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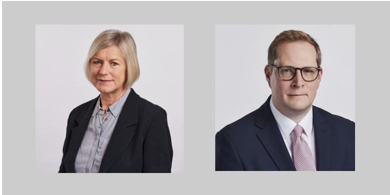
Modern Slavery, 8 November 2023

With former UK Independent Anti-Slavery Commissioner, Dame Sara Thornton; and Dr James Corah, Head of Sustainability at CCLA Investment Management

Introduction



The UK imports an estimated $26bn worth of goods that present a slavery risk (2023 Global Slavery Index). Following a previous roundtable on this topic held in 2022, which found clear consensus for investment portfolios to be included in the modern slavery act, this session called for a "pro-active" regulatory environment. The Government should encourage companies, and they themselves should voluntarily engage directly with the issue by seeking to uncover abuses. Constructive dialogue with supply chain partners is pivotal as investors and corporate executives should look to bring about significant cultural shifts across companies, sectors, supply chains and whole economies.

Key takeaways

Headline takeaways

- Data: Quality is poor, volume is low. However, a lack of data should not be a barrier to action. We need to acknowledge the paradox that more data and more detection means more reporting burden, how do we achieve a balance?
- Investment: Where's the risk? For financial services, it's upstream, not downstream, "not so much our supply chains, but who we're lending to and who we are putting in our portfolios", furthermore investors have leverage, when they ask a question they expect an answer.
- Supply chain: Slavery is pervasive, 28 million people across the world are in forced labour (ILO), "it is entwined in our business processes"; secondly, "litigation is coming". Companies that do the least will face the largest penalties.

CCLA's Find It, Fix It, Prevent It Programme – from "acorn to large tree"
Asset owners are in a position to drive change through voting at AGMs and engaging with company management. "This is the most powerful way to push companies to do more on modern slavery". CCLA's Find It, Fix It, Prevent It programme Now has 65 investors (£15tn) signed on, committed to meaningfully tackling modern slavery.

- Find it: Slavery exists in the supply chain of "nearly every business", therefore a good scenario is not the absence of slavery, but in most cases the opposite, deploying resources to find it.
- Fix it: "You can't just walk away", support supply chain partners instead of pulling out and making vulnerable people even more vulnerable.
- Prevent it: Learning and building a more resilient supply chain.

Communications – "turn a negative into a positive"
- Businesses will be rewarded in a similar way to NGOs if they show initiative in tracking down human rights abuses, being transparent and taking a constructive approach to resolving cases of modern slavery. "There is positive media out there".
- Accordingly, ratings agencies need to be more sophisticated, not simply assessing companies according to media controversies, many of these companies will be doing more to uncover abuses.

A uniquely human issue –"Can't make it just about regulation"
- While data and disclosures are important, personal stories need to be brought forward - e.g. survivor schemes that create career opportunities. Doubly important because the CCLA benchmark work on the top UK companies found that remedy for victims is the weakest aspect of the corporate response.
- Embedding the lived experience within companies helps "challenge reality". Once we accept the world as it is with modern slavery commonplace, we deal with it: investors avoid poor capital allocation decisions and companies behave proactively.

Hiding behind the data vs engaging and resolving
- The development of ESG standards in modern slavery is a positive step forward, but policymakers and companies alike need to be aware that it is easy to "hide behind" frameworks and benchmarks.
- Furthermore, with an issue where we are trying to root out abuses, "benchmarks don't uncover reality", and – if used poorly – can be harmful in delisting countries to operate in without protecting companies from exposure to slavery.

Less encouraging factors
- Less is being asked of companies: The FRC recently watered down its corporate governance reform proposals.
- Companies are reluctant to disclose for fear of green and social-washing in view of potential litigation.

Fundamentally, we are dealing with two different regulatory environments: proactive vs negative. "We have to make sure the proactive one wins".

Issues raised

The fear factor
There is a danger of scaring businesses into doing less rather than more, additionally, there needs to be a focus on improvement not on exclusion and with it divestment, which will do more harm than good. A key factor is universal acceptance that cases of modern slavery exist everywhere and they need to be detected. This should be a material consideration for all businesses as slavery is a serious criminal act, the "truth needs to get out".

Cultural shift
Bringing about a cultural shift takes the sting out of the fear factor. Tier one companies - those that are larger and at the top of the supply chain – need to "support, not police" by asking suppliers to look and find modern slavery, providing necessary assurances.

Recommendations and next steps

- For investment portfolios to be explicitly part of the Modern Slavery Act, and for the Act to be updated across the board.
- For policymakers to build on CCLA's forthcoming report on the best and worst performers in reporting on slavery among the FTSE 100.
- Find It, Fix It, and Prevent It, and similar initiatives, need to bring on board far more stakeholders. Critical mass is necessary to drive a change in corporate culture. Progress in modern slavery is dependent on both policymakers and coalitions of companies and investors.

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