

Engage with FTSE 350 companies failing to comply with section 54 of the Modern Slavery Act 2015:

Summary

Investors are invited to sign and support the engagement letters which will be sent to non-compliant FTSE 350 companies who have failed to meet the reporting requirements of section 54 of the Modern Slavery Act 2015.

Background

Modern slavery is a widespread, criminal activity which has a significant economic impact globally. It is estimated to be a \$150 billion trade which involves approximately 40.3 million in some form of slavery. The exploitation of people through forced labour and sexual slavery has been fueled by a growing number of global migrants in search of prosperity (estimated at 60 million in 2019), more complex supply chains (brought about by globalisation) and weak enforcement by regulators.

We believe that businesses have a key role to play in tackling this issue by making their own supply chains more robust. To do so is in the interests of investors as they may suffer significant brand and reputational damage if human trafficking is found in their business and no effort has been made by the company to provide remediation. Given the systemic nature of modern slavery and the serious risk it poses to businesses and investors, we expect all UK businesses covered by the Act to meet the reporting requirements of the Modern Slavery Act. We further expect the members of the FTSE 350 to be leading in this area, and to take substantial action to address the prevalence of slavery within their supply chains.

The 2015 Modern Slavery Act was a landmark piece of legislation, requiring all companies over a certain size operating in the UK to report in detail on their approach to finding and eliminating modern slavery within their supply chains. The quality of reporting delivered under Section 54 of the Act can act as an important marker for how seriously senior management are taking this risk. It improves accountability and enables companies to identify the areas of their business most at risk. Companies which meet the reporting requirements and clearly disclose the areas of their businesses most susceptible to modern slavery benefit from increased investor confidence. Conversely, non-compliance with the Modern Slavery Act poses as a serious risk to long-term investors and questions the suitability of investing in such companies.

Method of engagement

Under the Modern Slavery Act 2015, qualifying businesses operating in the UK must produce human trafficking and modern slavery statements meeting the following requirements:

- Statements must be published on the company's website, if it has one, and a link to the statement must be placed in a prominent place on the website's homepage.
- Statements must be approved by the board of directors (or equivalent management body).
- Statements must be signed by a director (or equivalent).
- Statements must be published annually.

In the 2019 AGM season, Rathbones determined to abstain our vote on the approval of the annual report and accounts at FTSE100 companies we determined not to be in compliance.

Given the success of our engagement with these companies, we now invite PRI members to join with our expanded efforts in 2020.

Using research provided by the Business and Human Rights Resource Centre we have identified those FTSE 350 companies which have failed to meet the reporting requirements of Section 54 of the Modern Slavery Act.

We propose to write to the board of each non-compliant company with a targeted letter explaining the nature of non-compliance, the steps needed to achieve compliance, and a clear explanation that members of the engagement coalition will *consider* withholding their support for the approval of the annual report and accounts at the company's next AGM should changes not occur.

This final step is appropriate given the time elapsed since the passing of the Act. We consider baseline compliance with this minimal reporting regime to be a fundamental requirement expected of all relevant companies covered by the Act. However, supporting the letters does not commit a supporting investor to taking any particular course of action at any subsequent AGM. Each member will retain freedom to vote as they see fit, and given our experience of this project in its earlier stages, we expected many companies to achieve compliance by the date of the AGM.

Target Companies

The engagement will target non-compliant FTSE 350 businesses. Please note we have focused on operating companies with supply chains, and have omitted Investment Trusts from the proposed engagement

The engagement letters will be tailored depending on the area of non-compliance. The general text of each letter will be as stated in the draft letter attached to this post, with specific and tailored details inserted for each company relevant to their particular situation. Signatories will be supporting all versions of the engagement letters.

The full list of target companies is as follows:

888 Holdings plc	Pearson plc
Aggreko plc	Plus500 ltd
Airtel Africa plc	PMO Premier Oil plc
AJ Bell	Pollen Street Secured Lending
Ascential plc	Polymetal International plc
Bank of Georgia Group plc	Puretech Health plc
BBGI Sicav S.A.	RHI Magnesita NV
Brewin Dolphin Holdings plc	Safestore Holdings plc
Cairn Energy	Sirius Real Estate ltd
Carnival plc	Sophos Group
Centrica	Spirent Communications
Dechra Pharmaceuticals	Sports Direct International plc
Energiean Oil & Gas	Syncona Ltd
Finablr plc	TBC Bank Group plc
Grainger plc	TI Fluid Systems
Greggs	Vivo Energy plc
Hochschild Mining plc	
Investec Plc	

IWG plc	
Legal & General Group	
Mitchells & Butlers plc	
Network International Holdings plc	

There are multiple reasons why a company may not be in compliance. Rathbones are happy to provide further details on request to any supporting member of the engagement.

We encourage members to support the engagement even if they do not have exposure to all the companies listed above. We consider the investor voice demanding compliance in this area to be powerful, and the letters are worded to accommodate both holders and wider stakeholders.

Timeline

Members are asked to submit their support before March 1st 2020.

Letters will be sent in the first week of March.

We will review the effectiveness of the engagement in September 2020 by repeating the compliance survey.

How to join

PRI signatories interested in joining the collaborative engagement should send the following details to Archie Pearson (Archie.Pearson@rathbones.com):

- Name of contact
- Name of company
- Company AUM (£)
- Company logo

For any questions about the engagement or the joining process, please contact Matt Crossman (Matt.Crossman@rathbones.com)

Objectives of the engagement

This engagement will seek to deliver compliance among the target list of FTSE 350 companies which have failed to meet the reporting requirements of Section 54 of the Modern Slavery Act. Rathbones will carry out a second round of engagements with any remaining non-compliant companies and are considering attendance at an AGM of a non-compliant business to question management and raise the profile of this issue.