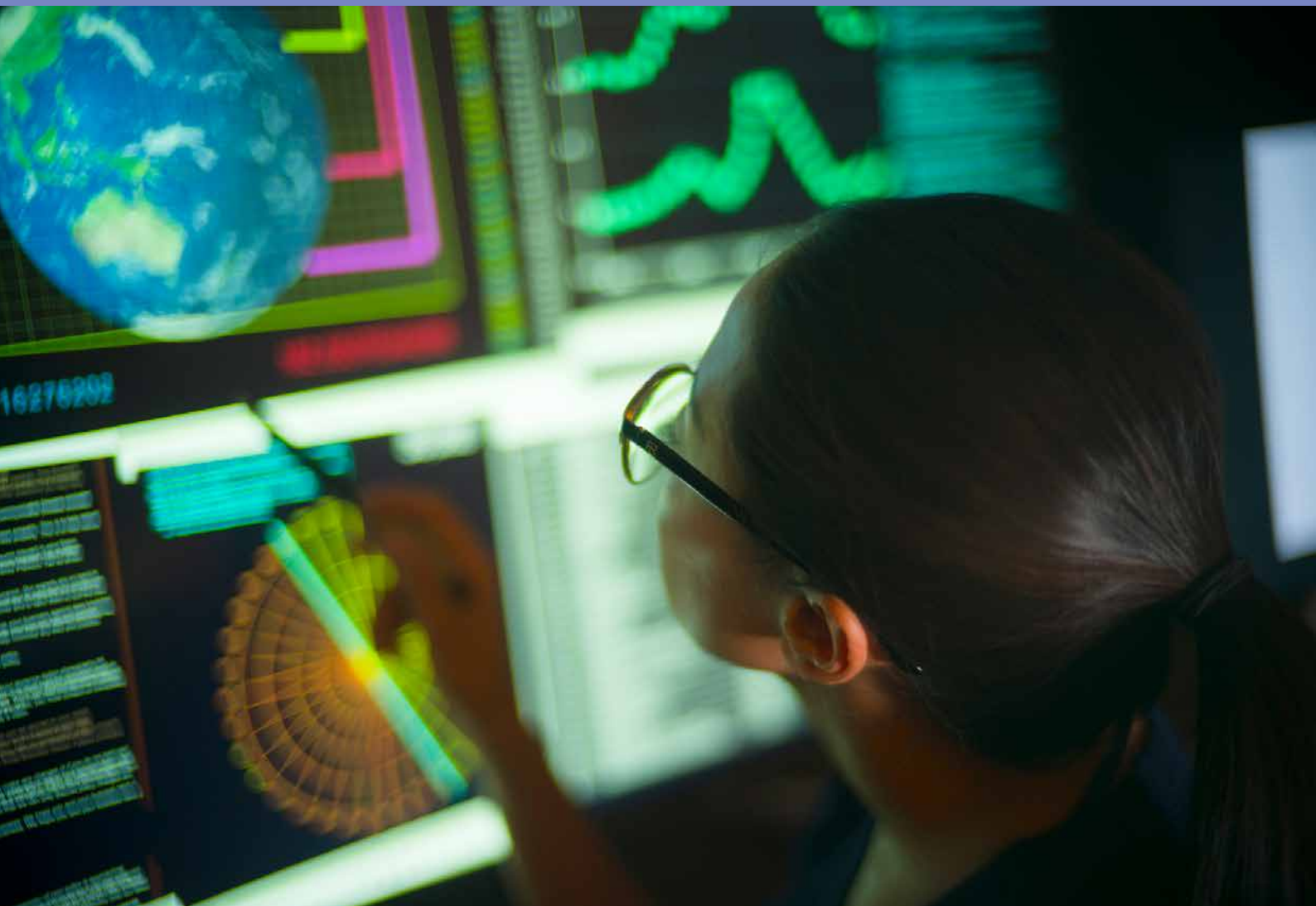


Data for investor action on modern slavery

Research Summary

June 2021

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Research by

This is a Research Summary of Data for Investor Action on *Modern Slavery: A Landscape Analysis*, by Florian Ostmann and Alex Harris from the Alan Turing Institute and Nyasha Weinberg, Irene Pietropaoli and Lise Smit from the Bingham Centre for the Rule of Law. The full report, and a catalogue of data resources on modern slavery that the research identified as potentially relevant for investors, can be found at modernslaverypec.org/resources/investors-data.

The views expressed in this report are those of the authors and not necessarily of the Modern Slavery PEC.

Recent years have seen a rapidly growing recognition of the role of investors in addressing modern slavery in business contexts, but investors often find it difficult to obtain information needed to exercise this role effectively. Actionable insights on modern slavery that meet investors' information needs are often difficult to come by.

This research sought to map out the potential of data in enabling investors to take effective action on modern slavery. In particular, the project aimed to address two research questions:

1. **What kinds of insights** may investors be looking for when integrating the issue of modern slavery into investment decisions and company engagement activities?
2. **How can data be used** to address investors' information needs, both in terms of currently existing resources and possible efforts to improve the modern slavery data landscape?

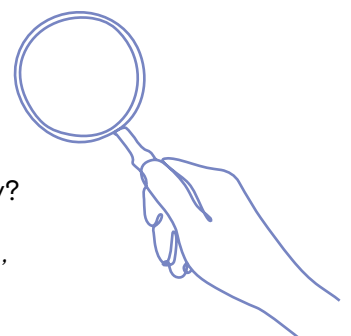
To examine these questions, we conducted extensive desk-based research and engaged with over 70 experts through individual interviews and two roundtable events.

Key findings

To act on modern slavery effectively, investors need information for two analytical aims: assessing issue significance and assessing company performance

Investors' ability to take effective action on modern slavery – be it in the context of investment decisions or active ownership activities – depends on two kinds of insight:

- How **significant** is the issue of modern slavery in the context of a given company?
Assessing issue significance requires determining the *salience* of modern slavery in the context of individual companies. This involves assessing the potential for links to modern slavery within the company's value chain, be it through the production or the use of a company's products and services. In addition, investors may seek to understand potential modern slavery-related impacts on a company's financial performance by conducting an assessment of *financial materiality*.
- How does the company **perform** in managing the issue of modern slavery?
Assessing company performance includes the tasks of *defining performance expectations*, including applicable legal requirements, and *measuring companies' performance* against these expectations.



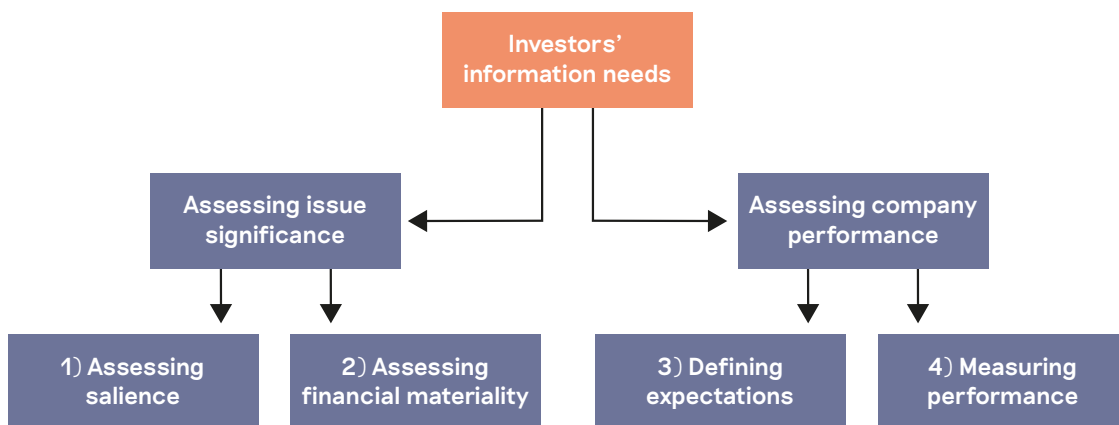


Figure 1: Overview of analytical tasks that define investors' information needs

Several types of data can help meet investors' information needs

The research identified four categories of data that could be useful to arrive at the kinds of insights needed by investors (with examples summarised in a separate resource catalogue document at modernslaverypec.org/resources/investors-data). We include all *potentially useful* types of data specific to modern slavery, regardless of their practicability, which allows us to consider types of data that hold promise but are currently difficult to leverage.

- **Category 1: Contextual information about the occurrence of modern slavery**

This is information that sheds light on the occurrence of modern slavery in general terms, without being related to specific companies. Such information represents an important starting point for developing a general understanding of modern slavery as a phenomenon in specific geographic areas, industries, or commodity supply chains. Specific types of data in this category include records about known cases of modern slavery, systematic estimates concerning the occurrence and characteristics of modern slavery, and broader issue-focused publications.
- **Category 2: Contextual information about societal expectations**

This category includes data about relevant laws or regulations, as well as data about non-legal expectations regarding companies' behaviour in relation to modern slavery. The latter can include expectations voiced by a variety of stakeholder groups and may be driven, for example, by investor initiatives, business groups, civil society organisations, or governments. The focus of information in this category tends to be defined geographically or by specific industries or commodities.
- **Category 3: Company-specific information controlled by companies of interest**

Data in this category contains information related to specific companies and their value chain and is provided by companies themselves. This includes non-financial disclosures, company registry entries and financial statements, and relevant non-public data.
- **Category 4: Independent company-specific information**

This is information about specific companies that is not controlled by these companies themselves and can be uniquely valuable on account of its independence. Data in this category includes company ratings; data on independent audits, certification or accreditation; data on company-specific controversies, campaigns, and proceedings; and observable business activity footprints.

There are obstacles in using relevant data to arrive at the insights needed by investors

In addition to general challenges around data quality, there are four common obstacles that can make it difficult to leverage the types of data we considered.

- **Empirical blind spots**

Existing data often provides only an incomplete picture of reality or exhibits other gaps of information. One important cause of empirical blind spots is the fact that modern slavery practices are not immediately obvious and easy to identify. In addition, individual datasets often *lack universal coverage*, instead being limited to, for example, certain geographical areas, industries, or types of companies. Finally, the value of certain types of information is subject to *inherent limitations*, as illustrated, for example, by modern slavery statements published under the UK's Modern Slavery Act.

- **Comparability**

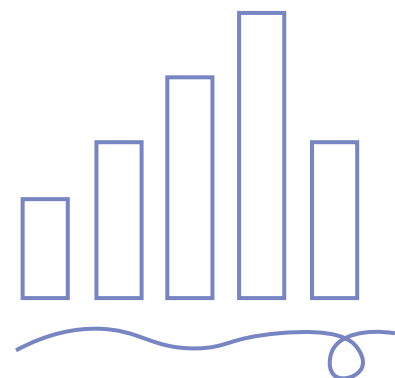
When drawing on data from multiple sources, it is often difficult to understand to what extent data reflects differences in *conceptual approaches* (for example definitions of modern slavery), *data accuracy and validity*, or *analytical methods* used. This makes it hard for data users to judge whether data points from different sources are comparable and to account for comparability issues when interpreting data.

- **Ease of analysis**

It can be difficult to extract key information from *data that is unstructured* (for example text within documents) or *data that lacks a dedicated focus on modern slavery*, alongside possible challenges of *translating information* recorded in different languages.

- **Data access**

Data may be protected on grounds of *sensitivity*, access to it can require *payment* (in the case of commercial providers), and pathways for accessing different kinds of relevant data are *fragmented*. These factors can make it practically or financially infeasible to access potentially useful data.



Data science techniques can help to make better use of existing data and arrive at improved insights

The research identified four strategies as particularly promising and currently underutilised:

- **Natural language processing (NLP)**

NLP can facilitate the analysis of unstructured data and help overcome language barriers. For example, text mining and content classification can serve to analyse free-form text from sources, such as company disclosures or news reports, at scale and with limited human involvement.

- **Probabilistic inferences about missing or weak information**

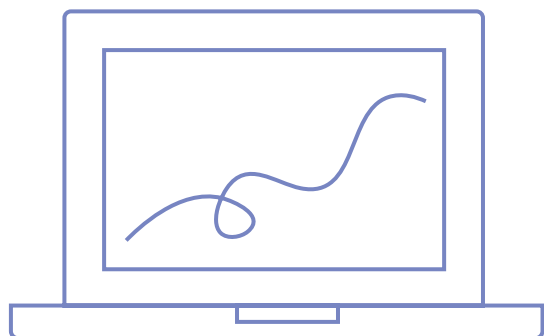
Rather than taking instances of missing or weak information at face value and treating them as unknowns (for example in the case of non-existent or weak company disclosures), it may be possible to use probabilistic modelling to draw conclusions about the expected underlying reality in such cases.

- **Overlaying and cross-checking information from different types of data**

Combining information from different types of data can enable more *granular insights* (for example overlaying information on the prevalence of modern slavery at the level of countries, industries, and commodities). It can also serve to *identify information inaccuracies* through cross-checking of information from different sources.

- **Advanced modelling techniques for modern slavery estimates**

Methodological innovation in modelling the occurrence and characteristics of modern slavery has the potential of addressing the shortcomings of existing estimates. This includes possible advancements that *increase the accuracy* of estimates as well as new modelling approaches that focus on particular industries or supply chains, in contrast to traditional geographically focused estimates.



There are limitations in the design of existing solutions for conveying relevant insights to investors

Some kinds of insights and potentially promising analytical capabilities are currently lacking in the landscape of existing solutions. In addition, the capabilities of individual solutions are highly fragmented. As a result, there is currently no 'one-stop shop' that provides the full range of insights that investors may seek.

In addition, there is a particular trade-off when it comes to the capabilities of existing solutions for conveying company ratings:

- Company ratings with a dedicated thematic focus on modern slavery or human rights tend to provide information across *different levels of depth*, for example combining summary scores and more detailed qualitative information. At the same time, they often only cover a limited number of prominent companies and, given their thematic focus, do not provide information on other environmental, social or governance (ESG) issues that investors may seek information on (limited breadth).
- Conversely, general ESG ratings typically cover the full range of ESG issues of interest to investors and a broader range of companies. Yet, they are often less comprehensive in terms of the aspects of information that they take into account for a given issue and more limited in the depth of information provided (e.g., only providing summary scores).

Strategies for improving the landscape of solutions for conveying insights include filling gaps and integrating capabilities

Filling gaps in the current solutions landscape would involve developing tools that use currently neglected types of data and provide analytical capabilities that are currently lacking. In addition, investors would also benefit from a greater integration of different relevant analytical capabilities in individual tools. An ideal integrated tool would address investors' information needs on the issue of modern slavery in a consolidated manner and link up to broader ESG-related decision-making processes. From a design perspective, company rating tools represent a promising starting point for pursuing this kind of integration. Strategic aims in pursuit of integration would include expanding the range of aspects of information and sources of information covered; coverage of all investable companies; the ability to zoom in and out across levels of breadth and depth of information; and methodological flexibility in analysing and using insights, for example the ability for users to select their own criteria for issue significance or performance expectations.

Recommendations

Based on these findings, our research suggests the following high-level recommendations, highlighting strategic actions on the path to investors playing a greater and more effective role in addressing the problem of modern slavery through data-driven insights. Given the complexity of the landscape and the range of different kinds of actors involved in it, many of our recommendations apply to multiple stakeholders, including investors, commercial solution providers, civil society organisations, governments, and investee companies:

1. Increase awareness for the integration of modern slavery considerations across the investment industry

Despite a significant increase in investor attention on modern slavery, commitments to integrate the issue into investment practices are far from universal. Individual investors, investor alliances, governments and civil society organisations should all play their part in promoting investor commitments to addressing modern slavery.

2. Incentivise and invest in the development of data solutions that meet investor needs consistent with a salience-based approach

Turning the promise of data in enabling investor action on modern slavery into reality will require dedicated efforts. To support them, stakeholders should commit resources specifically to the development of investor-focused solutions. This includes possible commitments of financial and other resources from investors, commercial and non-commercial data and solution providers, charitable funders, and governments. In addition, the establishment of common expectations regarding the capabilities of solutions, for example through efforts by investors to develop shared company performance metrics, can provide important demand-side incentives for development efforts.

3. Pursue innovation in areas that hold particular promise but are currently neglected

In addition to addressing foundational challenges such as data quality, data coverage, and data access issues, efforts should focus on the strategies for improvement identified by the research. This includes innovative ways of analysing data as well as filling gaps and achieving greater comprehensiveness and integration in the capabilities of solutions for presenting insights to users.

4. Coordinate and avoid duplication of efforts

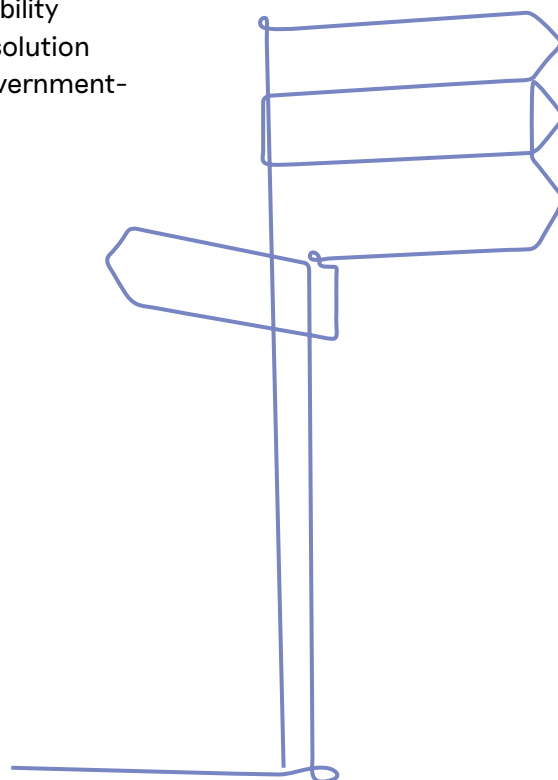
The data and solutions landscape is characterised by a large number of active organisations, ongoing or newly emerging work and, in some cases, difficulties in accessing detailed information about individual resources and tools. This can create obstacles for allocating efforts to where they can make the biggest difference and for avoiding duplication. Organisations, including funders and developers, should work to facilitate coordination and collaboration with other stakeholders and promote transparency about the capabilities and limitations of the solutions being developed.

5. Prioritise usability and interoperability in data production and solution design

Data producers should actively consider the value and practical usability of relevant data for investors when making choices about methodology, data content and data format, for example when producing modern slavery statements. In addition, data producers should be transparent about methodology and data quality limitations to enable potential users to assess data for suitability and comparability, for example in the case of company rating data.

Usability and interoperability should also be taken into account by developers of solutions for accessing data or presenting data-driven insights. For example, the inclusion of company identifiers used in stock trading could facilitate the integration of data from modern slavery statement registries into independently developed company rating tools.

Policymakers, funders, and investors should consider their role in setting standards to ensure usability and interoperability in data production and solution design. For instance, the introduction of government-issued requirements on the structure and format of modern slavery statements could contribute to increasing their utility in the investment context.



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The Modern Slavery and Human Rights Policy and Evidence Centre was created by the investment of public funding to enhance understanding of modern slavery and transform the effectiveness of law and policies designed to overcome it. With high quality research at its heart, the Centre brings together academics, policymakers, businesses, civil society, survivors and the public on a scale not seen before in the UK to collaborate on solving this global challenge.

The Centre is a consortium of six academic organisations led by the Bingham Centre for the Rule of Law and is funded by the Art and Humanities Research Council on behalf of UK Research and Innovation (UKRI).

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