



Modern slavery

An investor
perspective

MODERN SLAVERY

The term modern slavery refers to bonded and forced labour for the purpose of sexual or labour related objectives. In the context of business risk, it most often takes the form of labour that has been recruited, transported or compelled to work.

The UN has found no country to be wholly immune from the phenomenon of modern slavery. The 2016 Global Slavery Index (GSI) estimated that nearly 46 million people are caught up in some form of slavery, across 167 countries. It found that 58% are drawn from just five countries: India, China, Pakistan, Bangladesh and Uzbekistan. The countries with the highest prevalence of slavery are North Korea, Uzbekistan, Cambodia, India and Qatar. Countries

with the lowest prevalence are all to be found in the European Union. To give some idea of scale, the GSI suggests 1.8% of India's population, or 18.3 million people, are trapped in modern slavery.

Here in the UK, figures suggest that around 11,700 people are estimated to be trapped in some form of modern slavery. Figures, from the National Referral Mechanism and relating to 2016, identified 3,805 potential victims from 108 different countries, with Albanian and Vietnamese nationals among the most prevalent. Labour exploitation was the most common type of slavery in the UK – 53% of cases – and the figures showed the worrying implication that exploitation involving minors is on the increase.

HOW IS BUSINESS AFFECTED?

The groundbreaking Modern Slavery Act 2015 is the UK's legislative response to tackling modern slavery and human trafficking. It builds on existing law and has created an Anti-Slavery Commission. The law also addresses incidences of forced, bonded and trafficked labour falling within the responsibility of corporate supply chains. The act *requires* companies with revenues exceeding £36m to publish an annual statement that either:

- confirms the steps taken to ensure modern slavery and trafficking are not taking place or

- confirms that no steps have been taken to audit potential incidences of modern slavery and trafficking in the supply chain.

But ultimately the Act's force rests on reputational pressure and the belief that companies would not want to suffer the ignominy of being found to have incidences of trafficking and slavery in their sphere of influence.

CASE STUDY: SUPERMARKET CAR WASHES

Modern slavery is usually invisible, and the greatest prevalence can often be found in areas not open to investors to investigate, such as nail bars. In January 2018, police broke up a trafficking ring in Bath involving four teenage girls from Vietnam who had been forced to work in nail bars across England. Police said the victims were “treated by traffickers as commodities”.

It has also become apparent that one area potentially exposed to trafficking is supermarket car washes. These are usually run as a franchise, with the supermarket being paid a ‘rental’ by the franchisee. A report in October 2016 suggested that one franchisee, Waves Car Wash, had been found to be paying undocumented Romanian workers

below the national minimum wage. The company provides franchise services to Tesco in the operation of car washes. We wrote to Tesco seeking reassurance. The company told us that “no checks or audits [had] identified any incidences of trafficking or forced labour”.

Tesco accepted that “car washes are one of the top industries for risks of forced labour” and set out a list of measures it had taken to mitigate and ensure their car washes were safe and legal. These included ensuring criminal record checks for all franchisees; compulsory induction training; involving Border Agency personnel in meetings with franchisees and providing ongoing guidance and support for the prevention of labour exploitation.





WHAT SHOULD RESPONSIBLE INVESTORS BE DOING?

The Central Finance Board (CFB) has long engaged on the subject of human rights and trafficking, working alongside ECCR (Ecumenical Council for Corporate Responsibility) and the Church Investors Group (CIG) during the 2010 South Africa World Cup, and again during the 2012 London Olympics, principally on trafficking risk in the hospitality sector.

All sectors may have potential exposure to human rights-related issues, including incidences of modern slavery, via their direct operations or through the supply chain. Sectors where it may be particularly prevalent include agricultural produce, apparel, construction and some service sectors. Human rights engagement forms a core part of CFB discussions with companies.

CFB guidance in this area is governed by a policy (*Human Rights and Conflict*) published in 2013. Engagement is the principal medium for seeking to bring about an improvement in a company's practices in respect of human rights and in monitoring the risks related to modern slavery.

CFB will generally seek to evaluate, via engagement, the degree to which any specific concerns may be indicative of:

- a systemic failure on the part of the company concerned,
- the extent to which the company is able to mitigate and improve,
- the overall quality of risk management.



The CIG, with whom we work collaboratively, has also made this a key area of ecumenical focus for 2018. Companies, for whom modern slavery is a material risk, must have adequate policies and processes in place to provide reassurance that monitoring and mitigation are effective. The CFB and JACEI will continue to monitor this area of ethical investment risk closely. More information is available in the full JACEI Report to the Conference.

From the Chair of the Joint Advisory Committee on the Ethics of Investment (JACEI):

This short report has focused on one issue – modern slavery and human trafficking as it affects companies. However, during 2017/2018, JACEI has also advised the Central Finance Board (CFB) in a number of other ethical areas, particularly:

- maintaining a strong focus on climate-related issues and, in particular, responding to the 2017 Conference request for accelerated work;
- adopting a position paper and policy statement on Farm Animal Welfare and signing a global investor statement on Antibiotic Use;
- developing a high-level Screening and Engagement policy;
- coordinating a round table on tax and beginning to develop a policy statement on Tax Justice;
- welcoming continued ecumenical efforts on sustainable mining as a part of the ecumenical reflections dialogue;
- remaining supportive of the FTSE4Good Breast Milk Substitutes (BMS) process, engaging with manufacturers on BMS-related risk and continuing to support the Access to Nutrition Index (ATNI) on BMS issues;

- supporting the Church Investors Group (CIG) by leading its water risk engagement programme;
- commencing engagement with companies on responses to the Modern Slavery Act including the potential for slavery in food retail car washes;
- engaging with companies on significant areas of concern, including Burma/Myanmar;
- reviewing Total SA and advising that the investment exclusion can be lifted.

A summary report on the work of JACEI is contained in the Agenda of the Methodist Conference. The full report is available at www.methodist.org.uk/jacei and on the CFB website. Other position papers and policy statements on a range of ethical investment issues are also available at www.methodist.org.uk/jacei.

We welcome comments and feedback on the work of JACEI and I encourage you to contact me with any questions or concerns about ethical investment and the Church.

*The Revd Dr Stephen Wigley,
Chair, Joint Advisory Committee on the
Ethics of Investment (JACEI)*



The **Methodist Church** Joint Advisory Committee
on the **Ethics of Investment**

The Joint Advisory Committee on the Ethics of Investment (JACEI) is composed of representatives appointed by the CFB and by the Methodist Council. It meets four times a year to advise the CFB on the ethical aspects of its work and monitors its decisions from an ethical standpoint.

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Central Finance Board
of the Methodist Church

The Central Finance Board of the Methodist Church (CFB) is responsible for managing and investing £1.3bn of Methodist assets. Its challenge is to make good financial returns, whilst acting within the teachings of the Methodist Church. Its mission statement affirms that “we aim to construct investment portfolios which are consistent with the moral stance and teaching of the Christian faith [and] to be a Christian witness in the investment community”.

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