

Research Briefing
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Investment industry's exposure to modern slavery

1 Introduction

A Westminster Hall debate will take place on Tuesday 26 October 2021 on “Investment industry exposure to modern slavery”. It is sponsored by Conservative MP Gareth Davies.

2 Background

In November 2014, the Government published its Modern Slavery Strategy. It said that modern slavery was “complex” and included crimes like forced labour and human trafficking. The Strategy recognised that modern slavery was a “significant” and growing problem in the UK, with many foreign nationals being trafficked into the UK to be exploited, and many UK nationals (including children) abused within the UK’s borders.¹

The Home Office’s Chief Scientific Adviser estimated in 2013 that there were between 10,000 and 13,000 potential victims of modern slavery in the UK.² Earlier this year, Conservative MPs Gareth Davies and Anthony Mangnall cited

¹ HM Government, [Modern Slavery Strategy](#), November 2014, pp9 and 15

² Ibid, p9

“recent figures” suggesting that “in the UK alone 136,000 people are victims of modern slavery”.³

The Government's 2014 Strategy document said that it would use the upcoming Modern Slavery Bill to “introduce a legal duty on all businesses above a certain turnover threshold to disclose each year the steps they have taken to ensure that modern slavery does not take place in their business or supply chains anywhere in the world.”⁴

2.1 Modern Slavery Statements

Part 6 of the Modern Slavery Act 2015 introduced a requirement that UK businesses over a certain size⁵ must publish an annual slavery and human trafficking statement setting out the steps each has taken during the financial year to ensure that slavery and human trafficking is not taking place in their supply chains or business.

There is no obligation for businesses to actually take steps to deal with modern slavery; they just need to publish a statement saying what (if anything) they have done. Businesses must put a link to their modern slavery statement on their website's homepage.

In July 2019, the Government launched a consultation seeking views on proposed changes to the requirement to publish modern slavery statements. Following this consultation, the Government announced in September 2020 that it would legislate to make changes “when parliamentary time allows”. The proposed changes include:

- Mandating the areas that modern slavery statements must cover;
- Requiring the publication of statements on a Government-run reporting platform;
- Considering whether to introduce penalties for businesses which don't publish statements; and
- Extending the requirement to publish statements to public bodies.⁶

2.2 Proposed reforms

Writing in City A.M. earlier this year, Conservative MPs Gareth Davies and Anthony Mangnall praised the Modern Slavery Act 2015 as “an Act that we

³ City A.M., [Investors should have a duty to investigate links to modern slavery](#), 25 June 2021

⁴ HM Government, [Modern Slavery Strategy](#), November 2014, p58

⁵ Set at businesses with an annual turnover of [£36 million or more](#)

⁶ Home Office, [Transparency in supply chains consultation. Government response](#), 22 September 2020, Annex D

should be proud of and world-leading”, noting in particular that the requirement to publish modern slavery statements “ensures a new level of due diligence in how businesses operate and with whom they transact deals.”

They however suggested that the Modern Slavery Act should be viewed as a “start point, not an endpoint”. In particular, they focused on the requirement in Part 6 of the Modern Slavery Act for businesses to report on the steps taken to counter slavery and human trafficking in their supply chains or businesses. Mr Davies and Mr Mangnall called for the Government to “go further” and extend the reporting requirements to include “financial investments”.

Reporting on investments

There is currently no specific requirement that firms need to consider their financial investments in their modern slavery statements. The current requirement is for businesses to consider their supply chains and business, so Mr Davies and Mr Mangnall argue in their article that many financial firms “do not look beyond their own firm’s in-house operations”. They say there are 795 financial organisations that publish modern slavery statements, but the majority of them only seek to meet the minimum reporting requirements in the Modern Slavery Act and do not discuss their own investment policies.

The UK is a global financial services hub, with one of the world’s largest banking and asset management industries. London is currently ranked second in the world in the Global Financial Centres Index, a twice-yearly ranking of the competitiveness of the world’s leading financial centres, published by Z/Yen (a City of London think tank) and the China Development Institute (a China-based think tank). Trillions of pounds’ worth of assets are managed by UK-based firms.⁷

For example, Legal & General describes itself as the UK’s largest investor, with over £1.25 trillion of assets under management. It provides insurance, pensions and other investment products. Its 2020 Modern Slavery Statement includes measures taken in its internal business and due diligence in its supply chains, but doesn’t directly discuss how or if it considers modern slavery when making investment decisions.⁸

Mr Davies and Mr Mangnall would therefore like there to be a clearer requirement in the Modern Slavery Act for businesses to report on their investments, rather than simply on their supply chains and in-house operations. They suggest that the Government consult on expanding the Modern Slavery Act reporting requirement to explicitly include investments.

They also suggest creating an international Task Force on Modern Slavery in Finance. This could be modelled on the Task Force on Climate-related Financial Disclosures created by the Financial Stability Board in 2015. It would

⁷ See our briefing [Financial services: contribution to the UK economy](#) for information on the UK financial services sector

⁸ Legal & General, [Modern slavery statement 2020](#)

entail the Government bringing “together our allies to make recommendations on how major financial companies can develop a specific framework that addresses modern slavery”.⁹

3 Key resources

- City A.M. (Gareth Davies and Anthony Mangnall), [Investors should have a duty to investigate links to modern slavery](#), 25 June 2021
- Modern Slavery Act 2015, [section 54](#)
- Modern Slavery Act 2015, [Explanatory Notes](#)
- HM Government [Modern Slavery Strategy](#), November 2014
- Home Office, [Transparency in Supply Chains Consultation](#), July 2019
- Home Office, Transparency in Supply Chains Consultation, [Government response](#), 22 September 2020
- House of Commons Library, [Financial services: contribution to the UK economy](#), 1 February 2021

⁹ City A.M., [Investors should have a duty to investigate links to modern slavery](#), 25 June 2021

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