

Capital Markets & Modern Slavery

Evidence Review Report April 2023

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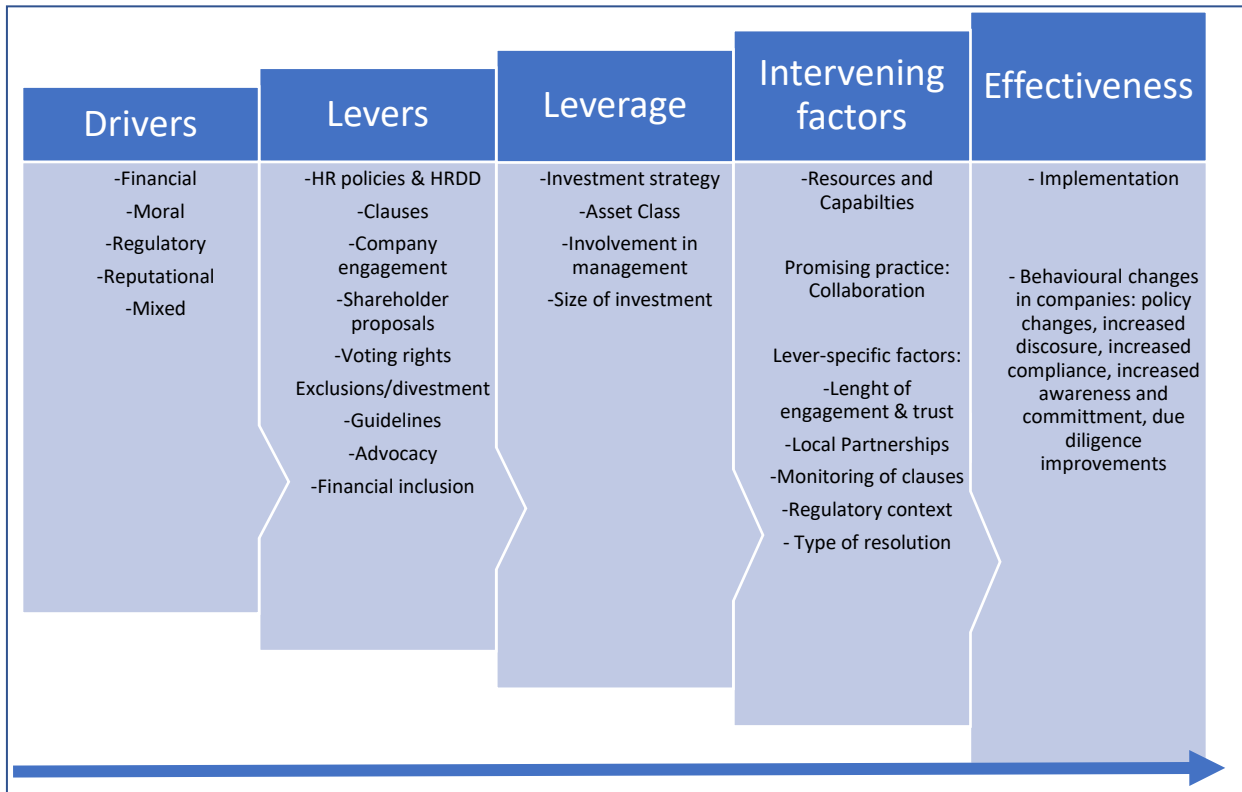
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1. Introduction

This evidence review aims to inform Phase 2 of the research project on Capital Markets and Modern Slavery by synthesising the existing evidence on the role of investors as a potential lever to address modern slavery in global supply chains. This document has been produced as an interim deliverable for the project, for circulation between the FCDO and the project team.

The below figure illustrates the findings.



2. Methodology

2.1 Research questions

The evidence review responds to the following three research questions:

- 1- What policies and practices are capital market actors implementing to address¹ modern slavery in business supply chains
- 2- What evidence is there of their effectiveness?
- 3- What are the main drivers of capital markets actors to address modern slavery in business supply chains?
- 4- What data and metrics do capital market actors use to address modern slavery in business supply chains?

2.2 Evidence collection and analysis

To answer these four research questions, a rapid desk-based evidence review was undertaken incorporating principles developed in systematic reviews in relation to collecting, synthesising, and analysing evidence.

The researcher reviewed more than 70 documents and analysed them using a thematic analysis technique on NVIVO. Most of the analysed evidence (90%) came from grey literature as access to academic literature was limited to open access. For instance, evidence from the UN (OHCHR, FAST, SSE initiative, PRI), OECD, ReStructure Lab, Sheffield Hallam University (Helena Kennedy Centre for International Justice), ShareAction, ISS, Shift, CCLA, among others.

Evidence was collected from academic literature free of access using search engines such as Google Scholar. Grey literature was collected through standard google searches. In both cases, the researcher used key words such as Modern slavery, forced labour, human trafficking, and child labour (and related terms such as decent work, labour rights and human rights). The search was not limited to a specific time period or geography, but more recent evidence was prioritised.

Grey literature was also collected purposively from previously identified key organisations focusing on investors and modern slavery such as PRI, Walk Free, CCLA, FAST, etc. Evidence referring to forced marriage, criminal exploitation, and commercial sexual exploitation was excluded.

2.3 Scope

The review of the evidence focused on capital markets² but focused on the stock exchange market covering a range of different assets³ and investors, particularly institutional investors⁴ such as asset managers, pension funds, insurance companies, banks, and development finance institutions⁵. Other

¹ 'Identify, prevent, mitigate, remediate, and disclose' modern slavery risks. United Nations Human Rights Office of the High Commissioner, 'Guiding Principles on Business and Human Rights Implementing the United Nations "Protect, Respect and Remedy" Framework' (New York: United Nations, 2011).

² A mapping of the capital markets ecosystem based on the evidence review is illustrated in [Annex 1](#). Note that this is not intended to be comprehensive.

³ Fixed income (bonds) listed equity (i.e., equity securities listed in stock exchange markets), private equity (e.g., venture capital, growth capital, buyouts). Multi-assets (e.g., infrastructure, property, commodities, hedge funds) and alternatives (e.g., solutions, credit, currency) were not included.

⁴ There is not an agreed definition of institutional investors, but this research refers to institutional investors as asset owners and asset managers. See OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises', 2017.

⁵ e.g., IMF, World Bank, Interamerican Development Bank, European Investment Bank, Asia Development Bank, African Development Bank.

finance actors such as private investors, state-owned enterprises, Public-Private Partnerships (PPP) were not included due to the challenges in obtaining meaningful data and the time limitations of this project.

The research refers to levers as those policies and practices implemented either voluntarily or compulsorily by capital market actors to influence behaviour of existing or potential portfolio companies. Therefore, the levers discussed in this document refer to those implemented by the above-mentioned investors within the scope of this research. It does not include levers used by governments and finance regulators to exert influence on investors' behaviour (e.g., regulation), although these are addressed in the drivers' section of this brief.

2.4 The effectiveness framework

To understand the effectiveness of capital market levers at addressing modern slavery in business supply chains, this research uses an effectiveness framework developed by the Modern Slavery PEC and previously used in several research projects funded by the PEC, such as the effectiveness of section 54 of the Modern Slavery Act⁶, effectiveness of mandatory human rights due diligence (mHRDD)⁷, and public procurement measures to address modern slavery⁸.

The framework identifies the following three types of effectiveness, which have been adapted to fit this research project:

Type 1: Implementation: Effectiveness of policies and practices used by capital market actors in terms of whether or to what extent they are being implemented in practice as intended.

Type 2: Influence: Effectiveness of policies and practices used by capital market actors at meaningfully influencing behavioural change of the businesses they invest in and their supply chains.

Type 3: Address: Effectiveness of policies and practices, used by capital market actors to influence company behaviour, at ultimately addressing modern slavery (the number of cases of modern slavery prevented, mitigated, or remediated) or evidence of qualitative change in the lives of survivors or those at risk.

⁶ See <https://modernslaverypec.org/resources/tisc-effectiveness>

⁷ See <https://modernslaverypec.org/resources/effectiveness-mandatory-human-rights-due-diligence>

⁸ See <https://modernslaverypec.org/resources/public-procurement>

3. What policies and practices are capital market actors implementing to address modern slavery in business supply chains?

3.1 Key findings

- The most implemented levers (not listed in a specific order) are i) Human rights policies and due diligence, ii) company engagement; iii) clauses/requirements; iv) voting rights; v) shareholder proposals; vi) exclusions/divestment/delisting; vii) guidelines; viii) advocacy/lobbying. None of these levers are exclusive to the anti-slavery space, rather are part of the broader investor infrastructure and have been used to address ESG issues. Evidence particularly on the use of these levers to address modern slavery related issues is limited compared to that of ESG issues in general.
- Most levers are used post-investment (e.g., company engagement), as opposed to pre-investment, and aim to prevent or mitigate modern slavery risk rather than remediate.
- Most levers are used collaboratively rather than bilaterally⁹ through investors' coalitions (e.g., UNPRI, CCLA, IAST APAC). This is due to the potential of collaboration at increasing shareholder power¹⁰, to the collaborative capacity that the sector has developed through previous collaborative experiences to tackle other issues, such as corruption¹¹, and the increasing number of these coalitions.
- Collaboration has mostly been taken between investors, especially asset owners and asset managers, whilst there are limited examples of collaborative action that is multi-stakeholder (i.e., involving non-financial actors).
- Leverage depends on the investment strategy (i.e., active versus passive investment), asset class (i.e., equity, fixed income, private equity), involvement of investors in management (i.e., internal versus external management) and the size of the investment.
- None of the levers used to address modern slavery in business supply chains involve the input or involvement of People with Lived Experience (PLE) except for financial inclusion, a lever used by investors to prevent modern slavery by tackling its root causes.
- Evidence of implementation of these levers is mostly found in the Global North.

3.2 Policies and Practices

3.2.1 Human Rights Policies and due diligence

There are examples of investors having in place human rights policies that address labour rights. A study¹² assessing the world's largest asset managers on their human rights performance found that whilst only a minority has dedicated social policies, these do refer to labour rights. For instance,

⁹ The Finance Against Slavery and Trafficking (FAST) initiative identified three approaches to leverage: bilateral, collective, or systemic. Bilateral leverage refers to the influence of a financial entity to another entity, either a commercial or a non-commercial one. Collaborative leverage involves investors (i.e., investment banks, asset owners, asset managers, international financial institutions, stock exchanges) working together or with other stakeholders (i.e., government, labour unions, NGOs, etc), to influence investee behaviour. United Nations University Centre for Policy Research, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking' (New York, 2019), www.fastinitiative.org.

¹⁰ OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

¹¹ United Nations University Centre for Policy Research, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking'.

¹² ShareAction, 'Point of No Returns 2023: Ranking 77 of the World's Largest Asset Managers' Approaches to Responsible Investment', 2023.

BlackRock has social policies that include labour practices and safe working conditions¹³. However, none of these policies mention forced labour, child labour or extreme forms of exploitation.

There is also evidence of investors undertaking human rights due diligence (HRDD) to identify modern slavery. However, overall, most investors lack human HRDD processes. A study found that asset managers lack sufficient due diligence processes to identify human right violations¹⁴. In fact, analysis of the modern slavery statements of 79 asset managers showed that very few investors undertake due diligence on modern slavery or human rights in their portfolios and even less engage directly with investee companies through shareholder resolutions or training¹⁵. This might be due to a lack of pressure from asset owners to asset managers to embed human rights due diligence in their investments¹⁶. In private equity, a study found that most venture capital funds¹⁷ lack human rights due diligence policies¹⁸.

3.2.2 Clauses/requirements

Capital market actors can set specific conditions for providing loans or credits to prevent modern slavery. This lever has mostly been used by Development Finance Institutions (DFIs).

DFIs have specific requirements for borrowers related to labour rights and forced labour. However, these are implemented mostly at the project-level¹⁹. For instance, the African Development Bank Group implemented in 2013 safeguards policies and an integrated Safeguards System (ISS), which aim to ensure social and environmental sustainability of the projects it funds, and establishes requirements related to labour conditions and avoidance of forced and child labour²⁰. Moreover, the World Bank, as part of the Group's Environmental and Social Framework (ESF), has guidance notes for borrowers related to Environmental and Social standards (ESS) that refer to labour and working conditions and includes forced labour and human trafficking²¹. The International Finance Corporation (IFC) also has social criteria in place for financing projects. In particular, it has a performance standard that requires companies to avoid the use of child or forced labour²².

Clauses that set specific conditions related to modern slavery for providing credit have been used by insurance companies but to a lesser extent than DFIs. For instance, in 2020 Fidelis Insurance Group, Aon and March developed a marine cargo clause to ensure that the policies of insured companies

¹³ BlackRock, 'PRI Public Transparency Report' (BlackRock Inc, 2021), <https://ctp.unpri.org/dataportalv2/transparency>.

¹⁴ ShareAction, 'Point of No Returns 2023: Ranking 77 of the World's Largest Asset Managers' Approaches to Responsible Investment'.

¹⁵ 'BEYOND COMPLIANCE IN THE FINANCE SECTOR: A REVIEW OF STATEMENTS PRODUCED BY ASSET MANAGERS UNDER THE UK MODERN SLAVERY ACT', 2021.

¹⁶ In UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises' (Geneva, 2021),

<https://www.ohchr.org/EN/Issues/Business/Pages/WGHRandtransnationalcorporationsandotherbusiness.aspx>.

¹⁷ Venture capital firms are in the private equity market usually focused on financing young companies in their early or growth stages, also known as "start-ups" or "ventures".

¹⁸ Amnesty International, 'Risky Business. HOW LEADING VENTURE CAPITAL FIRMS IGNORE HUMAN RIGHTS WHEN INVESTING IN TECHNOLOGY', 2021, www.amnesty.org.

¹⁹ James Cockayne, 'Developing Freedom. The Sustainable Development Case for Ending Modern Slavery, Forced Labour and Human Trafficking' (New York: United Nations University, 2021).

²⁰ https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB%E2%80%99S_Integrated_Safeguards_System_-_Policy_Statement_and_Operational_Safeguards.pdf

²¹ The researcher did not comprehensively map investment policies across DFIs looking for modern slavery considerations.

²² International Finance Corporation, 'Performance Standard 2. Labour and Working Conditions (2012)', accessed 25 April 2023, https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/PS2.

comply with regulatory obligations on forced and child labour²³. ESG requirements for Banks have also been established by Central Banks in Vietnam, Peru, Brazil, and Mongolia²⁴.

Moreover, stock exchanges can include modern slavery eligibility criteria for companies to be listed in the exchange. However, so far, there is no evidence of stock exchanges using forced labour as a criterion for listing. They have however included ESG reporting requirements (e.g., Bursa Malaysia asks new issuers to write a “sustainability statement” on social and environmental risks)²⁵. Although not mandatory, the stock exchange of Hong Kong and Clearing Ltd (HKEX) has disclosure requirements on forced labour and child labour under their “Comply or explain”²⁶ provisions²⁷.

Regulatory financial institutions can also establish specific requirements for investors. For instance, since 2020 the SEC mandates disclosure on human capital to companies selling securities in the United States²⁸.

3.2.3 Company Engagement

Engagement practices with portfolio companies such as dialogue and sending letters to company management during the lifecycle of the investment have been used mostly to prevent and mitigate modern slavery risks, with no evidence of this lever being used to remediate instances of modern slavery. This practice has been used by pension funds, investment managers and investor alliances/coalitions. Most engagement has been undertaken collaboratively among investors but rarely incorporating other stakeholders. It has mostly been used in active than in passive investments.

Engagement practices have mostly been undertaken collaboratively. For instance, in 2014 the Dutch asset manager Robeco along with other international investors coordinated by PRI, engaged in dialogue with Charoen Pokphand Foods (CP foods), a Thai producer of prawns, regarding its suppliers of fish employing migrants under poor working conditions and low wages²⁹. Collaborative engagement has also been used in combination with other levers or as an escalation strategy. For instance, in 2020 the Swedish asset manager Ohman Fonder and one of Sweden’s largest insurance and pension providers, Folsam, co-filed a shareholder proposal to Amazon asking them to establish a human rights policy to address issues around freedom of association and right to collective bargaining. However, when they found that the policy was not being implemented, they engaged in conversations with the company and sent a letter to its board of directors requiring compliance and improving the disclosure of their Human Rights Due Diligence (HRDD) which was co-signed by more than 80 investors globally³⁰.

²³ Verdict, ‘Fidelis, Aon and Marsh Introduce New Marine Cargo Clause Against Modern Slavery’, Human Trafficking Search (Human Trafficking Search, 24 June 2020), <https://humantraffickingsearch.org/resource/fidelis-aon-and-marsh-introduce-new-marine-cargo-clause-against-modern-slavery/>.

²⁴ United Nations University Centre for Policy Research, ‘Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking’.

²⁵ Bursa Malaysia Securities Berhad, ‘Sustainability Reporting Guide’, 2015, https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b5005b711a1764454c1a/5ce3c83239fba2627b286508/files/bursa_malaysia_sustainability_reporting_guide-final.pdf?1570701456.

²⁶ This model has been criticised as companies can explain why they do not disclose and still be listed.

²⁷ Hong Kong Exchange, ‘Appendix 27 Environmental, Social and Governance Reporting Guide’, accessed 25 April 2023, <https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>.

²⁸ UN Working Group on Business and Human Rights, ‘Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises’.

²⁹ PRI, ‘FROM POOR WORKING CONDITIONS TO FORCED LABOUR-WHAT’S HIDDEN IN YOUR PORTFOLIO? A GUIDE FOR INVESTOR ENGAGEMENT ON LABOUR PRACTICES IN AGRICULTURAL SUPPLY CHAINS’, 2016.

³⁰ PRI, ‘Case Study: Öhman Fonder and Folsam: Taking on Amazon’s Approach to Human Rights’, PRI, 17 June 2022, <https://www.unpri.org/human-rights-case-studies/öhman-fonder-and-folsam-taking-on-amazons-approach-to-human-rights/10123.article>.

Most notably, investor alliances or coalitions have collaborated to address modern slavery in the finance sector through engagement practices and have tended to focus on specific sectors and on disclosure outcomes. It is here where most of the evidence on effectiveness can be found as it will be discussed later. For instance, the Platform Living Wage Financials (PLWF), a Dutch coalition of investment owners and managers, engages investee companies to address the non-payment of living wages in the global supply chains of the garments, food, agricultural, and retail sectors since 2018³¹. It won the 2019 PRI Active Ownership Project of the Year Award, and it is the first investor coalition focused on a single human right³². Moreover, the investor coalition IAST APAC sent in 2020 and 2021 an investor statement to companies listed in the Australian Securities Exchange (ASX100) calling companies to go beyond the legal compliance of the Australian Modern Slavery Act³³. Moreover, PRI has launched Advance, a new stewardship initiative where institutional investors work together tackle human rights issues. Engagement has started with 40 companies in the metals & mining renewables sector³⁴.

The predominant use of engagement in active investments as a lever to influence companies might be related to the increasingly growing number of alliances/coalitions that can play an 'enabling' role in facilitating collaborative efforts³⁵. For instance, PRI, encourages its signatories to undertake collective stewardship. The existence of voluntary stewardship codes also encourages collaboration in many countries. For instance, the UK, Australia, Japan, and the Netherlands, have voluntary stewardship codes that include references to ESG considerations, encourages collaboration and requires reporting. For instance, the Australian Council of Superannuation Investors Stewardship Code as well as the UK Stewardship code requires publicly reporting on stewardship activities, including collaborative engagement practices³⁶. The Japanese code encourages collaboration activities in ESG issues, and the Dutch Stewardship Code requires a 'comply or explain' compliance on social and environmental issues and monitoring of investee companies. Countries in the Global South, such as South Africa, also have voluntary codes for Responsible Investing³⁷. Similarly, Kenya has a Stewardship Code that institutional investors must implement on an apply or explain basis³⁸. However, stewardship practices might be limited to some assets. For instance, BlackRock's stewardship policies only cover listed equity³⁹.

Although passive investors have raised the need for collaborative engagements these remain rather uncommon⁴⁰. Some public campaigns by passive investment managers have been considered effective (e.g., State Street Global Advisor's Fearless Girl, Legal & General Investment Management's Climate Impact Pledge) but none refer to labour rights or forced labour⁴¹.

Moreover, there is limited evidence of collaborative engagements that take a multi-stakeholder approach to influence the behaviour of a specific company, apart for a few exceptions such as the

³¹ 'Platform Living Wage Financials – (PLWF)', accessed 25 April 2023, <https://www.livingwage.nl/>.

³² PRI, 'PRI Awards 2019 Case Study: Platform Living Wage Financials', PRI, September 2019, <https://www.unpri.org/showcasing-leadership/pri-awards-2019-case-study-platform-living-wage-financials/4841.article>.

³³ Investors Against Slavery and Trafficking Asia Pacific, 'Footsteps Forward. IAST APAC Annual Report 2021-2022' (IAST APAC), accessed 21 April 2023, <https://cdn.iastapac.org/content/uploads/2022/07/27065737/IAST-APAC-Annual-Report-2022.pdf>.

³⁴ PRI, 'Advance', PRI, accessed 25 April 2023, <https://www.unpri.org/investment-tools/stewardship/advance>.

³⁵ Jean-Pascal Gond and Valeria Piani, 'Enabling Institutional Investors' Collective Action: The Role of the Principles for Responsible Investment Initiative', *Business & Society* 52, no. 1 (1 March 2013): 64–104, <https://doi.org/10.1177/0007650312460012>.

³⁶ Freshfields Bruckhaus Deringer, 'A LEGAL FRAMEWORK FOR IMPACT: SUSTAINABILITY IMPACT IN INVESTOR DECISION-MAKING', 2021.

³⁷ Freshfields Bruckhaus Deringer.

³⁸ 'Stewardship Code for Institutional Investors - 2017', ECGI, 19 October 2017, <https://www.ecgi.global/code/stewardship-code-institutional-investors-2017>.

³⁹ BlackRock, 'PRI Public Transparency Report'.

⁴⁰ PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?', 2020.

⁴¹ PRI.

Dutch Pensions Funds. The Dutch Pension Funds engaged with a multinational mining company operating in Peru from 2019 to 2021 on labour rights of outsourced and subcontracted labour (and land rights). Violations to their labour rights included freedom of association not being upheld, outsourced workers being paid less for the same work and working in worse conditions than non-subcontracted workers⁴². The Dutch pension funds cooperated with other stakeholders such as NGOs, trade unions and the Dutch government and engaged directly with the company HQS and the local company in Peru through dialogue, letters, email exchanges, and holding several meetings, online and in person, with several company representatives such as board members, investor relations staff. Given their shareholder position, they engaged in a pre- Annual General Meeting (AGM) and asked questions directly to the company.

3.2.4 Shareholder Proposals

Investors can submit a proposal on specific issues for voting at corporate AGMs either bilaterally or collectively. The evidence shows that these proposals are mostly being filed collectively by investors.

Over the last years, shareholder proposals addressing modern slavery have increased with disclosure of human rights due diligence being the most common⁴³. However, the number of shareholder proposals filed varies across countries. For instance, most are filed in the US, compared to Europe as they have lower practical barriers for filing proposals⁴⁴. Shareholder proposals are also filed more often in Japan than in other countries for this reason⁴⁵. Support for these shareholder proposals has also been increasing but not sufficiently to receive majority support especially in the US⁴⁶. For instance, the impact investors, Domini Social Investments, has filed several resolutions in collaboration with other investors regarding labour issues. In 2020 they filed shareholder resolutions with US steel producer Nucor regarding the use of forced labour and in 2020 they filed, together with SOC Investment Group, a shareholder proposal on Freedom of Association and collective bargaining at Tesla. Domini has filed many other shareholder proposals similar to these, but most have gotten very few votes or have been omitted by the Securities and Exchange Commission (SEC)⁴⁷. The ‘big three’ are also less likely to initiative shareholder resolutions in ESG issues, rather than strategy or performance⁴⁸. In contrast, it is more likely that resolutions get majority support in Europe⁴⁹. For instance, the Dutch asset management firm Robeco, co-led the 2020 filing of a shareholder proposal to Alphabet, asking for a Human Rights Risk Oversight Committee to be established. The proposal received majority support leading to Alphabet announcing a review of major risk exposures around human rights⁵⁰. Although European resolutions are more likely to get majority support than in the US, most resolutions do not.

⁴² Pension Funds International RBC, ‘Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach’, 2021.

⁴³ Bartram, Clare et al., ‘Investor Due Diligence On Modern Slavery’ (International Shareholder Services, 2021).

⁴⁴ Frank Wagemans, Christianus Van Koppen, and Arthur Mol, ‘The Effectiveness of Socially Responsible Investment: A Review’, *Journal of Integrative Environmental Sciences* 10 (1 December 2013): 235–52, <https://doi.org/10.1080/1943815X.2013.844169>.

⁴⁵ BlackRock Investment Stewardship, ‘BlackRock 2022 Investment Stewardship Voting Spotlight’ (BlackRock Inc, 2022), <https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf>.

⁴⁶ Bartram, Clare et al., ‘Investor Due Diligence On Modern Slavery’.

⁴⁷ Domini, ‘Shareholder Proposals’, Domini, accessed 25 April 2023, <https://domini.com/investing-for-impact/strategies/engagement/shareholder-proposals/>.

⁴⁸ BlackRock Investment Stewardship, ‘BlackRock 2022 Investment Stewardship Voting Spotlight’.

⁴⁹ Bartram, Clare et al., ‘Investor Due Diligence On Modern Slavery’.

⁵⁰ UN Working Group on Business and Human Rights, ‘Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises’.

3.2.5 Voting Rights

Asset owners can also exercise their voting rights to influence change in investee companies. Asset owners can rely partially or entirely on asset managers to vote for them (i.e., proxy voting). Both asset owners and managers can vote on management proposals or shareholder proposals. For example, they can vote against the re-election of board directors or against the annual financial report if modern slavery or other human right violations have been found in a company. This lever has been used by pension funds, asset managers and investor-led initiatives/coalitions to mitigate modern slavery.

For instance, the Norwegian Government Pension Fund as well as BlackRock voted against the re-election of directors at Top Glove after labour rights violations were found. BlackRock also voted for a resolution in 2020 calling for a food processor company to disclose its human rights due diligence. In the 2021 proxy season Blackrock voted for the resolution as well as Vanguard⁵¹. However, it is not common that mainstream investment managers vote in favour of social resolutions, especially those related to human rights and modern slavery⁵². For instance, in BlackRock's latest report it shows that they mostly support shareholder proposals on governance rather than on social or environmental issues⁵³. BlackRock reports that the main reasons for not supporting director elections and management proposals are governance related such as independency, diversity, and compensation⁵⁴. In fact, most asset managers lack commitments on human rights in their voting policies with only a few referring to a commitment to vote for resolutions that improve the human rights due diligence of investee companies⁵⁵.

3.2.6 Exclusions/divestment

As a last resort, capital market actors can decide to exclude, divest, or delist companies that are involved in modern slavery abuses by using negative screening techniques. This lever has been used by pension funds, banks, asset managers, and stock exchanges.

Pension funds have implemented behaviour-based exclusionary criteria⁵⁶ to companies that have been found to be involved in forced labour practices in order to prevent modern slavery. The Government Pension Fund Global of Norway (GPF), the world's largest sovereign wealth fund, stands out for its exclusionary policies^{57 58} that include forced and child labour. Following the recommendations by the independent Council on Ethics it can exclude companies when there is an unacceptable risk of forced labour and other human rights violations⁵⁹. For instance, GPF excluded the Chinese company Luthai Textile based on serious violations of human rights and poor working conditions⁶⁰ and divested from other companies involved in forced labour in Southeast Asia and

⁵¹ UN Working Group on Business and Human Rights.

⁵² Sood, Abhijay, Nagrawala, Felix, and Hierzig, Sonia, 'Voting Matters 2021. Are Asset Managers Using Their Proxy Votes for Action on Environmental and Social Issues?' (ShareAction, 2021).

⁵³ BlackRock Investment Stewardship, 'BlackRock 2022 Investment Stewardship Voting Spotlight'.

⁵⁴ BlackRock Investment Stewardship.

⁵⁵ ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights', 2020.

⁵⁶ Conduct-based exclusion is based on a company's behavior, that is, the product can be acceptable, but the conditions under which they are being manufactured are not. This means that when the unacceptable behaviour of the company changes, re-investment is possible. Environmental damage and poor working conditions are typical examples of conduct-based exclusions Caroline D. Ditlev-Simonsen, *A Guide to Sustainable Corporate Responsibility: From Theory to Action* (Cham: Springer International Publishing, 2022), <https://doi.org/10.1007/978-3-030-88203-7>.

⁵⁷ Ministry of Finance, 'Guidelines for Observation and Exclusion from the Government Pension Fund Global', 2017.

⁵⁸ United Nations University Centre for Policy Research, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking'.

⁵⁹ Justice and Care, 'Modern Slavery in Global Supply Chains', 2022, <https://justiceandcare.org/policies-and-reports/modern-slavery-in-global-supply-chains/>.

⁶⁰ Ditlev-Simonsen, *A Guide to Sustainable Corporate Responsibility*.

Korea in 2017⁶¹. Moreover, Norges Bank, the Central Bank of Norway and investment manager of the GPFG excluded nine companies in 2018 from the pension fund based on serious or systematic violations of human rights⁶².

Some pension funds have resorted to this lever after the unsuccessful use of other levers. For instance, after many years of collective dialogue with Amazon and after filing an unsuccessful shareholder proposal aiming to tackle unionisation restrictions at the company, the Dutch Pension Fund (PBU) recently decided to exclude Amazon from its fund⁶³. However, other Dutch pension funds, such as PenSam, involved in this collective engagement with Amazon have decided to continue with their collective engagement process.

Banks and asset managers have also implemented exclusionary criteria based on forced labour. For instance, CitiGroup, Standard Chartered and Rabobank have cancelled loans to palm oil company Indofood over labour abuses⁶⁴. BNP Paribas Asset Management has policies restricting investment in sovereign funds involved in human rights violations⁶⁵. KLP, a passive investor, has approximately excluded 200 companies from its the fund, KLP AksjeGlobal Indeks⁶⁶. However, there is a lack of evidence of exclusionary criteria being implemented by passive investors, compared to active ones, especially regarding labour rights issues as opposed to environmental concerns⁶⁷. There is also limited evidence of stock exchanges delisting companies with only a few exceptions. For instance, the Malaysia Stock Exchange delisted Top Glove from its ESG indexes⁶⁸.

Exclusionary criteria can also be based on legally required exclusions, such as those required by domestic or international law, bans, treaties or embargoes. For instance, BlackRock excludes based on this criterion rather than on screening against minimum standards of business practice based on international norms such as the OECD guidelines, the UN Human Rights Declaration, Security Council sanctions or the UN Global Compact⁶⁹. Or based on national policies. For instance, The Brazilian Development Bank (BNDES) has refused credit to companies that are listed in Brazil's "Dirty List", a national publicly available register of companies that have been found to use forced labour in their supply chains⁷⁰.

This practice has been criticised because by divesting, excluding, or delisting, investors reduce their potential for influence. It can also lead to increased modern slavery risks, especially in the Global

⁶¹ Justice and Care, 'Modern Slavery in Global Supply Chains'.

⁶² 'Observation and Exclusion of Companies', Norges Bank Investment Management, 18 March 2019, <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/>.

⁶³ Rachel Fixsen, 'Denmark's PBU Loses Patience with Amazon over Labour Rights, Divests €40m', IPE, February 2023, <https://www.ipe.com/news/denmarks-pbu-loses-patience-with-amazon-over-labour-rights-divests-40m/10065054.article>.

⁶⁴ 'Citigroup, Standard Chartered, and Rabobank Cancel Substantial Loans to Palm Oil Company Indofood over Labor Abuses. Will Others Take a Stand? - The Understory', Rainforest Action Network, accessed 25 April 2023, <https://www.ran.org/the-understory/citi-divests-from-indofood/>.

⁶⁵ ShareAction, 'Point of No Returns 2023: Ranking 77 of the World's Largest Asset Managers' Approaches to Responsible Investment'.

⁶⁶ PRI, 'EU Taxonomy Alignment Case Study: KLP', PRI, September 2020, <https://www.unpri.org/eu-taxonomy-alignment-case-studies/eu-taxonomy-alignment-case-study-klp/6463.article>.

⁶⁷ For instance, Volkswagen was suspended in 2015 from the FTSE 'ethical' index due to environmental concerns and will not be eligible to re-enter the index for at least two years. Facing Finance, 'Dirty Profits 5. Report on Companies and Financial Institutions Benefiting from Human Rights Violations and Environmental Destruction' (Facing Finance, 2017).

⁶⁸ Lee Hwok Aun and Adrian Pereira, 'CAN MALAYSIA ELIMINATE FORCED LABOUR BY 2030?' (Singapore: Yusof Ishak Institute, 2023), <http://bookshop.iseas.edu.sg>.

⁶⁹ BlackRock, 'PRI Public Transparency Report'.

⁷⁰ (Justice and Care, 2022)

South⁷¹. Whilst allowing for re-inclusion in pension funds, such as the GPF, or re-investment could incentivise companies to change their behaviour⁷², there is limited evidence of this in practice.

3.2.7 Guidelines

There has been increased awareness of the role of stock exchanges at addressing modern slavery in business supply chains. In particular, stock exchanges are starting to issue modern slavery guidance and tools as a lever to influence the behaviour of publicly listed companies. For instance, The Stock Exchange of Thailand (in collaboration with FAST and Walk Free), the Johannesburg Stock Exchange and the Hong Kong Stock Exchange have issued modern slavery specific guidance or have included modern slavery related provisions in their ESG guidance. The JSE for example refers to freedom of association and collective bargaining as well as to child labour in its Sustainability Disclosure Guidance 2022⁷³. Similarly, the HKEX mentions compliance with child labour and forced labour in its latest ESG reporting guide⁷⁴. More recently, the Stock Exchange of Thailand (SET) launched in 2021 a modern slavery specific guidance for companies⁷⁵. So far, this lever is the most used by Stock Exchanges. Financial regulators such as the IFC and the CDC Group, in collaboration with the European Bank for Reconstruction and Development (EBRD) and DFID, developed a Good Practice Note (GPN) for companies to address modern slavery⁷⁶.

3.2.8 Advocacy/Lobbing

Investors can use lobbying and advocacy practices to influence ecosystem changes. The evidence suggests that this is mostly done collectively and in relation to regulation. For instance, Eurosif, a pan-European association that comprises asset managers, institutional investors, index providers and ESG data providers, provided input into the EU process toward a mandatory human rights and environmental due diligence directive⁷⁷. Similarly, the Investor Alliance for Human Rights (IAHR), a collaborative platform of institutional investors developed by the Interfaith Centre on Corporate Responsibility, facilitates investor advocacy across a comprehensive range of human and labour rights issues by producing investor statements⁷⁸. For instance, in 2020, IAHR coordinated a statement calling governments to develop, implement and enforce mandatory human rights due diligence requirements to companies⁷⁹ and in 2022 signed a letter calling on the UK government to put forward a 'Business, Human Rights and Environmental Act'⁸⁰ and asked the European Commission to improve the CSDD⁸¹. Moreover, IAST APAC was involved in shaping the changes in

⁷¹ Khan, Maha, Heywood, Loria-Mae, and Pescinski, Janina, 'FAST: Convening Africa 2022. Mobilizing the Financial Sector to Address Modern Slavery and Human Trafficking in Sub-Saharan Africa' (United Nations University, 2023).

⁷² David Kovick and Rachel Davis, 'Secretariat Briefing Paper 2 TACKLING MODERN SLAVERY AND HUMAN TRAFFICKING AT SCALE THROUGH FINANCIAL SECTOR LEVERAGE' (Shift and LICHTENSTEIN INITIATIVE, 2019).

⁷³ Johannesburg Stock Exchange, 'Leading the Way for a Better Tomorrow. JSE Sustainability Disclosure Guidance.', June 2022, <https://www.jse.co.za/sites/default/files/media/documents//JSE%20Sustainability%20Disclosure%20Guidance%20June%202022.pdf>.

⁷⁴ Hong Kong Exchange, 'Appendix 27 Environmental, Social and Governance Reporting Guide'.

⁷⁵ Stock Exchange of Thailand, Walk Free and Finance Against Slavery & Trafficking, 'GUIDANCE ON MODERN SLAVERY RISKS FOR THAI BUSINESSES' (The Minderoo Foundation Pty Ltd., 2021).

⁷⁶ Ethical Trading Initiative and Ergon, 'Managing Risks Associated with Modern Slavery' (International Finance Corporation, 2018). <https://assets.cdcgroup.com/wp-content/uploads/2018/12/03105819/Managing-Risks-Associated-with-Modern-Slavery.pdf>

⁷⁷ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Addendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

⁷⁸ PRI, 'Incorporating Decent Work into Capital Allocation', PRI, March 2023, <https://www.unpri.org/decent-work/incorporating-decent-work-into-capital-allocation/11206.article>.

⁷⁹ Investor Alliance for Human Rights, 'Investors with US\$5 Trillion Call on Governments to Institute Mandatory Human Rights Due Diligence Measures for Companies', 2020, <https://investorsforhumanrights.org/news/investor-case-for-mhrdd>.

⁸⁰ Investor Alliance for Human Rights, 'Investor Statement Calling for a UK "Business, Human Rights and Environment Act"', August 2022, <https://investorsforhumanrights.org/investor-statement-calling-business-human-rights-and-environment-act>.

⁸¹ Investor Alliance for Human Rights, 'Investor Statement of Support for an Ambitious and Effective European Directive on Corporate Sustainability Due Diligence', November 2022, <https://investorsforhumanrights.org/standard-setting/investor-statement-support-ambitious-and-effective-european-directive-corporate>.

the Modern Slavery Act of Australia by participating in the review process⁸². CCLA investment also engages in public policy engagement to promote regulatory frameworks that tackle modern slavery⁸³.

However, there is less evidence of efforts to change the behaviour of other actors in the ecosystem apart from a few exceptions such as CCLA who has been lobbying ESG data providers to include Modern Slavery in their standard ratings products and has been working with government on efforts to collect the data it needs as part of its Find it, Fix it, Prevent it initiative⁸⁴.

3.3 Investor Leverage⁸⁵

Four factors can influence the potential of capital market actors at effecting change in companies. The evidence suggests that investors can have more or less leverage depending on their investment strategy, asset class, involvement in management, and size of investment.

3.3.1 Investment Strategy

There is more leverage in active than in passive investments (e.g., index investing). For instance, passive investors are less likely to undertake engagement practices even though passive investing still requires an active decision on the passive index and benchmark to measure performance^{86 87}. Moreover, passive managers might require client consent to exclude companies from an index⁸⁸. Divestment is also a challenge for asset owners and asset managers with passive investments as they are restricted by the Index's methodology (e.g., whether market cap, equal weighting or rule-based) and might face diversification requirements⁸⁹ which can lead them to partial rather than full divestment. Some critics see this as a disadvantage, however, holding their stakes means they have more incentive and power to influence companies' behaviour⁹⁰.

The problem is that passive investments⁹¹, both in equity and debt instruments, is where most action is required due to its size and exposure to ESG risks. Indeed, the passive investment market has been growing exponentially in the last years⁹² and now represents the largest share of capital markets globally⁹³. For instance, the 'big three' - the three largest Investment managers by Assets

⁸² Investors Against Slavery and Trafficking Asia Pacific, 'IAST APAC Submission to the Australian Modern Slavery Act 2018 (Cth) Three-Year Review', Investors Against Slavery and Trafficking, 2022, <https://www.iastapac.org/2022/11/28/iast-apac-submission-to-the-australian-modern-slavery-act-2018-cth-three-year-review/>.

⁸³ CCLA Good Investment, 'Modern Slavery', accessed 25 April 2023, <https://www.ccla.co.uk/sustainability/driving-change/modern-slavery>.

⁸⁴ CCLA Good Investment, 'Find It, Fix It, Prevent It. Annual Report 2020' (CCLA, 2020), <https://ccla.lets-go.live/documents/find-it-fix-it-prevent-it-annual-report-2020/download?inline=true>.

⁸⁵ Leverage refers to "an advantage that gives power to influence... it refers to the ability of an enterprise to effect change in the practices of another party that is causing or contributing to adverse impacts" OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

⁸⁶ PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?'

⁸⁷ ShareAction, 'Point of No Returns 2023: Ranking 77 of the World's Largest Asset Managers' Approaches to Responsible Investment'.

⁸⁸ OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

⁸⁹ PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?'

⁹⁰ The UNGPs state that divestment should be used as a last resort after using other levers to influence company behaviour. Divestment can also lead to unintended negative consequences for workers United Nations University Centre for Policy Research, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking'.

⁹¹ Some asset owners and asset managers have a mix of both passive and active investments.

⁹² UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

⁹³ OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

Under Management (AUM) BlackRock, Vanguard and State Street Global Advisors, are mostly passive investors representing the largest index fund⁹⁴ and ETFs managers^{95 96}.

Moreover, there might be a greater exposure to ESG risks in passive investment as it usually involves a broader sector range of holdings⁹⁷. Passive investors might be more likely to invest in companies that use forced labour without knowing it as they usually invest in an index fund rather than in specific companies. A recent study⁹⁸ by Hong Kong Watch and Sheffield Hallam University showed that investors, including large pension funds and sovereign wealth funds in US, UK, and Canada, investing in the world's major indexes, such as those developed by Morgan Stanley Capital International (MSCI), have been passively funding companies involved in state-sponsored forced labour in the Uyghur region.

3.3.2 Asset Class

There is more leverage in equity (stocks) than in fixed income assets as while investors have formal voting rights in equity, they do not in fixed income assets^{99 100}. Within equity, there is higher leverage in private than public equity as in private equity it is more likely for asset owners to be majority or controlling stakeholders¹⁰¹. However, there is little evidence of leverage being used in the private equity market to address modern slavery or other ESG issues. This might be due to private equity being less transparent and not subject to formal regulations. In fact, the private equity industry has been notorious for its misconduct, misrepresentation, and outsized economic rents¹⁰².

3.3.3 Involvement of investor in management

Asset managers have more leverage than asset owners as the latter often outsource management and stewardship activities (e.g., engagement and voting)¹⁰³ to investment managers with varying degrees of asset owner involvement¹⁰⁴. Pension funds for example, often outsource management to external managers¹⁰⁵ and might outsource it to several managers with diverse policies and under different regulatory contexts which reduces the potential of the pension fund to influence investee companies. However, asset owners that are also shareholders in asset management firms have more leverage as they can use their shareholder influence by voting or engaging with investee

⁹⁴ Jan Fichtner, Eelke M. Heemskerk, and Javier Garcia-Bernardo, 'Hidden Power of the Big Three? Passive Index Funds, Re-Concentration of Corporate Ownership, and New Financial Risk', *Business and Politics* 19, no. 2 (June 2017): 298–326, <https://doi.org/10.1017/bap.2017.6>.

⁹⁵ Exchange-traded funds. A type of asset class that is mostly passively managed.

⁹⁶ BlackRock is the leading ETF provider in the world with \$3.3 trillion of AUM at December 31, 2021, and generated record net inflows of \$305.5 billion in 2021. The majority of ETF AUM and net inflows represent the Company's index-tracking iShares-branded ETFs. The Company also offers a select number of active BlackRock-branded ETFs that seek outperformance and/or differentiated outcomes BlackRock, 'Investing with Purpose. BlackRock 2021 Annual Report' (BlackRock Inc, 2021), https://s24.q4cdn.com/856567660/files/doc_financials/2021/ar/online/pdfs/BlackRock_2021_AR_Complete_040822.pdf.

⁹⁷ PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?'

⁹⁸ Johnny Patterson et al., 'Passively Funding Crimes Against Humanity' (Hong Kong Watch and Helena Kennedy Centre for International Justice, 2022), <https://www.hongkongwatch.org/all-posts/2022/12/5/updated-new-hkw-report-finds-that-msci-investors-are-at-risk-of-passively-funding-crimes-against-humanity-in-xinjiang>.

⁹⁹ ShareAction, 'Point of No Returns 2023: Ranking 77 of the World's Largest Asset Managers' Approaches to Responsible Investment'.

¹⁰⁰ OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

¹⁰¹ OECD.

¹⁰² Ashby Monk, Sheridan Porter, and Rajiv Sharma, 'An Economic Case for Transparency in Private Equity: Data Science, Interest Alignment and Organic Finance', 27 September 2021, <https://doi.org/10.2139/ssrn.3931906>.

¹⁰³ Stewardship usually refers to those activities undertaken by the investor either individually or collectively to influence business behaviour and generally refers to engagement and voting practices PRI, 'Why and How Investors Should Act on Human Rights', 2020, <https://www.unpri.org/download?ac=11953>.

¹⁰⁴ Freshfields Bruckhaus Deringer, 'A LEGAL FRAMEWORK FOR IMPACT: SUSTAINABILITY IMPACT IN INVESTOR DECISION-MAKING'.

¹⁰⁵ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

companies¹⁰⁶. The involvement of the investor in management also depends on the asset class. For example, private equity investors tend to have a more active role in managing a company, especially if they sit on the board of directors¹⁰⁷. Finally, asset managers might implement different ESG strategies depending on the level of outsourcing they have and thus impacting their leverage. For example, BlackRock, who mostly manages assets internally, do not include ESG screening strategies for its externally managed active listed equity and fixed income assets apart from ESG integration while it does include screening in its internally managed assets¹⁰⁸.

3.3.4 Size of the investment

The size of the investment, or “share of financing”¹⁰⁹ influences the level of leverage of investors over their investees. For instance, if investors hold a majority stock in the company, they have more leverage. Majority shareholders tend to be found in private equity, but most institutional investors are minority holders^{110 111 112}. Collaborative use of levers, especially regarding publicly listed firms, would therefore increase investors’ capacity to influence change.

4. What Evidence is there of their Effectiveness?

4.1 Key findings

- Resources (i.e., financial, time, data) and capabilities (i.e., knowledge and abilities) influence the extent to which investors effectively implement these policies and practices.
- There is limited robust evidence on the effectiveness of these levers at changing corporate behaviour. However, the evidence shows that investors can influence investee companies’ policy development, regulatory compliance, disclosure practices, awareness, and commitment.
- Most changes at the company level have been on policy development.
- Most changes in company behaviour have resulted from collaborative efforts. However, this might be due to the disproportionate number of cases available of investor collaboration compared to bilateral efforts.
- The effectiveness of these levers at influencing change in companies depends on specific factors relevant to each lever. For instance, the factors that influence the effectiveness of engagement practices (i.e., length of engagement & trust, and local partnerships) differ from those that influence the effectiveness of clauses (i.e., monitoring), shareholder proposals (i.e., regulatory context), and voting rights (i.e., type of resolution).
- Evidence on the effectiveness of these levers comes mostly from the Global North.

4.2 Note on quality of the evidence.

The quality of the evidence regarding effectiveness of levers used is not particularly robust for several reasons. First, most evidence is anecdotal and self-reported, lacking sufficient depth and detail. There is also an absence of the voices of the ‘engaged’ (i.e., investee companies) limiting the reliability of the reported impact of investors in their behaviour. The reported effectiveness of these

¹⁰⁶ ShareAction, ‘Point of No Returns 2023: Ranking 77 of the World’s Largest Asset Managers’ Approaches to Responsible Investment’.

¹⁰⁷ PRI, ‘Why and How Investors Should Act on Human Rights’.

¹⁰⁸ BlackRock, ‘PRI Public Transparency Report’.

¹⁰⁹ United Nations University Centre for Policy Research, ‘Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking’.

¹¹⁰ Minority (less than 50% of a company’s shares).

¹¹¹ Freshfields Bruckhaus Deringer, ‘A LEGAL FRAMEWORK FOR IMPACT: SUSTAINABILITY IMPACT IN INVESTOR DECISION-MAKING’.

¹¹² OECD, ‘Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises’.

levers must also be taken with the caveat that it is difficult to establish causation (i.e., that the lever produced the results claimed) as other factors have not been isolated. To address these issues, it is important for investors to invest in impact and evaluation.

The evidence is also limited regarding the use of levers to address modern slavery. This is related to the low levels of investor disclosure¹¹³ and to the fact that some levers are only just recently being implemented and therefore it might be too early to measure its effectiveness such as the SET's guidance and tools. There is also a disproportionate amount of evidence on cases of investor collaboration compared to bilateral efforts. Moreover, there is a lack of investor reporting on the implementation of levers^{114,115}. In particular, those that were unsuccessful, limiting the understanding of what works and under which conditions. A comparative analysis of those that are effective compared with those that are not, would shed more light into the factors that influence effectiveness (i.e., what makes some efforts more effective than others?).

Nonetheless, the evidence suggests that there are promising practices as well as several factors that might influence their effectiveness.

4.3 Effectiveness Type 1: Implementation

4.3.1 Cross-cutting factors influencing effectiveness type 1

The evidence suggests there are two cross-cutting factors that can influence the extent to which investors policies and practices are implemented as intended: resources (e.g., time and data) and capabilities (e.g., knowledge). Both can be addressed to some extent, through collaboration.

4.3.1.1 Resources

The lack of consistent, standardised, and reliable corporate data has been the most important resource constraint experienced by both active and passive investors to effectively implement policies and practices aimed at addressing modern slavery in business supply chains.

This data limitations concern both the collecting and the reviewing of data. However, different investors face different limitations depending on their investment strategy, and the type and class of investment. For instance, investors in government bonds face unique challenges regarding access to human rights information of States^{116, 117}. It is also more difficult for investors to collect or access data from unlisted/alternative asset classes such as private equity and venture capital. This means that in some cases, data might only be accessible through direct engagement with portfolio companies, which would involve investors having the necessary resources and capabilities.

To tackle this problem, there are emerging efforts from stakeholders, such as that of a new taskforce, developed by the Department for Work and Pensions in the UK¹¹⁸, aiming to support institutional investors in the identification of reliable data sources to better address modern slavery in business supply chains. Moreover, collaboration can help to increase data collection and access

¹¹³ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹¹⁴ United Nations University Centre for Policy Research, 'Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking'.

¹¹⁵ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹¹⁶ UN Working Group on Business and Human Rights.

¹¹⁷ PRI, 'Why and How Investors Should Act on Human Rights'.

¹¹⁸ Department for Work and Pensions and Opperman Guy, MP, 'New Taskforce to Support Pension Scheme Engagement with Social Factors in ESG Investing', GOV.UK, 2022, <https://www.gov.uk/government/news/new-taskforce-to-support-pension-scheme-engagement-with-social-factors-in-esg-investing>.

from multiple sources¹¹⁹. Technology also promises to aid investors in collecting and reviewing existing data such as Natural Language Processing (NLP)^{120 121}. However, more research is necessary to understand the extent to which technology can improve investor's access and use of data.

Other resource constraints such as time and finances can hinder the effective implementation of due diligence practices. For instance, investors might undertake positive or negative screening with a 'light touch'¹²² or superficially engage with actual or potential portfolio companies by focusing on policy development rather than implementation¹²³. Small investors are likely to face more resource constraints and therefore might face greater challenges in the effective implementation of levers compared to larger investors. In this regard, collective investor action can help reduce costs¹²⁴.

Moreover, whilst investors have an increasing number of guidance, training, tools, and other resources at their disposal, developed by different stakeholders and designed to support them in the implementation of policies and practices to tackle modern slavery in business supply chains¹²⁵, investors continue to express the need for more and better guidance and expertise to effectively implement in practice their human rights responsibilities as stated in the UNGPs¹²⁶.

4.3.1.2 Capabilities

Most institutional investors continue to have capacity challenges, especially related to knowledge of human rights and their relevance across ESG factors¹²⁷. This limited knowledge is increased by investors reliance on ESG experts rather than seeking in-house or outsourced human rights expertise¹²⁸. For instance, a 2018 study found that pension fund managers struggle to implement human rights policies and procedures to consistently predict, detect and resolve human rights issues, particularly in the context of infrastructure investments¹²⁹. Asset managers also show a limited ability to identify salient human rights impacts of their investments¹³⁰. Passive investors in particular face capability constraints, albeit those who also have an actively managed portfolio and in-house research capabilities, can share expertise between active and passive strategies¹³¹. This lack of knowledge has also been identified in Socially Responsible Investment (SRI) research as a key

¹¹⁹ Pension Funds International RBC, 'Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach'.

¹²⁰ Florian Ostmann et al., 'Data for Investor Action on Modern Slavery A Landscape Analysis' (Modern Slavery & Human Rights Policy & Evidence Centre, 2021).

¹²¹ PRI and Shift, 'Managing Human Rights Risks: What Data Do Investors Need?', December 2022, <https://www.unpri.org/download?ac=17543>.

¹²² PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?'

¹²³ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹²⁴ PRI, 'How Policy Makers Can Implement Reforms for a Sustainable Financial System: Stewardship', PRI, March 2023, <https://www.unpri.org/policy-toolkit/how-policy-makers-can-implement-reforms-for-a-sustainable-financial-system-stewardship/11190.article>.

¹²⁵ See for example the [OECD Guidance for institutional investors](#), the Human Rights Guidance Tool for the financial sector by the [UN Environment Programme Finance Initiative](#).

¹²⁶ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹²⁷ UN Working Group on Business and Human Rights.

¹²⁸ UN Working Group on Business and Human Rights.

¹²⁹ Colombia University, Business and Human Rights Clinic, 'Pension Funds and Human Rights: A Study of Human Rights Considerations of Pension Funds' (Colombia University, 2018), <https://www.inclusivedevelopment.net/what/follow-the-money-initiative/>.

¹³⁰ ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights'.

¹³¹ PRI, 'ESG & PASSIVE INVESTMENT STRATEGIES SIGNATORY CONSULTATION RESULTS HOW CAN A PASSIVE INVESTOR BE A RESPONSIBLE INVESTOR?'

factor explaining the limited impact of investors' levers, such as voting rights, divestment, and corporate engagement, on ESG company performance¹³².

As a result, there are emerging efforts to build the capacity of investors. For instance, in 2020, the Interfaith Center on Corporate Responsibility (ICCR) and the Investor Alliance for Human Rights organized a visit to Immokalee, Florida to meet with the Coalition of Immokalee Workers (CIW) about their Fair Food Program (FFP) and learn about the worker-driven model¹³³. Moreover, many investors are collaborating among them or with civil society to build their own capacity. For example, Achmea Investment Management worked with PAX to develop a guidance for investors to address conflict-related human rights risks¹³⁴ and the Investor Alliance developed an Investor Toolkit on Human Rights¹³⁵, among many other examples¹³⁶.

Collaboration can also increase investor's capabilities to address modern slavery in business supply chains. For instance, it can increase knowledge, including an understanding of local contexts and a broader perspective on modern slavery issues¹³⁷.

4.4 Effectiveness type 2: Company behaviour

4.4.1 Promising practice: Collaboration

The evidence shows cases of promising practices in which the levers implemented by investors effectively changed company behaviour. These cases use a range of different levers, but they are all used collaboratively. This suggests collaboration might play a key role in the effectiveness of levers at changing company behaviour, but this might be influenced by the disproportionate number of evidence on the collective use of levers by investors compared to those used bilaterally.

The researcher identified five categories of corporate behaviour changes resulting from the collaborative efforts of investors: i) policy changes, ii) increased disclosure, iii) increased compliance, iv) increased awareness and commitment, and v) due diligence improvements. However, there is limited evidence of implementation changes (i.e., influencing a company to effectively address an existing gap between policy and practice)¹³⁸. These changes are not mutually exclusive and therefore efforts by investors can result in one or more of these changes. However, the evidence suggests that the most common results achieved are company policy changes whilst due diligence improvements are less common.

4.4.1.1 Company Policy changes

Under this category, the levers implemented by investors lead to policy changes in companies. The cases in the evidence show that investors either collaboratively engaged directly with the companies or jointly filed shareholder proposals.

For instance, after the investor alliance of 19 financial institutions, The Platform Living Wage Financials (PWLF), engaged with companies in the garment sector, several clothing companies made

¹³² Wagemans, Van Koppen, and Mol, 'The Effectiveness of Socially Responsible Investment'.

¹³³ ICCR (Interfaith Center on Corporate Responsibility), 'Investors See Fair Food Program in Action and Call on Wendy's to Join', 2020, <https://www.iccr.org/investors-see-fair-food-program-in-action>.

¹³⁴ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹³⁵ [Investor Toolkit on Human Rights](#)

¹³⁶ [Modern Slavery Reporting Guide for Investors](#) developed by the Responsible Investment Association Australasia (RIAA), etc.

¹³⁷ Pension Funds International RBC, 'Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach'.

¹³⁸ Ongoing case between Öhman Fonder and Folksam and Amazon over implementation of human rights policies as they found implementation gaps regarding unionization.

changes into their policies regarding living wages. An US company amended its standards for suppliers by including fair compensation to supply chain workers and a Brazilian company included living wage in its policy¹³⁹. Also, through collaborative engagement, the Dutch investment manager Robeco, along other international investors collaborating through the PRI platform, engaged in 2014 with CP Foods, an agro-industrial company based in Thailand and the world's largest aquaculture producer of prawns, regarding poor working conditions in the boats of their fish suppliers. The engagement included sending a letter to the company and engaging in depth-conference calls and sustained dialogue. As a result, in 2015 the company developed a foreign labour hiring policy, a Sustainable Sourcing Policy and a traceability protocol¹⁴⁰.

An example of shareholder proposals leading to policy changes is that of the impact investor Domini, who, along with religious investors, filed several shareholder proposals and engaged directly with a company in Brazil for three years. The first proposal was withdrawn in exchange for a written agreement from the company which developed a policy prohibiting forced labour in its supply chain and agreed to publish annual progress reports on their implementation¹⁴¹. Similarly, Öhman Fonder Sweden's largest independent asset manager and Öhman Folksam, one of Sweden's largest insurance and pension providers, jointly filed a shareholder proposal encouraging Amazon to develop a human rights policy, with references to the UNGPs and other relevant international standards, ahead of Amazon's annual general meeting (AGM). In 2020, Amazon launched its new Global Human Rights Principles¹⁴². Similarly, the Dutch asset management firm Robeco co-led in 2020, the filing of a shareholder proposal at Google's parent company, Alphabet, asking for a Human Rights Risk Oversight Committee to be established. The resolution received 40% of votes and in November 2020, Alphabet announced an update of its Audit Committee Charter to include the review of major risk exposures around human rights¹⁴³.

4.4.1.2 Increased disclosure

Under this category, the levers implemented by investors led to an increase in company disclosure. The evidence shows that investors collaborated to get these results. For instance, 16 investors part of the CCLA's Find it, Fix it, Prevent it investor coalition in the UK, engaged directly with 13 companies in the hospitality sector through sustained dialogue. While the engagements are still in their early stages. Whilst the engagements are in their early stages, two companies disclosed either high-risks or instances of modern slavery in their supply chain¹⁴⁴.

4.4.1.3 Increased Compliance

Under this category, investors levers have increased corporate compliance with regulations. The evidence shows that investors collaborated to achieve this. For instance, investors in Rathbone's Votes Against Slavery (VAS) initiative in the UK, engaged with 16 companies listed in the FTSE350 since 2020 to increase compliance with section 54 of the Modern Slavery Act by sending letters to their board of directors and threatening to use their voting rights to vote against the companies' annual reports¹⁴⁵. As a result of this engagement, all companies that were engaged increased

¹³⁹ PRI, 'MN: Collaborating through Platform Living Wage Financials', PRI, October 2021, <https://www.unpri.org/active-ownership-20/mn-collaborating-through-platform-living-wage-financials/8756.article>.

¹⁴⁰ PRI, 'FROM POOR WORKING CONDITIONS TO FORCED LABOUR-WHAT'S HIDDEN IN YOUR PORTFOLIO? A GUIDE FOR INVESTOR ENGAGEMENT ON LABOUR PRACTICES IN AGRICULTURAL SUPPLY CHAINS'.

¹⁴¹ ILO, 'Domini Reaches Agreement with Nucor on Slavery in Brazil', News, 13 August 2010, http://www.ilo.org/global/topics/forced-labour/news/WCMS_143438/lang--en/index.htm.

¹⁴² PRI, 'Öhman Fonder and Folksam'.

¹⁴³ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹⁴⁴ CCLA Good Investment, 'Find It, Fix It, Prevent It. Annual Report 2020'.

¹⁴⁵ 'Rathbones Votes against Slavery', n.d.

compliance with the MSA by 2022¹⁴⁶. This relates to the recent findings of a study that found that the ‘threat of action was more powerful than the action itself’ and thus the collective power in voting should only be considered after efforts have failed¹⁴⁷.

4.4.1.4 Increased awareness and commitment

Under this category, the levers implemented by investors led to an increase of awareness of modern slavery risks in business supply chains and an increased commitment to address modern slavery. The evidence shows that these levers were used collectively by investors.

For instance, investor coalitions aiming at addressing modern slavery in business supply chains such as CCLA’s “Find It, Fix It, Prevent It”, Votes Against Slavery and IAST APAC have raised awareness of modern slavery risks in business supply chains across high-risk sectors and regions¹⁴⁸. Moreover, the Dutch Pension Funds multi-stakeholder collaborative engagement with a mining company in Peru led to increased awareness and commitments. For instance, after sustained engagement, the company shifted from denying poor working conditions in their subcontracted staff to agreeing to investigate these issues and committing to engage in dialogue with representatives of subcontracted workers and the NGO CNV Internationaal¹⁴⁹.

In addition to other changes, CP food joined the UN Global Compact as a response to requests from a group of investors¹⁵⁰. Similarly, Nucor, the largest steel producer in the United States, entered into a written agreement with the impact investor, Domini, in 2010 in exchange for the investor’s withdrawal of a shareholder proposal. The company agreed to become a member of ICC, an association of Brazilian companies aiming to combat slavery in their supply chains and ensuring legal and decent working conditions by monitoring their suppliers, agreeing not to purchase from suppliers on the government “dirty list,” and allowing independent monitoring of that commitment¹⁵¹.

4.4.1.5 Due Diligence improvements

Under this category, the levers implemented by investors led to companies improving their due diligence processes to identify, mitigate, remediate or monitor human right risks in their operations and supply chains. The evidence shows that these improvements were the result of collaborative investor effort. For instance, after the collaborative engagement from Robeco and other investors, CP foods started to map its supply chain and initiating dialogue with its customers, peers, and the Thai government. The company has also improved its auditing process of labour standards in their supply chain.

4.4.2 Lever level factors influencing Effectiveness type 2

4.4.2.1 Length of engagement & Trust

The evidence suggests that it is more likely that engagements are successful when they are undertaken collaboratively and for a long period of time, as illustrated by the Dutch Pension Funds engagement with a mining company in Peru for more than two years¹⁵² and Domini’s three-year

¹⁴⁶ Justice and Care, ‘Modern Slavery in Global Supply Chains’.

¹⁴⁷ Gond and Piani, ‘Enabling Institutional Investors’ Collective Action’.

¹⁴⁸ Justice and Care, ‘Modern Slavery in Global Supply Chains’.

¹⁴⁹ Pension Funds International RBC, ‘Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach’.

¹⁵⁰ PRI, ‘FROM POOR WORKING CONDITIONS TO FORCED LABOUR-WHAT’S HIDDEN IN YOUR PORTFOLIO? A GUIDE FOR INVESTOR ENGAGEMENT ON LABOUR PRACTICES IN AGRICULTURAL SUPPLY CHAINS’.

¹⁵¹ ILO, ‘Domini Reaches Agreement with Nucor on Slavery in Brazil’.

¹⁵² Pension Funds International RBC, ‘Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach’.

engagement with Nucor in Brazil¹⁵³. By engaging with companies for a long term, trust, another key factor in successful engagements¹⁵⁴ that can strengthen influence¹⁵⁵, can be built. By engaging collaboratively, trust can also be built as it ensures that the company does not feel singled out¹⁵⁶.

4.4.2.2 Local Partnerships

The evidence suggests that adapting the engagement to the local geographical context by partnering with local NGOs influences the effectiveness of company engagements. For instance, the Dutch Pension Funds partnered with a local NGO and a local trade union in Peru that allowed them to obtain reliable information on the ground that was used to better address the issues in their dialogue with the mining company¹⁵⁷. Similarly, Domini worked in partnership with Reporter Brazil and the Catholic Church's Pastoral Land Commission (CPT) throughout their engagement with Nucor ensuring that the investor proposals were meaningfully targeting solutions on the ground¹⁵⁸.

4.4.2.3 Monitoring of clauses

Monitoring mechanisms can influence the effectiveness of contractual conditions or requirements such as those in lending agreements. For instance, despite the World Bank's loan conditions to governments requiring compliance with national and international human rights laws¹⁵⁹, the bank was found, in 2013, to be funding agricultural projects in Uzbekistan linked to forced and child labour. Civil society associations criticised the ILO, contracted by the World Bank, for its poor monitoring mechanisms¹⁶⁰ that were not independent from the Uzbek government and government-aligned organisations¹⁶¹.

4.4.2.4 Shareholder Proposals: Regulatory Context

The country where the shareholder resolutions are being filed influences the number of shareholder proposals filed as well as the likelihood of these receiving majority support. For instance, the US files more resolutions related to labour rights and modern slavery issues than Europe, but European asset managers vote more in favour of these¹⁶². In fact, whilst shareholder proposals in the U.S. on the issue of modern slavery have quadrupled over the last five years¹⁶³ they do not end up receiving majority support¹⁶⁴. For instance, the Impact Investors, Domini Social Investments, have filed several shareholder proposals between 2020 and 2022 in collaboration with other investors that target forced labour and freedom of association but have received little support¹⁶⁵.

It is unclear what explains that in some countries, shareholder proposals receive majority voting whilst not in others, but the regulatory context might play a role. For instance, many of the above-mentioned shareholder proposals have been omitted by the US Securities and Exchange Commission (SEC). Moreover, in Japan, shareholder proposals are often legally binding meaning that if the

¹⁵³ Adam Kanzer, 'STRENGTHENING COMMUNITY BASED SOLUTIONS THROUGH SHAREHOLDER ACTION' (Domini Social Investments, n.d.).

¹⁵⁴ Khan, Maha, Heywood, Loria-Mae, and Pescinski, Janina, 'FAST: Convening Africa 2022. Mobilizing the Financial Sector to Address Modern Slavery and Human Trafficking in Sub-Saharan Africa'.

¹⁵⁵ Gond and Piani, 'Enabling Institutional Investors' Collective Action'.

¹⁵⁶ Footsteps forward Investors Against Slavery and Trafficking Asia Pacific Annual Report 2021–2022.

¹⁵⁷ <https://cdn.iastapac.org/content/uploads/2022/07/27065737/IAST-APAC-Annual-Report-2022.pdf>

¹⁵⁸ Pension Funds International RBC, 'Ensuring Local Impact through Global Collaboration. Mining in Peru- the Added Value of a Multistakeholder Approach'.

¹⁵⁹ Kanzer, 'STRENGTHENING COMMUNITY BASED SOLUTIONS THROUGH SHAREHOLDER ACTION'.

¹⁶⁰ Human Rights Watch (2017) <https://www.hrw.org/news/2017/06/27/uzbekistan-forced-labor-linked-world-bank>

¹⁶¹ <https://www.theguardian.com/global-development/2017/jun/27/world-bank-funds-linked-to-forced-labour-in-uzbekistan>

¹⁶² <https://www.hrw.org/report/2017/06/27/we-cant-refuse-pick-cotton/forced-and-child-labor-linked-world-bank-group>

¹⁶³ Sood, Abhijay, Nagrawala, Felix, and Hierzig, Sonia, 'Voting Matters 2021. Are Asset Managers Using Their Proxy Votes for Action on Environmental and Social Issues?'

¹⁶⁴ Bartram, Clare et al., 'Investor Due Diligence On Modern Slavery'.

¹⁶⁵ Sood, Abhijay, Nagrawala, Felix, and Hierzig, Sonia, 'Voting Matters 2021. Are Asset Managers Using Their Proxy Votes for Action on Environmental and Social Issues?'

¹⁶⁶ See <https://domini.com/investing-for-impact/strategies/engagement/shareholder-proposals/>

shareholder proposal is passed it poses personal liability for directors and managers as well as material legal liability for the company¹⁶⁶ which might discourage investors vote in favour. However, more research is necessary to confirm the role regulatory context plays in the effectiveness of shareholder proposals.

4.4.2.5 Voting: Type of Resolution

The evidence suggests that action-oriented shareholder proposals are less likely to be effective (i.e., obtain a majority voting) than disclosure-oriented ones. In fact, the evidence suggests that most investors tend to vote against action-oriented resolutions such as the of adoption of a freedom of association policy for employees at Tesla (which received only received 33.4% votes in favour) while disclosure-oriented ones get majority support¹⁶⁷. This might be that they are clearer to be met whilst active oriented proposals can pose financial risks. For instance, a study found that an overwhelming majority of institutional investors voting behaviour is focused on obtaining short-term financial returns resulting in voting against proposals on responsible business practices¹⁶⁸. Moreover, according to BlackRock, the main reason they do not support environmental and social shareholder proposals is that they are “too prescriptive or immaterial” (report) constraining manager’s ability to make strategic business decisions¹⁶⁹. This lack of support for action-oriented shareholder proposals might also be related to the incongruence between investors’ commitments and their actual practices (as will be discussed in the Drivers section of this document).

5. What are the main drivers of capital market actors to address modern slavery in business supply chains?

5.1 Key findings

- Financial, moral, regulatory, and reputational motives drive investor action.
- These are not mutually exclusive, rather they are prioritised by investors.
- Prioritisation of motives varies across countries and might vary across asset types and types of investors (e.g., faith-based and impact investors are more likely to prioritise moral reasons).
- Increasing regulation applicable to investors is a key driver for action. However, most of this legislation is in the Global North.
- A misunderstanding of fiduciary duty, tensions between long-term and short-term gains and an ambiguous political environment might hinder investor action.
- There is an incongruence between investor commitments and action when it comes to voting behaviour.

5.2 Financial

Financial drivers, or the “investor case” is the most cited driver in the evidence and refers to increasing financial performance and efficiency or reducing financial risk. For instance, addressing human rights risks have been seen by investors as an opportunity to raise more or new capital¹⁷⁰. For

¹⁶⁶ BlackRock Investment Stewardship, ‘BlackRock 2022 Investment Stewardship Voting Spotlight’.

¹⁶⁷ Voting Matters 2022 Are asset managers using their proxy votes for action on environmental and social issues? ShareAction, 2023.

¹⁶⁸ Genevieve LeBaron et al., ‘Investment Patterns and Leverage’ (ReStructureLab, 2021).

¹⁶⁹ BlackRock Investment Stewardship, ‘BlackRock 2022 Investment Stewardship Voting Spotlight’.

¹⁷⁰ UN Working Group on Business and Human Rights, ‘Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises’.

instance, BlackRock reports that the main reason to support environmental and social shareholder resolutions is financial interests and they explicitly do not vote in favour of social shareholder proposals that are not in the best long-term financial interests of their clients (i.e., asset owners)¹⁷¹. Moreover, although not specific to modern slavery, the guidelines of the Government Pension Investment Fund (GPIF), the largest asset owner in Japan, encourages asset managers to consider ESG factors if such investment is likely to lead to higher investment returns (i.e., addressing their fiduciary duty¹⁷²)¹⁷³.

Investors also aim at avoiding financial risks. A study found that asset managers are addressing human rights issues only where they have identified financial risk¹⁷⁴. For instance, if employee unrest due to poor labour practices hampers the company's ability to operate and therefore its profitability¹⁷⁵. Investors also aim at avoiding potential financial penalties for human rights violations or non-compliance with legislation. For instance, in Australia, the NCP found in 2018 that the bank ANZ, had contributed to human rights violations in Cambodia by failing to conduct requisite due diligence in a project it was financing. As a result, ANZ was obliged to take various remedial measures, and has considered paying compensation to right holders¹⁷⁶.

However, a misinterpretation of fiduciary duties, understanding this duty as limited to increasing the financial standing of pension plan beneficiaries or customers in the short-term, can inhibit investors from addressing modern slavery¹⁷⁷. For instance, a study found that an overwhelming majority of institutional investors voting behaviour is focused on obtaining short-term financial returns resulting in voting against proposals on responsible business practices¹⁷⁸.

5.3 Moral

Investors are also driven by a 'moral imperative', related to doing 'right thing'. Faith-based investors and impact investors might be more likely to be driven by moral reasons. For instance, this moral duty can be tracked back to 1760s, when religious investors, such as the Quakers, decided not to invest money in companies which made products using slave labour¹⁷⁹. Currently, faith-based investor coalitions have also explicitly expressed the moral case as a driver. For instance, Peter Hugh Smith, Chief Executive of CCLA stated in their annual report that 'Quite simply, this is a moral case – as "good investors", we don't want to profit from slavery.'¹⁸⁰. This moral case can also be seen when investors tackle modern slavery to achieve wider sustainability goals based on values. For instance, in a survey, interviewees stated that paying a living wage, for example, helps address societal inequality and poverty¹⁸¹. Moreover, in a recent workshop undertaken by PRI, investors agreed that macroeconomic factors such as rising inflation, income inequality and increasing living costs were

¹⁷¹ BlackRock Investment Stewardship, 'BlackRock 2022 Investment Stewardship Voting Spotlight'.

¹⁷² According to the UNPRI "Fiduciary duty exists to ensure that those who manage other people's money act in the interests of beneficiaries, rather than serving their own interests. It requires investors to incorporate all value drivers, including environmental, social, and governance (ESG) factors, in investment decision making". PRI, 'Fiduciary Duty', PRI, accessed 20 April 2023, <https://www.unpri.org/policy/fiduciary-duty>.

¹⁷³ Freshfields Bruckhaus Deringer, 'A LEGAL FRAMEWORK FOR IMPACT: SUSTAINABILITY IMPACT IN INVESTOR DECISION-MAKING'.

¹⁷⁴ ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights'.

¹⁷⁵ ShareAction.

¹⁷⁶ OECD Watch, 'EC and IDI vs. Australia and New Zealand Banking Group', OECD Watch, accessed 25 April 2023, <https://www.oecdwatch.org/complaint/ec-and-idi-vs-australia-and-new-zealand-banking-group/>.

¹⁷⁷ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹⁷⁸ LeBaron et al., 'Investment Patterns and Leverage'.

¹⁷⁹ Ditlev-Simonsen, *A Guide to Sustainable Corporate Responsibility*.

¹⁸⁰ CCLA Good Investment, 'Find It, Fix It, Prevent It. Annual Report 2020'.

¹⁸¹ University of Cambridge Institute for Sustainability Leadership (CISL), 'Investing in Quality Jobs for a Just Transition Enhancing Disclosure for Better Measurement of Investment Impact on Decent Work' (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2022).

key drivers for including decent work into their capital allocation decision-making¹⁸². This intention of achieving social goals through investments is a key aspect of impact investing¹⁸³.

5.4 Regulatory

A key driver for action is to comply with existing and upcoming human rights and modern slavery regulation that apply to investors.

In the EU particularly, there is growing regulation related to human rights disclosure including modern slavery that impact investors. The EU's Sustainable Finance Disclosure Regulation (SFDR) focuses on the financial services sector and requires investors to disclose the adverse social and environmental impacts of their investment decisions and their due diligence processes in place to tackle such impacts regardless of financial materiality¹⁸⁴. Moreover, the Modern Slavery transparency requires large entities, including investors, to report annually on their modern slavery due diligence. However, while the act might drive investors to encourage decent work in their investee companies' supply chains to avoid regulatory risks¹⁸⁵, investor reporting under S.54 has been limited and poor¹⁸⁶.

In addition to the above, there are also regulations under development that if implemented will have implications for investors and companies in terms of decent work and modern slavery¹⁸⁷. Environmental regulation, such as the EU Taxonomy regulation, has the potential to drive investors to address modern slavery at the same level as investors are concerned about addressing environmental issues as the regulation will prevent investments from being labelled as sustainable if they involve violations to human rights, including labour rights¹⁸⁸. Specifically, the regulation requires compliance with Minimum Safeguards (MS) outlined in Article 18 as those aligning with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO's core conventions and the International Bill of Human Rights¹⁸⁹.

Moreover, the EU proposal for a Corporate Sustainability Due Diligence Directive (CSDDD), is driving investor attention toward their human rights responsibilities as it will put forward mandatory due diligence relating to labour rights, such as eliminating child and forced labour in global supply chains and is envisioned to include coverage of the financial sector¹⁹⁰. Similarly, the Corporate Sustainability Reporting Directive (CSRD), currently under negotiation and which will replace the EU Non-financial Reporting Directive (NFRD), will require HRDD reporting to investors. Labour rights import bans such as those already in place in the US and the proposal of the European Parliament for an EU import ban on products made with forced labour is also likely to drive investor action.

¹⁸² PRI, 'Incorporating Decent Work into Capital Allocation'.

¹⁸³ International Finance Corporation, 'Creating Impact. The Promise of Impact Investing' (Washington D.C., 2019), <https://www.ifc.org/wps/wcm/connect/66e30dce-0cdd-4490-93e4-d5f895c5e3fc/The-Promise-of-Impact-Investing.pdf?MOD=AJPERES>.

¹⁸⁴ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

¹⁸⁵ PRI, 'How Investors Can Advance Decent Work' (PRI, July 2022), <https://www.unpri.org/human-rights/how-investors-can-advance-decent-work/10190.article>.

¹⁸⁶ Walk Free, WikiRate, and Business & Human Rights Resource Centre, 'Beyond Compliance In The Finance Sector' (The Minderoo Foundation Pty Ltd., 2021).

¹⁸⁷ PRI, 'How Investors Can Advance Decent Work'.

¹⁸⁸ Eu Platform on Sustainable Finance, 'Final Report on Minimum Safeguards', 2022.

¹⁸⁹ 'Art. 18 Taxonomy Regulation - Minimum Safeguards', 18, accessed 24 April 2023, https://lexparency.org/eu/32020R0852/ART_18/.

¹⁹⁰ UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

There is also growing interest to establish a regulatory framework for effective stewardship¹⁹¹

However, the concentration of these regulations in the EU means that some capital market actors and specific investors might face greater regulatory pressures than others. For instance, local investors in the Global South might face less pressures, although there is some evidence of modern slavery regulation in some countries such as South Africa¹⁹² and of new disclosure regulations for investors in Thailand. For instance, the Stock Exchange of Thailand developed modern slavery specific guidance and tools for investors in 2021 just before the new mandatory sustainability reporting requirements took effect in Thailand from 1 January 2022 under the SEC's "56-1 One Report" disclosure requirement that requires listed companies to report on ESG issues, including human rights and social issues, throughout the business value chain¹⁹³.

Moreover, there might also be contrasting regulatory expectations within a country that can inhibit investor action. Such is the case of the anti-ESG movement in some states in the US. For instance, BlackRock has been facing blowbacks from Republican states over the past year about its ESG investing practices¹⁹⁴. In fact, Larry Fink, CEO of Blackrock, did not mention ESG in his latest letter to investors¹⁹⁵. This might discourage investors to address ESG issues, including modern slavery, in their investments. However, more evidence is necessary to understand how this impacts their investment decisions.

Finally, non-compliance with international standards can pose regulatory risks to investors as there has been a fast increase in the number of instances brought to the NCP mechanism involving investors¹⁹⁶. This mechanism might impact some investors more than others. For instance, cases have been filed mostly against pension funds¹⁹⁷ with less evidence of cases filed against banks and even less against asset managers and export credit agencies¹⁹⁸.

5.5 Reputational

Reputational risks are also salient when it comes to human and labour rights, especially for asset managers¹⁹⁹. For instance, investors have noted that providing quality jobs strengthens a company's social license to operate²⁰⁰. Avoiding reputational risks is also related to the increasing normative pressures from NGOs, industry associations, customers, trade unions, and other organisations regarding compliance with voluntary international and national norms and standards.

5.6 Mixed Drivers and Prioritisation

The above drivers are not mutually exclusive, rather they interact in different ways and investors prioritise them. For instance, both financial performance and moral or sustainability values might be

¹⁹¹ PRI, 'How Policy Makers Can Implement Reforms for a Sustainable Financial System'.

¹⁹² For instance, the Human Trafficking and Modern Slavery legislation South Africa's 2015

¹⁹³ World Federation of Exchanges, 'WFE Briefing on Human Rights-Related Disclosure Practices', n.d., www.world-exchanges.org.

¹⁹⁴ 'BlackRock Facing More Blowback Over ESG as GOP Pressure Mounts', *Bloomberg.Com*, 10 December 2022, <https://www.bloomberg.com/news/articles/2022-12-10/blackrock-facing-more-blowback-over-esg-as-gop-pressure-mounts>.

¹⁹⁵ See Annual Chairman's [letter to investors](#)

¹⁹⁶ OECD, 'Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises'.

¹⁹⁷ For example, the Dutch and Norwegian Pension funds, concerning a steel plant and infrastructure development project in India to be constructed by POSCO. See <https://www.oecdwatch.org/complaints-database/>

¹⁹⁸ For example, in Brazil against the Dutch export credit agency Atradius DSB in 2011 failing to comply with the OECD Guidelines in two dredging projects- this was the first complaint directed against an export credit agency. See <https://www.oecdwatch.org/complaints-database/>

¹⁹⁹ ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights'.

²⁰⁰ University of Cambridge Institute for Sustainability Leadership (CISL), 'Investing in Quality Jobs for a Just Transition Enhancing Disclosure for Better Measurement of Investment Impact on Decent Work'.

significant motivating factors, but some investors might prioritise financial returns whilst others might be willing to risk financial performance in the pursuit of sustainability²⁰¹. Prioritisation of drivers might vary across countries or even regions. However, most of the investor attitude's studies focus on specific countries mostly in the Global North (US, UK, EU), overlooking countries in the Global South (e.g., Asia, Africa, and South America)²⁰². Prioritisation might also depend on the asset class. For instance, investors might be more willing to compromise financial return in some assets but not in others²⁰³. It might also depend on the type of investor and their theory of change. For instance, impact investors have a unique approach that is characterised by the intention to contribute to positive social impact, and while they seek to achieve this alongside financial returns, they might be more likely to prioritise moral motivations²⁰⁴.

However, this prioritisation does not necessarily differ across investors based on their public commitments or affiliations. For instance, a study found that most investors, regardless of whether they have responsible investing orientations, agree that financial return is the most important factor when making investment decisions²⁰⁵. Moreover, whilst it would be expected that socially responsible investors vote in favour for ESG shareholder resolutions, there seems to be a disconnection between investor managers' commitments and actual voting practices. For instance, research has shown that asset managers mostly vote against social issues regardless of whether they are PRI signatories²⁰⁶ and when voting against action-oriented resolutions on labour rights these same signatories provide reasons that are inconsistent with such principles and with international standards²⁰⁷.

6. What data and metrics do capital market actors use to address modern slavery in business supply chains?

6.1 Key findings

- Most investors rely on ESG rating and data providers.
- ESG ratings providers that lack reliability and that do not fully capture modern slavery issues.
- Access to and reliability of corporate-level data is a key limitation for investor action. However, these limitations differ across capital market actors and depends on the type and class of investment.
- There are emerging efforts across governments to regulate ESG agencies and improve the quality of the data.
- Investor-led organisations are also working to develop better data.
- Technology promises to help investors make better use of data.
- There is little evidence of data being gathered in the ground.
- Little evidence of investors triangulating data and making full use of the whole range of data sources at their disposal. This could be related to limited resources and capabilities as discussed earlier.

²⁰¹ Freshfields Bruckhaus Deringer, 'A LEGAL FRAMEWORK FOR IMPACT: SUSTAINABILITY IMPACT IN INVESTOR DECISION-MAKING'.

²⁰² Freshfields Bruckhaus Deringer.

²⁰³ Freshfields Bruckhaus Deringer.

²⁰⁴ International Finance Corporation, 'Creating Impact. The Promise of Impact Investing'.

²⁰⁵ As cited in LeBaron et al., 'Investment Patterns and Leverage'.

²⁰⁶ In UN Working Group on Business and Human Rights, 'Taking Stock of Investor Implementation of the UN Guiding Principles on Business and Human Rights Adendum Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises'.

²⁰⁷ Voting Matters 2022 Are asset managers using their proxy votes for action on environmental and social issues? ShareAction, 2023.

- No evidence of investors collecting data from People with Lived Experience (PLE)

6.2 ESG rating and Data Providers

A study showed that investors need different types of data to address modern slavery including company level information (both generated by the companies themselves as well as independently)²⁰⁸. The evidence suggests that investors mostly use ESG rating and data providers. In the case of passive investors, they depend on index data providers (i.e., MSCI data) to carry out preliminary fund assessments²⁰⁹.

However, there are significant limitations in company data provided by ESG rating and data agencies that hamper investor's action to tackle modern slavery. In particular, this data lacks reliability as it is measured inconsistently across providers and uses a narrow conceptualisation of human rights.

The inconsistent measurement of ESG data impacts investors as investors rely on external ESG data rating agencies and data providers (sometimes multiple ones) for integrating human and labour rights into their investment decision making and engagement practices²¹⁰. However, the framework's effectiveness being questioned as there is not yet an agreed established set of standards to guide ESG investing²¹¹. This means that ESG data varies substantially across rating agencies and data providers as they use proprietary methodologies with different metrics²¹², indicators, and weighting criteria²¹³. This poses interpretation and comparative challenges to investors when drawing from multiple sources as it is difficult to understand differences in measurement of data across sources²¹⁴. Despite this, only a few investors have developed proprietary indicators for assessment or use a platform to integrate data from external providers²¹⁵.

At the national level, there are emerging efforts to regulate ESG data providers worldwide. For instance, in the UK the government is considering regulation²¹⁶ and it has established a group to develop a code of conduct for ESG data providers²¹⁷. In Europe, the European Commission undertook a consultation on the consideration to regulate ESG data and ratings providers²¹⁸. There are already efforts in Asia such as from the Japan's Financial Services Agency who developed in 2022 a code of conduct for ESG rating and data providers to ensure the quality of the data provided²¹⁹. In the UK, the investor coalition Find it, Fix it, Prevent it, is also working to develop better ESG data to support investors²²⁰.

The reliability of modern slavery data in particular is hampered by the limited weighting given to human right risks in ESG metrics²²¹. For instance, a company can be a high-ranking ESG company but be involved in severe human rights violations. Moreover, the reliability of modern slavery data is

²⁰⁸ Ostmann et al., 'Data for Investor Action on Modern Slavery A Landscape Analysis'.

²⁰⁹ PRI, 'EU Taxonomy Alignment Case Study'.

²¹⁰ For instance, a recent study (2020) 70% of asset managers rely on external ESG data providers for integrating human and labour rights into their investment decision making and engagement practices. ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights'.

²¹¹ LeBaron et al., 'Investment Patterns and Leverage'.

²¹² University of Cambridge Institute for Sustainability Leadership (CISL), 'Investing in Quality Jobs for a Just Transition Enhancing Disclosure for Better Measurement of Investment Impact on Decent Work'.

²¹³ As cited in Justice and Care, 'Modern Slavery in Global Supply Chains'.

²¹⁴ Ostmann et al., 'Data for Investor Action on Modern Slavery A Landscape Analysis'.

²¹⁵ ShareAction, 'Point of No Returns Part II-Human Rights An Assessment of Asset Managers' Approaches to Human and Labour Rights'.

²¹⁶ <https://www.gov.uk/government/consultations/future-regulatory-regime-for-environmental-social-and-governance-esg-ratings-providers>

²¹⁷ <https://www.fca.org.uk/news/news-stories/code-conduct-esg-data-and-ratings-providers>

²¹⁸ https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2022-esg-ratings_en

²¹⁹ <https://www.esginvestor.net/japan-finalises-code-of-conduct-for-esg-data-providers/>

²²⁰ CCLA Good Investment, 'Find It, Fix It, Prevent It. Annual Report 2020'.

²²¹ Justice and Care, 'Modern Slavery in Global Supply Chains'.

hampered by the narrow conceptualization of human rights in current labour standards data that fail to properly capture human rights issues such as forced labour²²². This narrow conceptualization also extends to broader human rights issues that are limited to the 'S' of ESG, rather than understood as relevant across a wide range of ESG related issues²²³ despite emerging evidence in the anti-slavery space showing the link of the 'S' and the 'E'²²⁴.

Whilst ESG data is used to incorporate ESG in investing decision making processes, this does not necessarily mean that investors use this same data to prioritise engagements with specific companies in an attempt to influence their behaviour. For instance, BlackRock uses the level of materiality of ESG factors on their financial and/or operational performance to prioritise engagements across all their assets while they use the size of the holdings for private and listed equity²²⁵. Nonetheless, more research is necessary to understand how data is being used for different purposes, for instance the data used for ESG integration compared to data used for engagement across a diverse set of actors in the capital markets landscape.

6.3 Self-reported company data

Investors also rely on company disclosures. However, this data remains scarce, poor²²⁶ and mostly patchy²²⁷ despite obligations in some countries to report on modern slavery efforts (i.e., Modern Slavery Act in the UK). This data might also not be reliable as this is mostly self-reported by the companies.

6.4 Civil Society Benchmarking

To obtain company-level data, investors also use benchmarks and ranking data from civil society associations. The most widely used are Know the Chain, Ranking Digital Rights, the WDI, the World Benchmarking Alliance's Social Transformation Framework and Corporate Human Rights Benchmark²²⁸. There is no evidence of investors collecting information from PLE. However, this could improve investors' approach at addressing modern slavery²²⁹.

7. Conclusion

To what extent are investors a potential lever to address modern slavery in global supply chains?

Capital market actors, including a range of institutional investors, asset managers and stock exchanges, can have significant leverage over companies to address modern slavery in business supply chains worldwide through the implementation of various policies and practices. From engaging directly with companies, filing shareholder proposals, and exercising voting rights, to excluding and divesting from companies involved in human rights violations and supporting and encouraging more and better corporate human rights regulation. Collaboration efforts across investors in particular have resulted in positive corporate changes, from human rights and forced labour policy developments to increased awareness, disclosure, and compliance. The evidence

²²² As cited in LeBaron et al., 'Investment Patterns and Leverage'.

²²³ Khan, Maha, Heywood, Loria-Mae, and Pescinski, Janina, 'FAST: Convening Africa 2022. Mobilizing the Financial Sector to Address Modern Slavery and Human Trafficking in Sub-Saharan Africa'.

²²⁴ Finance Against Slavery and Trafficking, 'Earth Shattering: Opportunities for Financial Sector Engagement at the Nexus of Modern Slavery and Natural Resources in Ghana' (New York: United Nations University, 2022).

²²⁵ BlackRock, 'PRI Public Transparency Report'.

²²⁶ For instance, companies rarely establish consistent KPIs that investors can track.

²²⁷ The Financial Reporting Council, 'Modern Slavery Reporting Practices in the UK. Evidence from Modern Slavery Statements and Annual Reports', 2022.

²²⁸ PRI and Shift, 'Managing Human Rights Risks: What Data Do Investors Need?'

²²⁹ Khan, Maha, Heywood, Loria-Mae, and Pescinski, Janina, 'FAST: Convening Africa 2022. Mobilizing the Financial Sector to Address Modern Slavery and Human Trafficking in Sub-Saharan Africa'.

suggests that when these levers are implemented under certain conditions, they are more likely to be effective at influencing corporate behaviour. Unfortunately, so far none of the levers used by investors to address modern slavery involve the input or involvement of People with Lived Experience (PLE) except for financial inclusion²³⁰.

Finally, while capital market actors have a wide range of policies and practices at their disposal to address modern slavery in global supply chains, not all investors use all these levers, nor do they do so to the same extent or as effectively. This is partially due to the particular limitations of some investors to exert leverage in some investments and assets, their resources and capabilities, their prioritisation of motives, their discretion based on client's interests, and to the voluntary nature of these levers. Given that regulatory pressures are a key driver for investor action in ESG issues, the increasing regulation on human rights in the EU and elsewhere suggests that investors, at least in the Global North, will be more driven to use some of these levers, especially human rights due diligence, to address modern slavery in global supply chains.

8. Future Research

Based on the evidence review, the below are some avenues that could be pursued by future research to increase understanding on the role of capital market actors in addressing modern slavery.

8.1 Levers

- It is necessary to undertake empirical research to understand the use of these levers by investors in the Global South.
- There is a need to comprehensively map the policies of large pension funds, insurance companies, banks, stock exchange markets, and asset managers to identify to what extent they cover forced labour-related considerations. The UN, through its Sustainable Stock Exchange initiative, is already undertaking a mapping of the guidelines of stock exchanges and their reference to modern slavery related issues.
- There is a need to disaggregate data on ESG to better identify the different issues addressed by capital market actors under this umbrella, including modern slavery related ones.
- Research that differentiates across different types of investors is needed.
- There is a need to understand how passive investors can increase their leverage and the role of index providers (e.g., FTSE Russell and MSCI) on this.
- There is a need to better understand the role of intermediaries such as investment consultants and advisors.
- More research is needed on the use of these levers by private equity investors.
- There is a need to better understand the leverage of asset owners on asset managers.
- There is a need for robust research that compares successful and unsuccessful use of levers to understand what factors, and to what extent, influence each type of effectiveness, differencing across categories of corporate behavioural changes.

8.2 Drivers

- Research is needed to explore drivers for addressing modern slavery in particular, and how they compare with the drivers for sustainable/responsible investment.

²³⁰ A lever used by investors, mostly banks, to prevent modern slavery by tackling its root causes.

- Need to explore drivers of capital market actors in the Global South and how they compare to those in the Global North.
- Need to understand the impact of specific regulations on investor behaviour.

8.3 Data

- Research is necessary to understand how data is being used for different purposes, for instance the data used for ESG integration versus data used for engagement across a diverse set of actors in the capital markets landscape.
- Research is necessary to understand the extent to which technology can improve investor's access and use of data.
- Potential of regulation on ESG rating providers at improving financial actor's efforts to address modern slavery in their portfolio.

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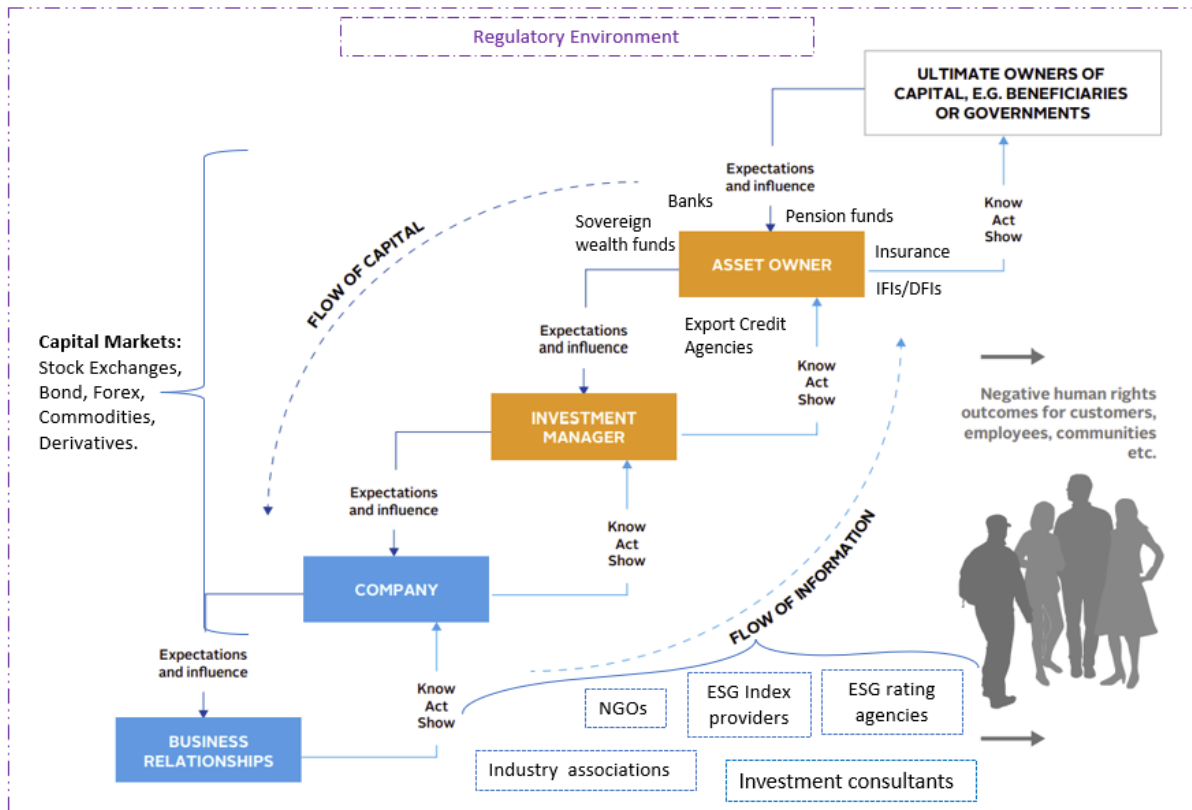
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Annex 1: Capital markets ecosystem



Adapted by the author from PRI (2020) 'why and how investors should act on human rights' based on evidence review.