2020 Votes Against Slavery report
Investor action on supply chain transparency
SHORTLISTED CANDIDATE
Rathbone Brothers

Votes Against Slavery:
Engaging with FTSE 350 companies failing to comply
with section 54 of the Modern Slavery Act 2015
Foreword

Darren Jones, MP

The 2020 Votes Against Slavery report, and the work on which it builds, cements a hugely positive step forward in the fight to end modern slavery. The project’s remarkable and ongoing success reflects an essential insight: that combating this pervasive evil requires each one of us to harness the tools at our disposal to compel change.

My work on this issue in Parliament has brought home the necessity of that approach, and the vital role investors have to play – in raising awareness, demanding action, bringing victims to safety, and ensuring exploiters face justice. And although the Modern Slavery Act’s reporting requirements have enabled real progress in improving corporate behaviour, laws can only ever be as effective as their enforcement mechanisms. First and last, that means an informed and engaged investment community – and I’m grateful that Votes Against Slavery is leading the way. The challenges remain significant, but there is no time to lose in doing what we can.

Andrew Wallis OBE
CEO, Unseen

The role of the investment community was critical six years ago as the arguments for the inclusion of Transparency in Supply Chains in the Modern Slavery Act were deliberated upon. Six years on, the investment community still has a vital role to play in ensuring that the impact of the legislation improves companies’ actions and responses to the scourge of modern slavery and in particular forced labour.

The Votes Against Slavery project and this report are timely in light of the UK Government’s recent response to the consultation and independent review on the upgrading of the requirements around modern slavery reporting to ensure greater adherence by companies to the legislation, greater transparency over steps actually taken and accountability by company boards for tackling modern slavery.

The impact of the investors’ enquiries and requirements for modern slavery reporting upon companies brings focus, the urgency of response and focus on the issues. There is no moral argument for allowing forced labour to thrive within the world’s supply chains and the purpose of this project is to ensure that companies, and in particular those listed in the FTSE350, begin to effectively tackle these problems.

However, it is not solely a big stick approach, this report signposts to the mountain of evidence that shows that the principles of decent work when applied down the supply chain deliver multiple benefits – both economic and societal. In a world dramatically altered by COVID, it is beholden on companies to build back better so that we deliver business models where it is not possible nor tolerated for forced labour to occur as too many lives have been blighted. The Votes Against Slavery coalition have shown in this report that they have a key role to play in helping ensure that this aspiration is realised and business makes both the moral and correct economic decisions to ensure transparent supply chains free from the stain of forced labour and modern slavery.

I commend this collaborative work and report to you, and encourage the members to go further and faster as we exit from the pandemic.
Executive summary

In the six years since the passing of the landmark Modern Slavery Act 2015, the supply chains of FTSE350 companies have been under the spotlight like never before. The mandatory reporting regime contained in the Act was intended to accelerate not just company disclosure on modern slavery risks, but improvements in company performance. However, while some companies engaged fully with the agenda and made progress, some had yet to meet even the basic reporting guidelines. There was a clear gap in accountability.

Votes Against Slavery (VAS) was set up to coordinate the response of the investment community and to provide the necessary accountability for compliance with the Act. The VAS project targeted laggard companies in the FTSE350 and engaged directly. The key feature of this engagement is its speed and tangible results. We have seen companies respond within days, whereas most collaborative engagements can take months or years. The focus on challenging the adoption of the annual report and accounts has shown senior management that modern slavery is a very serious issue.

Section 54 of the Act reporting regime has now been in operation for sufficient time for companies to have grasped its implications, but most companies in our engagement still see compliance as a mere ‘tick box’ affair. Investors are not just demanding disclosure, but better quality disclosure and evidence of tangible results and improvements.

The VAS project shows the benefits of a collaborative approach between business, government and the investment community. Only such an approach can deliver the systemic change necessary to eradicate modern slavery.
Background

Modern slavery is a pervasive risk to society and supply chains, affecting millions of people globally. Business has a huge role to play in eradicating modern slavery, and the UK’s landmark 2015 Modern Slavery Act sought to bring the business community into the fight. In a landmark piece of legislation, section 54 of the Act (s54) created a duty for all companies to investigate and report on modern slavery in their supply chains. However, despite good intentions, the s54 modern slavery reporting regime was left lacking in specific enforcement powers. Reviewing the implementation of the act in early 2020 it was clear that compliance was patchy and lacking in depth.

In this vacuum of enforcement, investors have a crucial role in advancing protection for fundamental human rights. Having previously had success on an individual basis, in 2020 Rathbones convened an investor collaboration with £3.2tn in assets under management (AUM) to challenge FTSE350 companies that had failed to meet the reporting requirements of s54.

Modern slavery in supply chains

The statistics around modern slavery are well known, but bear repetition. The sheer scale of the problem can seem overwhelming, and the numbers involved can often lose their impact through familiarity.

While there are multiple sources citing data on this topic, we have preferred data compiled by the International Labour Organisation (ILO), as this adds a degree of historical context. The data shows that modern slavery is pervasive throughout all aspects of society, with particular relevance for global business.

— At any given time in 2020, an estimated 40.3 million people were in modern slavery, with 24.9 million in forced labour and 15.4 million in forced marriage
— It means there are 5.4 victims of modern slavery for every 1,000 people in the world
— 1 in 4 victims of modern slavery are children
— Out of the 24.9 million people trapped in forced labour, 16 million people are exploited in the private sector such as domestic work, construction or agriculture; 4.8 million people in forced sexual exploitation; and 4 million people in forced labour imposed by state authorities
— Women and girls are disproportionately affected by forced labour, accounting for 99% of victims in the commercial sex industry and 58% in other sectors

Modern slavery in supply chains is to be understood as an illicit trade which affects all sectors of the economy.

The role of investors

Investors are motivated to act not only by the moral case for doing so, but also by a desire to protect the long-term resilience of the assets they manage for their clients. The nature of the financial argument and the moral case intertwine to create a need and an opportunity for investors to act together.

The scale of the illicit trade of forced labour creates a substantial financial impact on the global economy.

Forced labour generates annual profits of US$ 150 billion

The ILO estimates that around $99bn of this figure is generated by forced sexual exploitation, an area which, whilst obviously of concern, is of less direct connection to global supply chains. However, by implication this means that:

‘Victims of forced labour exploitation, including in domestic work, agriculture and other economic activities, generate an estimated US$51 billion in profits per year. Of those, the profits from forced labour in agriculture, including forestry and fishing, are estimated to be US$9 billion per year.…Profits for other economic activities are estimated at US$34 billion per year, encompassing construction, manufacturing, mining and utilities. In this case, the value added accruing to labour is calculated using the sector-specific average earnings divided by the labour share.' 2

The assumption is that forced labour is less productive than free labour over the long term. The financial scale of forced labour represents a major opportunity cost to global growth and development. A recent study by the International Monetary Fund shows the validity of this logic, explaining that ending forced marriage:

‘…Would significantly improve economic growth — if child marriage were ended today, long-term annual per capita real GDP growth in emerging and developing countries would increase by 1.05 percentage points.’ 3

While there is not as yet any similar work available to quantify the specific GDP impact of all forced labour, it is a reasonable assumption that it is of a scale more significant than that assessment above. Embracing the fight against modern slavery, forced labour and human trafficking would see emerging and developing economies benefit greatly, and have a cascade effect on efforts to attain the UN Sustainable Development Goals.

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2 Profits and poverty: The economics of forced labour – ILO
Such statistics underline the fact that the risk is pervasive and systemic, and that investors have a reason to engage beyond an individual company level.

**The solution – supply chain transparency**

While the scale of the problem and its relevance to investors has been clear, fashioning a response proved problematic. Forced labour, modern slavery and human trafficking are all activities deemed to be criminal by various international and national statutes. The effectiveness of making new laws or strengthening existing enforcement regimes would be, by definition, limited to the scale of the enforcement activity, and would by necessity lag the endeavours of the criminal community driving the trade.

Further, incentives for involvement and working for change are misaligned at company level. Understandably, companies are reticent to face up to the realities of modern slavery in their supply chains, as current regulatory and criminal regimes serve only to ‘shame’ examples of bad behaviour as opposed to encouraging an honest appraisal of the risk. The result is that companies are reluctant to engage with reality, as the consequences are only negative from a brand and reputational point of view.

Supply chain transparency aims squarely at this dilemma. It encourages companies to look at their supply chains in an honest and sober manner, and creates incentives for them to make continuous improvements. Importantly it levels the playing field, by removing the ‘first mover disadvantage’. We are fortunate in the UK to operate under a pioneering national supply chains transparency regime (s54) – however, its potential was not being realised.

The initial objective of the collaboration was to drive rapid compliance with s54 among laggard companies. However, the initiative also serves as an opportunity for investors to better understand the nature of the businesses they are investing in and to evaluate board responses to the issue of modern slavery. The project would also encourage a greater degree of challenge by investors on social issues. Currently the focus of shareholder resolution AGM statements has been environmental issues, but the engagement group felt that social issues merit similar levels of attention and use of shareholder powers.

We worked with a respected international NGO to develop a target list; our aim was to achieve full compliance from 22 laggard companies. We expect members of the FTSE350 to lead in this area, taking substantive action against the prevalence of slavery in their supply chains. By being active themselves, FTSE350 companies can have a ‘multiplier’ effect as their actions will incentivise further compliance down their supply chains.

Our first step was inviting members of the United Nations Principles for Responsible Investment (PRI) to sign and support engagement letters which were sent to the boards of the 22 target companies.

The PRI is a global investor initiative on responsible investment whose members are committed to promoting better environmental, social and governance (ESG) management and disclosure among investee companies. Rathbones has been a member since 2009 and has often called upon this feature of the PRI to gain signatories and partners for its ESG engagements.

A second layer of engagement was added by threatening to abstain our vote on the approval of the annual report and accounts of non-compliant companies at the time of their AGM. While our initial plan was to attend the AGMs of any non-compliant businesses which had failed to respond to our engagement, the current COVID-19 pandemic has curtailed this aspect of the project.
Theory of change

Votes Against Slavery (VAS) calls on members to use their strongest power of censure – voting against the report and accounts, an aspect of stewardship which is under-used. We believe we are the first investor coalition to focus so clearly on general AGM voting on social risk.

**AGM Voting: The forgotten weapon**

We theorised that investors wield greater power than they realise through engaging on standard AGM outcomes. While in some instances it is appropriate to take special measures and co-file resolutions at the target companies, we made innovative and creative use of our existing powers, which in turn highlights that ESG risks are not ‘special interests’ for special resolutions, but are instead fundamental to the licence to operate. That’s why our investor group decided to focus on opposing the approval of the annual report and accounts to express our concern.

We see the adoption of the annual report and accounts at the AGM as the cornerstone of corporate accountability. Any issues around transparency and reporting are due for attention on the item. To a degree, the quality of company reporting on traditional financial and broader ESG matters is determined by investor demand.

**Link with ’Find It, Fix It, Prevent It’**

The VAS project is focused narrowly on disclosure. It should be seen as complementary to work conducted under a different investor coalition called Find It, Fix It, Prevent It, which is speaking to companies within the hospitality sector in order to encourage the development of not just better reporting, but better policies, processes and procedures for tackling modern slavery. While our coalition is encouraging companies to provide evidence of how it is identifying modern slavery within its supply chains, the aim of Find It, Fix It, Prevent It is to encourage companies in uncovering modern slavery within their supply chains and providing the appropriate care and remedy. We are not wishing to single out companies, only to improve the process of rectifying occurrences of modern slavery within supply chains.

CCLA Investment Management and Rathbones are mutually supportive of each other’s efforts. Rathbones has been pleased to accept a position on the supervisory board of Find It, Fix It, Prevent It, and CCLA are a key stakeholder in the VAS project.
FTSE350 compliance with section 54 of the Modern Slavery Act 2015

In 2013/14 Rathbones and others were consulted on the wording of the draft transparency in supply chains provision proposed for inclusion in the Modern Slavery Act.

54 Transparency in supply chains etc

(1) A commercial organisation within subsection (2) must prepare a slavery and human trafficking statement for each financial year of the organisation.

(2) A commercial organisation is within this subsection if it—

(a) supplies goods or services, and

(b) has a total turnover of not less than an amount prescribed by regulations made by the Secretary of State.

(3) For the purposes of subsection (2)(b), an organisation's total turnover is to be determined in accordance with regulations made by the Secretary of State.

(4) A slavery and human trafficking statement for a financial year is—

(a) a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place—

(i) in any of its supply chains, and

(ii) in any part of its own business, or

(b) a statement that the organisation has taken no such steps.

(5) An organisation's slavery and human trafficking 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.

(6) A slavery and human trafficking statement—

(a) if the organisation is a body corporate other than a limited liability partnership, must be approved by the board of directors (or equivalent management body) and signed by a director (or equivalent);

(b) if the organisation is a limited liability partnership, must be approved by the members and signed by a designated member;

(c) if the organisation is a limited partnership registered under the Limited Partnerships Act 1907, must be signed by a general partner;

(d) if the organisation is any other kind of partnership, must be signed by a partner.

(7) If the organisation has a website, it must—

(a) publish the slavery and human trafficking statement on that website, and

(b) include a link to the slavery and human trafficking statement in a prominent place on that website's homepage.

(8) If the organisation does not have a website, it must provide a copy of the slavery and human trafficking statement to anyone who makes a written request for one, and must do so before the end of the period of 30 days beginning with the day on which the request is received.

(9) The Secretary of State—

(a) may issue guidance about the duties imposed on commercial organisations by this section;

(b) must publish any such guidance in a way the Secretary of State considers appropriate.

The act creates an obligation for qualifying companies in the UK to prepare an annual human trafficking and modern slavery statement (s54(1)). It further lists the key requirements of such a statement (s54(5)).

The legislation is thought to apply to a great many commercial enterprises - certainly more than 10,000 in the UK, although the precise number of qualifying companies is not known.
According to the website modernslaveryregistry.org, the number of companies producing a statement is much higher:

**UK Modern Slavery Act**

16,255 statements

Our decision to focus on the FTSE350 is explained by two considerations:

1. We were interested in how the biggest and most influential companies in the UK, those with potentially the biggest exposures but also the most adequate resources, had interpreted the legislation. We also wished to see how these companies had been leading their sectors, creating a cascading incentive for smaller companies in their supply chains to comply with the legislation.

2. We needed to focus on those companies of most direct relevance to investors. The FTSE350 constitutes a fair representation of the investable universe for most investors, spanning a wide range of activities and sectors.

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Source: https://www.modernslaveryregistry.org/
State of play Q1 2020

Business and Human Rights Resource Centre research

Before starting the project, we needed to be sure of the level of compliance with s54 among FTSE350 companies generally. The initial research was undertaken by the Business and Human Rights Resource Centre (BHRRC). After carrying out further analysis and creating a database of non-compliance, we found that there were a number of companies in the FTSE350 which failed to meet one or more of the reporting requirements of s54. This detailed analysis produced a focused target list, providing greater efficiency in the ultimate engagement. Months of effort preceded the collaboration’s first public phase – the engagement would not have been as swift or effective without this co-operation.

Reporting in January 2020 the BHRRC reported the following levels of compliance at FTSE350 companies.

**Statements found:** Of the FTSE 350 entities assessed, we found 285 modern slavery statements. Of this number, 190 meet the three reporting requirements outlined by the legislation.

**Compliance with requirements:** There is a 66% overall compliance rate in the statements we found and assessed. Compliance with individual reporting requirements is outlined below:

- homepage link: 85% (244 statements)
- board approval: 80% (230 statements)
- director sign off: 94% (270 statements)

The BHRRC found that 65 companies in the FTSE350 did not have a modern slavery statement as required under s54. There are several reasons for this. Firstly, several listed names are in fact subsidiaries of larger corporate entities and are covered by group statements.

Of the 65 entities which did not publish a statement, 18 nonetheless acknowledged the existence of the legislation in their annual reports. Reasons stated for not producing a statement included:

- not falling in scope of the legislation
- not being involved in the provision of goods or services
- having no employees; or
- not having customers

These entities are predominately financial services companies or real estate investment trusts.

**Scoping targets**

We worked with the BHRRC to fully understand the nature of non-compliance, and to decide which of the 65 entities were deserving of more focused dialogue.

We classified non-compliant companies into the following categories:
The most common reason for non-compliance was a failure to update the statement – in that the company had undergone a process of producing a statement at one point, but had not understood the need for a recurring annual process. In short, they had understood the Act required a one-off compliance event as opposed to a change in company risk management practice.

There is no deadline for companies to report their modern slavery statement, as long as it is done every year and covers the previous reporting year. A clearer reporting system when companies are due to release modern slavery statements (which frequently coincide with their new financial statements) would be helpful, and create an easy point of comparison in future. However, in the absence of such a system we were grateful for the work of BHRRC in collating and tracking compliance.

After consultation of engagement partners and the BHRRC, we decided that some purely financial and non-operational companies should be left off the engagement. The remaining businesses formed our target list of 36 companies which we then presented to the wider group.

Building a coalition

Once the target list had been produced, we wrote a short background paper and posted our engagement proposal on the PRI Collaboration Platform.

Partners were asked to endorse the aims of the coalition and to add their names to the relevant letters to companies. They also committed to consider applying the findings to their voting activities.

PRI Coordination

We were pleased to welcome the following investors with £3.2 trillion AUM to the coalition.

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<th>Aberdeen Standard Investments</th>
<th>LAPFF</th>
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Conducting the engagement

**Initial aims and time frames**

Our main challenge in convening the initiative was convincing other investors of the necessity of voting against the annual report and accounts of the non-compliant companies. Our theory of change was that investors must make full use of their stewardship tools, or face losing them. The final group of 20 were committed to considering this step, whilst retaining flexibility in their approach.

**Activity, impact and outcomes**

**Phase 1 – refining the target list**

Having brought on 20 engagement partners, through further discussions we reduced the initial target list from 36 to 22. This was due to a number of reasons:

— some companies became compliant between the period of time in which BHRRC conducted their research and the time we were due to send the letters;

— some were notified through individual engagement from our signatories or noticed our post on the PRI Collaboration Platform and made the necessary changes.

At the time of sending tailored engagement letters to senior management of the target companies, we were happy with the accuracy of our engagement and that the 22 target companies were non-compliant. This was important – our list needed to be well adapted so that the ‘threat’ of the vote against management would have maximum power.

**Phase 2 – Engagement and follow up**

After sending letters, we made sure our communication had been received. If no response was forthcoming, the target companies were called and the relevant contact at the companies emailed.

**COVID-19 Impact**

The COVID-19 pandemic proved a real challenge, as it meant our requests were not prioritised and that some companies were slow to respond. Several companies with exposed supply chains had been badly hit. A few target companies furloughed the employee responsible for reporting, for example. Although we appreciated the need to tread carefully and be sympathetic, we discussed what would happen if the company were still non-compliant at the end of the year.

The AGMs of the companies in question were spread over a wide time frame. This phase of the engagement lasted nine weeks in total, and with COVID-19 having halted our plans to attend AGMs in person, saw us engage with 22 companies either by email, phone call or remote video conference.
Phase 3 – Impact Assessment

Of the 22 FTSE 350 companies identified as non-complaint, as at 31 December 2020 20 companies had become compliant as a direct result of our engagement – a ‘hit’ rate of 90%.

We are in continued dialogue with the remaining two non-compliant companies.

Phase 4 – Seeking Feedback

In order to maximise the effectiveness of future interventions and to assess the reasons for company engagement, we conducted a brief survey on the target companies, seeking their views on a number of aspects of the engagement.
Case studies

Breakdown of improvements by category

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Case studies

BBGI Sicav

The company’s previous statement was outdated and had not been approved by the board. Our initial letter detailed that the new statement needed to be dated to make it clear that it had been updated on an annual basis and that the board needed to approve the new statement. We sent a follow up letter on 8 April as the company did not respond to our initial engagement. The chairman informed us that the delay in responding was because the statement was discussed at the Management and Supervisory Board meetings.

Those meetings noted our concerns and reaffirmed the company’s statement under the Act, which was then updated and posted on the company’s website. The chairman acknowledged that the company had fallen short in their reporting relating to the Modern Slavery Act and were extremely appreciative. The management explained to the Supervisory Board that they erroneously believed it was appropriate to make a standing statement, but now understand that this should be updated annually. They updated the statement to reflect formal acknowledgment by their Supervisory Board after it met later in April.

The chairman assured us that the company would be taking the issue very seriously in future and fully agreed with the importance of our engagement.

Dechra Pharmaceuticals

The company’s 2019 modern slavery statement was not approved by the board. We raised this with the board in a letter and again a follow up letter on 8 April as the company did not respond to our initial engagement. Dechra investor relations (IR) contacted us to question the wording around ‘approved by the board.’ We were told that, historically, their statement had been approved by Ian Page (executive director) on behalf of the board. The board said that the next statement would be presented to the board at its meeting in April, and subject to board approval of the statement, the wording would be amended to: “This statement has been approved by the chief executive officer of Dechra on behalf of the board of directors. This policy has been ratified by the board of Dechra at its meeting on 30 April 2020. This policy will be reviewed and updated as appropriate on an annual basis.”

We still felt the company had not met the letter of the law on the wording of the board approval so we chatted with the BHRRC on 10 April. The BHRRC explained that a board could not “delegate” approval as the company had and the BHRRC flagged confusing language used in the statement, notably that the board referred to both the “policy” and “statement”. Finally, the BHRRC suggested that the wording be changed from “This policy will be reviewed and updated as appropriate on an annual basis” to “reviewed, updated and approved by the board on an annual basis.”
We passed on our comments to the investor relations at Dechra and suggested that they add in the updated wording and reiterated that the board could not delegate approval. On 17 April, we were informed that the changes would be made and the company were grateful for our help. On 1st May the statement was uploaded to the website including the suggested wording. The company is now compliant.

**Plus500**

Last year the company failed to provide a modern slavery and human trafficking statement, and no explanation was provided by the company as to why this was the case. We sent a follow up letter on 8 April as the company did not respond to our initial engagement. On 3 May, we were notified by the head of investor relations that the board was taking our emails seriously and was consulting with their legal advisors. On 21 July, the head of investor relations sent through the new modern slavery statement. We noticed however that the statement was not compliant as it had not been signed off by a director and it was not visible on the homepage of the website. We informed them straight away of the non-compliance and how they could rectify this, by sending a link to the GOV.UK page. On 23 July, the head of investor relations sent us the new modern slavery statement which had clearly been signed off by the chairman but was still positioned on the IR page of the website rather than on the homepage of the website. We reminded them that this needed to be moved so that it could be clearly visible on the homepage. On 4 August, we were informed by the business development analyst that the statement was now clearly visible on the homepage of the website, making the company compliant with the Act.

**Unsuccessful engagements**

**Pollen Street Lending (Alternative Credit Investments Plc)**

In 2019 the company failed to provide a modern slavery and human trafficking statement and no explanation was provided by the board as to why this was the case. After we received no response to our initial letter, we sent a follow up letter by email on 8 April as the company did not respond to our initial engagement and again on 15 April by email and the company have yet to respond. We reached out again to the company later in the year but to no avail. We notified the supporting investors that we were unable to make contact with the company.

**Sports Direct International (Frasers Group)**

In 2019 the company's modern slavery statement had not been signed off by a director. After we received no response to our initial letter, we sent a follow up engagement letter on 8 April. A further follow up email was sent on 15 April. On 30 April the company secretary explained that our letter had been received and had been passed onto the audit committee for amendment and review before being approved by the board. However, the COVID-19 pandemic meant that the board and audit committee's time was taken up by planning their way through this pandemic. Approving the statement would be an agenda item that would be considered going forward. We acknowledged the ongoing difficulty of the pandemic and accepted that there would be delay, however we reminded the company of the importance of compliance with the requirements of the Modern Slavery Act and requested that the board focus on the statement as soon as possible. We followed up again in early June but did not receive a response. We followed up again in September to notify the company secretary that a number of the supporting investors would be voting against the financial statements and statutory reports at the company's AGM in October should the company still be non-compliant with the Act.

Ahead of the AGM we discovered that the company had posted a statement on the website which had been approved by the board, but had not been clearly signed off by a director. We will be engaging with the company in 2021 when we rerun the project.
Conclusions and next steps

What worked well

The key feature of this engagement is its speed and tangible results. We have seen companies respond within days, whereas most engagement collaborations take months. The focus on the adoption of the annual report and accounts has shown senior management that modern slavery is a very serious issue.

In addition, the companies responding well are not the ‘usual’ names. There are companies who have been managing human rights risks more generally for years, and who always seem to come top of industry benchmarks. Our engagement instead shone a light on companies that have substantial global supply chains, but fly under the radar. By doing so we emphasised the importance of orchestrating a systemic response to a systemic problem - no company can eradicate modern slavery risk on its own.

Finally, our engagement shows the power of focus. By focusing on a specific, measurable aspect of legal compliance with a clear and very public outcome for failure, we not only harnessed our largest collaboration by AUM on the issue, but saw an impressive response from target companies. This successful engagement on reporting opens doors with some of the more difficult companies to talk about the more important issue of performance in actually reducing modern slavery – all set within the crucial context of shared trust and history with the target companies.

Insights from target company feedback

As we intend to run this engagement over multiple years, we sent a short feedback survey to all companies with whom we had conducted meaningful engagement. We appreciate that the sample size is relatively small, and hence we do not present these findings as anything more than helpful insights.

The main takeaways from this process were as follows:

— 7/9 respondents indicated an increased awareness of investor concern on the topic following the engagement
— Of those companies responding, 55% reported limited requests for information from investors prior to the engagement
— Of those companies responding, where requests had been made, the vast majority had come from shareholders. Only one target company reported previous request for improved reporting from the regulator.
— Of the companies responding, two thirds stated no change in the degree of concern on the issue before and after engagement with the project. However, where companies did respond indicating a change, the change level reported was significant - typically from 0 to 4/5 on the scale provided.
— Of the factors stated by respondents for engagement with the project, the most frequently cited reason for engaging was the specific and detailed nature of the request, followed by a desire to maintain strict legal compliance. The size and nature of the coalition seems not to have been significant in determining the companies’ responses.
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