their responses to the Modern Slavery Act's transparency in the supply chain clause (Section 54) has provided us the following insights and recommendations:

Finding modern slavery

- a. There is a disparity in the reporting by companies about the extent of modern slavery in their supply chains and research undertaken by civil society and academics. We believe that the pervasiveness of modern slavery and the complexity of supply chains makes it extremely unlikely that any company supply chain can be declared slavery free at this time.
- b. As such we would measure the future success of the Modern Slavery Act on the degree to which it promotes both more supply chain due diligence and better supply chain due diligence by companies.
- c. For an individual company the definition of success is to find examples of modern slavery in their supply chain, to be transparent about this in reporting and to work with suppliers to rectify the situation.
- d. Such openness is not easy for companies and as such there is a role for Government in supporting companies to do this collectively, be that through mandatory reporting or a co-ordinated voluntary initiative.

Collaboration

- e. Collaborative action by companies provides the best examples of real progress being made in supply chains. Both the Independent Anti-Slavery Commissioner and the Government should continue and extend their efforts to facilitate companies working together to affect change in the lower tiers of supply chains both internationally and in the UK.

Levels of compliance

- f. At present compliance rates with the transparency in the supply chain provision of the Act is low amongst smaller companies. Actions should be taken to improve compliance including the mandatory filing of statements at a Government run central repository and a strong Independent Anti-Slavery Commissioner.

Who we are and our interest in modern slavery

2. CCLA is one of the UK's largest charity fund managers. Managing investments for charities, religious organisations and the public sector is all we do. Based in the City of London, with an office in Edinburgh, we are largely owned by our clients' funds. We seek to integrate the values and mission of our clients into the way we invest. CCLA also provides the Secretariat to the Church Investors Group.

3. The Church Investors Group (CIG) represents institutional investors from many mainstream church denominations and church related charities. Its aims are to encourage the formulation of investment policies based on Christian ethical principles, to encourage responsible business practice through engagement with company managements and to share information and views on ethical matters related to investment. The CIG currently has 66 members, predominantly drawn from the UK and Ireland. Combined investment assets exceed £21 bn.
4. 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. As investors who represent the interest of the Church in capital markets our members have a keen interest in how the companies in their portfolios are identifying and rectifying their exposure to modern slavery in their supply chains.
5. Our interest is also one of good investment management. We are long term investors and as such we seek to ensure the sustainability of our investee companies. A poor response to modern slavery risks reputational damage and disruption in the supply chain.
6. We commend the adoption of the Modern Slavery Act and the Government's leadership in this area. Similarly, we welcome the efforts of some businesses who are taking genuine and concerted efforts to tackle forced labour in their operations and supply chains. Nevertheless, we believe there is still progress to be made and that there are steps the Government can take to facilitate this.

Our experience of Section 54

7. Both CCLA and the CIG are actively seeking to help investee companies make the best use of the Transparency in Supply Chain (TISC) provision of the Modern Slavery Act. During 2016 the CIG wrote to 265 FTSE 350 constituent companies encouraging them to undertake greater due diligence and risk assessments in their TISC statements. Our analysis of the 103 companies who responded to our enquiries, as well as company TISC statements, provides insights which we draw upon in our evidence below. A public report of this engagement programme is available here: <https://churchinvestorsgroup.org.uk/wp-content/uploads/public/CIG-Modern-Slavery-Engagement-Report.pdf>
8. Over the last year we have continued to engage with a selection of these companies. One group of companies we have been talking to were those whose original slavery and human trafficking statements were particularly lacking. We identified these using the Business and Human Rights Resource Centre's review of the FTSE 100 statements published in October 2017. Seeking progress amongst this group of companies, along with several others, has given us further insights into the state of company reporting under Section 54 of the MSA.

Defining success – finding modern slavery

9. Over the course of our engagement with investee companies we have reviewed hundreds of modern slavery statements, exchanged correspondence with over a hundred companies and had in depth discussions with another fifteen about their approaches to modern slavery. Very few of these

companies admit publicly to having found modern slavery within their supply chain. Indeed, several companies are adamant the risk is so low as to be non-existent.

10. This does not correspond with our understanding about the extent of modern slavery. When granted anonymity, 77% of a sample of leading brands thought that slavery existed within their supply chain¹. Furthermore, there are numerous reports from academics and non-governmental organisations detailing the extent of modern slavery in commodities and products that appear in many supply chains. For instance, the Global Business of Forced Labour Project interviewed workers on tea plantations and cocoa farms demonstrating a coherent pattern of labour exploitation taking place at the base of global tea and cocoa supply chains.² A selection of additional examples cover the following commodities and products: seafood,³ cobalt,⁴ palm oil,⁵ surgical instruments,⁶ cotton,⁷ electronics,⁸ and wine.⁹ This list is not exhaustive.
11. In juxtaposing the TISC statements of companies with reports from civil society organisations we do not want to misrepresent or lessen the very real challenges that companies face. Firstly, modern slavery is difficult to find. It is often actively hidden from view in supply chains by those who profit from it. Furthermore, debt bondage and contract slavery can be hard to spot due to the use of commonly occurring business mechanisms to hide the enslavement¹⁰. Secondly, supply chains can be long and complex with many intermediaries involved in the collection, trading and processing of commodities. Alternatively, a company may find their suppliers subcontracting to other groups without prior consent. The nature of supply chains means identifying issues and connecting them to specific companies can be difficult.
12. These difficulties, however, highlight the necessity for thorough due diligence of suppliers. Home Office guidance suggests to companies that this should go beyond the first tier where possible, use expert and external stake holders and hear from workers themselves¹¹. When, in 2016, we wrote to companies only half of the 103 that responded discussed risk assessment or due diligence and only 23% provided any detail about what such a risk assessment might entail. A few companies showed better practices: six involved NGOs in their risk assessments; three detailed where they lacked visibility; and three more detailed plans for more thorough due diligence beyond the first tier of their supply chain. There is clear scope for improvement in both the number of companies undertaking due diligence and the quality of this due diligence.

¹https://www.ethicaltrade.org/sites/default/files/shared_resources/corporate_leadership_on_modern_slavery_full_report_2016.pdf

² <http://globalbusinessofforcedlabour.ac.uk/>

³ <https://www.hrw.org/report/2018/01/23/hidden-chains/rights-abuses-and-forced-labor-thailands-fishing-industry>

⁴ <https://www.amnesty.org/en/documents/afr62/3183/2016/en/>

⁵ <https://www.amnesty.org/en/documents/asa21/5243/2016/en/>

⁶ http://www.swedwatch.org/wp-content/uploads/2007/03/vita_rockar_vassa_saxar.pdf (in Swedish)

⁷ http://uzbekgermanforum.org/wp-content/uploads/2015/04/cotton_harvest_Online.pdf

⁸ <https://verite.org/wp-content/uploads/2016/11/VeriteForcedLaborMalaysianElectronics2014.pdf>

⁹ A scoping research project for Stronger Together South Africa: Forced labour and the South African Fruit and Wine Industries. Available at <https://www.stronger2gether.org/> with registration.

¹⁰ Gold S, Trautrim A, Trodd Z. (2015) Modern slavery challenges to supply chain management. Supply Chain Management: An International Journal, 20(5): 485-494.

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/649906/Transparency_in_Supply_Chains_A_Practical_Guide_2017.pdf

13. A current statement that is particularly noteworthy for the extent of the due diligence is Marks and Spencer's¹². They disclose the ways in which they move beyond mainstream ethical audit, describe their proactive research and highlight areas of non-compliance that they have found. This latter point is particularly commendable and unusual.
14. **Measuring success:** We believe that a good measure of success of the Modern Slavery Act is the extent to which thorough and innovative due diligence is undertaken. Given the extent of modern slavery and the size of supply chains¹³ we take an alternative view of success. We believe that an individual company is considered successful not if they claim the absence slavery but if they find modern slavery in their supply chain, disclose this publicly in their statements and then work to improve the situation.
15. **Recommendation:** It is not easy for a company to undertake such reporting on their own with the risk of brands being damaged and negative press coverage. As such there is a role for Government to help companies act together be that through mandatory reporting measures or a co-ordinated voluntary initiative. We support the introduction of appropriate mandatory due diligence measures within the Act to improve the amount and the quality of due diligence.

Collaborative Action

16. Our engagement with companies has provided further examples of good practice along the lines detailed above. Some we spoke to were part of The Leadership Group for Responsible Recruitment (LGRR)¹⁴. The group, formed of eleven companies, exists to tackle the problem of workers in the supply chain finding themselves in a position of debt bondage through the payment of excessive recruitment fees. Companies within the group have been particularly open about the challenges they face in ensuring they and their suppliers pay the costs of recruitment and the steps they are taking in response.¹⁵
17. In 2018 the group collaborated with other companies from the Consumer Goods Forum to host roundtables of brands, suppliers, recruitment agencies, international organisations and civil society in both Malaysia and Thailand¹⁶. These meetings allowed discussion of the problem and constructive actions. Brands collaborating allowed clear and consistent messages to be provided to suppliers. The groups also met with the Government of both countries to discuss policy responses.
18. Collaborative action demonstrated by the LGRR, and other groups such as the Ethical Trading Initiative, is key to the tackling of modern slavery in supply chains. Often the problems a company faces go beyond what they can directly control and as such working with other companies, civil society, governments and international organisations such as the ILO is essential.
19. **Recommendation:** The Home Office and Independent Anti-Slavery Commissioner should continue and extend their efforts to foster collaborative action by businesses. There is also opportunity for involvement of other government departments, such as the Foreign Office and

¹² <https://corporate.marksandspencer.com/documents/plan-a-our-approach/mns-modern-slavery-statement-june2018.pdf>

¹³ In our conversations with companies having a total number of suppliers in the tens of thousands was common.

¹⁴ <https://www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment>

¹⁵ https://www.iccr.org/sites/default/files/iccrbestpracticeguidanceethicalrecruitment05.09.17_final.pdf

¹⁶ [https://www.ihrb.org/uploads/meeting-reports/Driving Responsible Recruitment in Southeast Asia%2C Meeting Notes%2C IHRB and CGF April 2018.pdf](https://www.ihrb.org/uploads/meeting-reports/Driving%20Responsible%20Recruitment%20in%20Southeast%20Asia%20Meeting%20Notes%20IHRB%20and%20CGF%20April%202018.pdf)

the Department for International Development, particularly where companies are collectively meeting with other Governments.

Compliance with the Act's legal requirement

20. Section 54 of the Modern Slavery Act places very few legal requirements on companies. As such it is worrying that not all FTSE 100 companies were able to meet these as demonstrated in a recent report by the Business and Human Rights Resource Centre¹⁷. We, along with other investors and the Independent Anti-Slavery Commissioner, wrote to these companies asking them to comply. Furthermore, the evidence from the House of Commons Committee of Public Accounts that companies' compliance with the Act is only 30% is troubling. Whilst we typically are focused on larger publicly listed companies (which have higher rates of compliance) many of these smaller companies form part of the supply chains of our investee companies. We share the concern of civil society about the low rate and poor quality of responses by companies and support actions to improve the level of compliance across the value chain.
21. **Recommendations:** We believe that a centralised, state-supported repository for modern slavery statements will facilitate improved compliance. Such a repository will send a clear message to companies about the mandatory status of their statements. Additionally, when we engage with large groups of companies having their statements available in a central location helps to facilitate our work greatly. For such a repository to be most effective we would like it to facilitate the comparison of historical statements from a company and be designed in such a way as to easily enable detailed analysis.
22. The first Independent Anti-Slavery Commissioner, Kevin Hyland, and his team undertook good work in engaging with companies not compliant with section 54 of the Modern Slavery Act. Increasing the new Commissioners' capacity and powers to do further work with small to medium-sized companies would be greatly beneficial to the levels of compliance.

¹⁷ https://www.business-humanrights.org/sites/default/files/FTSE%20100%20Report%20FINAL%20%28002%291Dec2017_0.pdf