



THE INVESTOR FORUM



# Modern Slavery: Toolkit for Investor Due Diligence



## Foreward

Modern slavery is an umbrella term encompassing slavery, servitude, exploitation, forced or compulsory labour and human trafficking. Victims of modern slavery are unable to leave their situations of exploitation, controlled by threats, punishment, violence, coercion and deception. Although it is illegal in most countries, it remains a widespread practice and regularly occurs in sectors of the legal global economy such as food production, construction and apparel manufacturing.

Modern slavery is a critical issue for companies aiming to manage risk, safeguard their business, and protect workers throughout their supply chain.

Investors may be connected to modern slavery and human trafficking through their own operations and supply chain, and share a responsibility with all business for addressing this. However, their most material exposure is likely to be through the companies in which they invest their client's capital. Because the institutional investment sector is so intertwined with the rest of the economy, investor action can drive better global practice in detection and mitigation, and help those that are most vulnerable. Investor interest, in the form of questions, feedback and proactive engagement, can be a powerful driver of corporate action to address the underlying issues.

This toolkit focuses on investor due diligence for invested assets, rather than their own operations and supply chain. Helpful guidance on operational due diligence for financial institutions is given by **Themis** in their online [Anti-Slavery Hub](#).

The clandestine nature of modern slavery and related practices mean it is not possible to get reliable market data to inform quantitative screening. External rating agencies may make inconsistent assumptions, and are themselves relying on opaque disclosures on complex multi-tiered supply chains. Companies are under different transparency requirements depending on their domicile, and face different legislation depending on the markets they sell to or operate in. All of this means that, in order to have a comprehensive understanding of the issues within a portfolio, an investor is required to undertake detailed company-specific due diligence.

The benefits to investors of undertaking such diligence include:

- An increased understanding and management of risks that may be financially material from an investment perspective and/or salient from a human perspective;
- An increased ability to implement the OECD Guidelines, as well as the UN Guiding Principles on Business and Human Rights (UNGPs), **within a broader human rights due diligence approach;**
- Identification of where investee companies are not in compliance with local legislation ( e.g. the UK Modern Act Slavery Act and the EU Corporate Sustainability Due Diligence Directive);
- Evidencing that the manager is meeting the expectations of clients (in the case of investment managers), beneficiaries/members (in the case of asset owners) and the regulator (where the investor is an FRC Stewardship Code signatory) relating to ESG integration and engagement;
- Evidence of consideration of Principal Adverse Impacts, where products are covered by EU SFDR.

This toolkit is designed as a step-by-step guide for investment teams to undertake due diligence on modern slavery issues within listed companies, and evidence this to their stakeholders. With input from an investor Working Group, it also draws on the work done by many other organisations focusing on investor engagement to tackle modern slavery.

To best utilise the existing expertise and deep knowledge base of NGOs, academics, think tanks and regulators, and to provide the most current and comprehensive insight, we signpost throughout the report to valuable resources that are available to investors. These provide education, inform company research, and help fulfil the suggested actions set out in the framework.

Given resource constraints, investors will focus their activity based on many factors, including the leverage that they have to influence change, exposure and perceived risk. The checklist in Annex 2 is designed to help identify companies that may require enhanced scrutiny. The most salient risks – those where impact on either an individual or the company is greatest and most likely – should be prioritised for further due diligence.

Victoria Sant  
Managing Director



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# Objectives

This toolkit has four objectives. It aims to help the investor:

1. Understand the global context and systemic risks relevant to listed companies;
2. Evaluate whether an investee company has appropriate processes and commitments in place, with acceptable levels of transparency;
3. Interrogate how statements translate to practice; and
4. Take action to drive improvements.

## Summary investor due diligence

1

### Understand context and systemic risks

- Background research: Understand the components and global prevalence of modern slavery.
- Risk mapping: Identify the specific risks of the company.
- Legal compliance: Consider impact and reach of relevant legislation.

2

### Evaluate company commitments, processes and disclosures

- Company history: Review company's reputation, track record and relevant newsflow.
- Modern Slavery Act Statement: Analyse the company's section 54 MSA Statement.
- Reporting and transparency: Review tone and content of narrative reporting and disclosures.
- Audit: Consider suitability of investigation and assurance processes.
- Governance: Consider suitability of oversight and ownership.
- Collaboration and engagement: Review extent to which the company engages with policy makers and others to address systemic issues in regions in which they operate / source from.

3

### Interrogate company practices

- Questions for company: Contact company to discuss observed risks, commitments, transparency, responsible procurement practices, resources and governance, disclosures, recent case studies.
- Site visits: Observe evidence of training, information provision and awareness.
- Track progress: Monitor improvements over time.

4

### Take action

- Company-specific escalation options:
  - Feedback
  - Engagement
  - Initiate a collective engagement
  - Vote against resolutions at AGM
  - Whistleblowing to relevant authorities
  - Divestment / exclusion
- Investment industry collaboration:
  - Investment industry initiatives
  - Policy-level engagement
  - Supporting academic research

# Resources

Modern slavery is just one aspect of human rights that investors should consider in their due diligence process. Further reading on the wider issue of human rights for investors can be found in the following resources:

- **The Investor Alliance For Human Rights** – [Investor Toolkit on Human Rights](#) – practical guidance for institutional investors in applying the UN Guiding Principles throughout their risk management systems to assess and address risks to people involved with their business, with a primary focus on investment activities.
- **United Nations Human Rights**: [Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights](#) – a report summarising what rights-respecting investment entails, based on the expectations of the UN Guiding Principles, the authoritative global framework for the respective duties and responsibilities of governments and business enterprises to prevent and address business-related human rights impact.
- **UN PRI** – [Why and How Investors should Act of Human Rights](#) – this paper sets out the PRI's expectation that investors respect human rights across all their investment activities, as defined by the UN and OECD.
- **Ethical Trade Initiative**: [Human Rights Due Diligence Framework](#) - A guide for companies to help them prevent and manage labour rights risks.



# Objective 1:

## Understand the context and systemic risks relevant to listed companies

### 1.1 Background Research

**Action:** Understand the components and global prevalence of modern slavery, and the relevance of Global Codes and Standards.

**Tip:** Be familiar with the meaning and impact of:

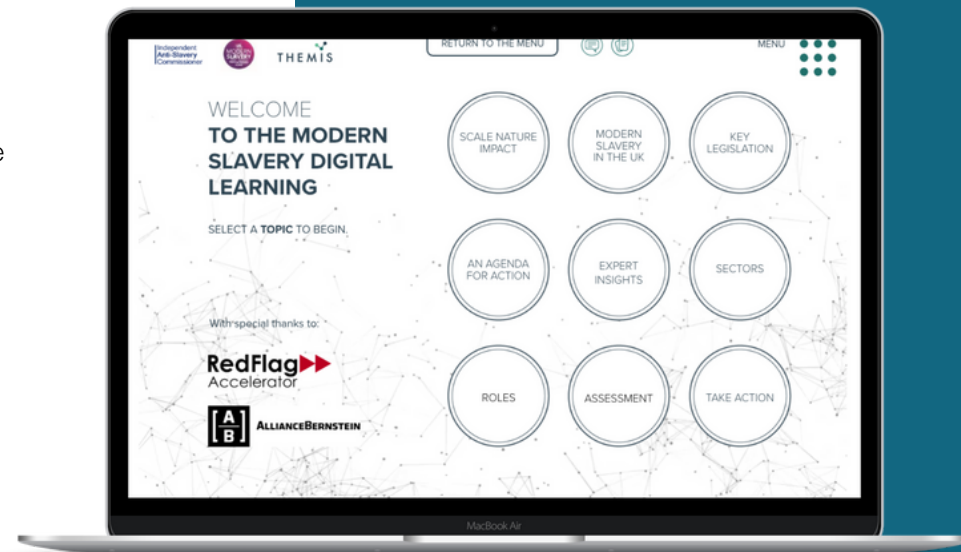
- Forced labour
- Child labour
- Human trafficking
- Debt bondage
- Unethical recruitment practices

### Resources

To help them understand the modern slavery and human trafficking risk landscape, investors can take the **Anti-Slavery Digital Learning**, an interactive, multimedia-rich course created specifically for the financial industry. This digital training is designed to help increase awareness of the issue and create awareness of how investors, amongst other sub-sectors of the financial industry, might be exposed.

This UK Government-sponsored training course was developed by Themis, in partnership with the Independent Anti-Slavery Commissioner and the UK National Training Delivery Group, and with support from RedCompass Labs and AllianceBernstein.

Investors can access the training for free here via the Themis LMS or alternatively it can be loaded up onto their firm's own training portal at no extra charge, with progress on the national campaign reported back to the Home Office each month.



## Recommended further reading on the scale of the issue

- [Business & Human Rights Resource Centre: Modern Slavery](#) – an organisation tracking compliance with modern slavery legislation, strengthening corporate transparency and accountability and engaging brands to combat modern slavery.
- [International Labour Organization's Glossary of terms relating to freedom and unfreedom in the world of work](#): This document deconstructs some of the commonly used concepts referred to in other resources highlighted, providing a legal or academic definition and comments on other characteristics.
- [Modern Slavery Map](#): A comprehensive, interactive map of initiatives and organisations that are partnering with the private sector, with links to issue-specific websites for further reading, research and education.
- [OECD Due Diligence Guidance for Responsible Business Conduct](#): Report providing practical support to enterprises on the implementation of the OECD Guidelines for Multinational Enterprises, including explanations of its due diligence recommendations.
- [The Mekong Club](#): An organisation that works with the private sector to bring about sustainable practices against modern slavery across the globe.
- [The Re:structure Lab: The Briefs](#) – a collaboration between four North American universities bringing together leading academic experts, researchers, and real-world practitioners to work on forced labour and evidence-based anti-trafficking policy. The Briefs are a collection of papers on across disciplines.
- [UK Independent Anti-Slavery Commissioner: Resources](#) – a repository of useful resources related to modern slavery and human trafficking including reports, guidance and information, from the UK's IASC office.
- [United Nations Global Compact: Human Rights, Labour and Social Sustainability library](#): - research reports and policy documents focusing on the role of business in addressing child labour and protecting worker rights.
- [United Nations Office on Drugs and Crime: Human trafficking and migrant smuggling. Resources](#) - UNODC is a source of global expertise, knowledge and innovation in the fields of human trafficking and migrant smuggling. The website provides an extensive collection of multilingual, evidence-based publications, tools and manuals for training, education, research, policy and legal reform purposes.
- [Verité: Resources](#) – an independent, non-profit, civil society organization which partners with corporations and governments to illuminate labour rights violations in supply chains and remedy them.
- [Walk Free: Resources](#) – a comprehensive data set on modern slavery, encompassing multiple reports, policy documents, and submissions from an international human rights group focused on the eradication of modern slavery in all its forms.

## Global Codes & Standards



Many companies commit to comply with international codes and standards. Understand the scope and impact of these by reading more below:

- [United Nations Global Compact](#) – The Ten Principles of the United Nations Global Compact are derived from the:
  - [United Nations’ Universal Declaration of Human Rights](#),
  - [International Labour Organization’s Declaration on Fundamental Principles and Rights at Work](#),
  - [Rio Declaration on Environment and Development](#)
  - [United Nations Convention Against Corruption](#).
- BRE [Ethical Labour Sourcing Standard](#) - BES 6002 enables a company to demonstrate its commitment to eliminating any possibility of trafficking or modern slavery in its supply chain. The Verification Scheme provides assurance that organisations have made a measurable commitment to manage ethical labour sourcing challenges.
- [Dhaka Principles for Migration with Dignity](#) (including ‘Employer Pays Principle’) - a set of human rights based principles to enhance respect for the rights of migrant workers from the moment of recruitment, during overseas employment, and through to further employment or safe return to home countries.
- [Ethical Trading Initiative Base Code](#) - the ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice.
- ILO’s [Child Labour Platform](#) (CLP) - a membership-based forum for businesses to share and learn from others’ approaches to tackling child labour in the supply chain.
- [Sustainable Development Goal 8.7](#) – “Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms”.
- [UN Guiding Principles on Business and Human Rights](#) - a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.
- UN’s [Women’s Empowerment Principles](#) - a set of Principles established by UN Global Compact and UN Women, offering guidance to business on how to promote gender equality and women’s empowerment in the workplace, marketplace and community.



## 1.2 Risk Mapping

**Action:** Undertake a risk assessment of modern slavery indicators in the company's operations and supply chain, given:

- Domicile of listing
- Sector of operations
- Product composition
- Sourcing countries of the main categories of products/services/parts/raw materials that end up in its products
- Composition of workforce (use of sub-contractors, migrant workers etc)
- Socioeconomic conditions of the regions where its own operations take place.

Modern Slavery is not an issue dependent on the economic development of a given market; while risks increase with exposure to countries with poor rule of law and human rights records, material risks can be present in the most economically and legally developed nations.

The SASB/ISSB frameworks may be helpful to identify issuers where supply chain risks are recognised as being financially material. However, note that significant suffering to an individual can be caused without posing a financially material risk to the company. Risk should be considered in the context of the workers in the supply chain as well as the risk to the business.

## Resources

Recommended sites for in depth insight into specific industries and regions to assist with the understanding of risk exposures:

- [RESPECT](#) - the Responsible and Ethical Private Sector Coalition against Trafficking (RESPECT) initiative which provides insight into risk and governance areas by industry and region.
- [Responsible Sourcing Tool](#) - the result of the collaboration between Verité and the U.S. Department of State's Office to Monitor and Combat Trafficking in Persons, this site is designed for companies, to help identify where human trafficking might be hidden in their supply chains by setting out the risks at a sector and geographic level.
- [US Bureau of International Labor Affairs \(ILAB\) - List of Goods Produced by Child Labor or Forced Labor](#) – a list of goods and their source countries which ILAB has reason to believe are produced by child labour or forced labour in violation of international standards, comprising 158 goods from 77 countries, as of September 28, 2022.
- [Verite Forced Labor Commodity Atlas](#) – detailed research into 43 commodities, supported by the U.S. Department of State.
- [Walk Free Global Slavery Index](#) – interactive maps and data sets covering prevalence, vulnerability, and government response in full detail.

## 1.2 Legal Compliance

**Action:** Consider impact and understand reach of relevant legislation, including:

- Modern Slavery Acts (UK, Australia)
- EU Corporate Sustainability Due Diligence
- Relevant European national laws (French Law of Vigilance, German Supply Chain Due Diligence Act, Norwegian Transparency Act, Swiss Conflict Minerals and Child Labour Due Diligence Provisions, Dutch Child Labour Act)
- US: Uyghur Forced Labour Prevention Act, California Transparency in Supply Chains Act, US Tariff Act

The potential financial cost of non-compliance can be material in some jurisdictions (e.g. fines of up to 2% of global turnover for German companies, impounding of imported goods by US Customs etc).



## Resources

The following sites provide up to date information on the global legislative developments and action at governmental level.

- [Australian Department of Home Affairs](#) – information on the implementation of the Australian Modern Slavery Act 2018
- [Business & Human Rights Resource Centre](#) – Corporate Legal Accountability portal – coverage of judicial and-quasi judicial mechanisms as well as legislative developments at the national and international levels, that are legally binding and enforceable.
- [European Coalition for Corporate Justice – Map: Corporate Accountability legislative progress in Europe](#) - an overview of the different mandatory Human Rights and Environmental Due Diligence (HREDD) laws and legislative proposals in Europe, classified in three categories (adopted law, political process, civil society action) depending on the state of progress.
- [US Department of State Trafficking in Persons Report](#) – a comprehensive annual report of governmental anti-trafficking efforts.

## Objective 2: Evaluate whether an investee company has appropriate commitments and processes in place, with acceptable levels of transparency

### 2.1 Company History

**Action:** Review company's reputation, track record and relevant newsflow (being mindful of credibility of information reported) considering input from:

- ESG scores from ESG rating agencies (eg [ISS Modern Slavery Scorecard](#))
- External assessments of business conduct tools (eg [RepRisk](#))
- Media – traditional and social (eg [Glassdoor](#))
- Human rights performance benchmarks

Finding modern slavery in a corporate supply chain is not in itself a red flag – indeed, it can be a sign that the systems and due diligence processes are functioning as intended. The company should be judged on how they respond to the case, and the measure they took to remediate and prevent future occurrence.

NGO benchmarks are often used by consumers and other stakeholders, and can highlight areas for further engagement.

Not all ESG reporting frameworks, benchmarks and data providers have methodologies that are aligned with the UNGPs and reflect real-world outcomes for people. Investors should be wary of accepting conclusions at face value without ensuring that the process is robust.



## Resources

- External NGO benchmarks include:
  - Oxfam: [Behind the Barcodes](#) – analyses of 12 global supermarkets’ policies and practices on human rights in their supply chains
  - [Fashion Transparency Index](#) - 250 of the world’s largest fashion brands and retailers are reviewed and ranked according to what information they disclose about their social and environmental policies, practices and impacts, in their operations and supply chain.
  - BankTrack’s [Human Rights Benchmark](#) – assessment of the human rights policies of 50 of the largest commercial banks globally.
  - [KnowTheChain](#) – evaluates corporate efforts to assess forced labour risks in their supply chains and publishes sector-specific benchmarks every two years. In 2022/2023, benchmarks will cover over 180 companies
  - [Labour behind the Label](#) – focuses on apparel and footwear brands
  - BHRC’s [Transition Minerals Tracker](#) – coverage of 103 companies producing minerals vital to the renewable energy and electric vehicle sectors
  - World Benchmark Alliance: [Corporate Human Rights Benchmark](#) - measuring 230 global companies on their human rights performance.
- [Business & Human Right Resource Centre’s Company pages](#) – digital platform including news and allegations, key data points based on corporate policies, and scores from prominent civil society benchmarks on 275 clothing and textiles brands, 142 firms in extractive industries, 35 hotel companies and 40 technology firms.
- [Workforce Disclosure Initiative](#) – an initiative to improve corporate transparency and accountability on workforce issues, it provides its investor supporters with comparable data on companies that have agreed to complete its survey.



## 2.2 Reporting & Transparency

**Action:** Review tone and content of narrative reporting and disclosures, considering:

- Statements on:
  - Human rights,
  - Human capital management,
  - Supply chain due diligence,
  - Responsible procurement,
  - Risk mapping – materiality and saliency
  - Living Wage
- Consistency between MSA statement, Sustainability Report (GRI reporting), SASB materiality report, s172 statement, and financial report and accounts
- Supply chain mapping, beyond Tier 1 suppliers
- Commitment to transparency

A focus on outcomes-based reporting demonstrates an understanding of the relationship between inputs (resources, training, targets), activities (actions, processes), and outputs (cases found/remediated, process changes), and communicates the impact.

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Marks & Spencer Group plc have published a comprehensive open source guidance report for their food suppliers on “Human Rights Due Diligence and Remedy” - [here](#). If investors can understand the issues from a company’s perspective, and know what best practice looks like, they can better calibrate reasonable expectations of their investee companies.

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Achieving living wages is part of the business responsibility to respect fundamental human rights: Identifying the risk of low pay and acting to mitigate or remediate this risk is one way businesses can align with the UN Guiding Principles on Business and Human Rights (UNGPs). Read more [here](#).

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## 2.3 Modern Slavery Act statement

**Action:** (For companies doing business in the UK with annual revenues of £36 million or more) Analyse the Statement the company is required to produce under Section 54 of the Modern Slavery Act 2015, considering:

- Compliance with legal requirements and best practice
- Effectiveness of actions to identify and mitigate MS:
  - MS threat mapping – including nature and scope of risk assessment process
  - Supply chain transparency beyond Tier 1 suppliers (defined as those suppliers with whom the company has a direct contractual relationship)
  - Partnerships
  - Work with unions and other employee forums
  - Resources and training (management, staff, purchasers etc)
  - Responsible procurement practices which cascade policies down supply chain
  - Quantifiable targets for improvement - key performance indicators chosen and monitored over time
- Effectiveness of action to provide remediation:
  - Grievance mechanisms
  - Victim support
- Alignment with external principles, codes and standards
- Response to incidents - provisions of case studies of investigations, cases and remediation provided

There are regular sector-wide reviews of Modern Slavery Statement, which can help give insight into evolving best practice, and identify areas for improvement. For example, in 2022, the FRC published “Modern Slavery Reporting Practices in the UK” and ISS ESG publish an “[Analysis of Australian Modern Slavery Act statements](#)”



## 2.4 Audit

**Action:** Consider suitability of investigation and assurance processes, considering:

- Scope of internal / external audit to cover MS risks
- Use of third-party social auditors
- Policy on audits – are they unannounced, do they include off-site interviews with a cross-representation of the workforce?

### Social auditors

- [Bureau Veritas](#)
- [Impactt](#)
- [SEDEX](#)
- [Verite](#)
- [Worldwide Responsible Accredited Production \(WRAP\)](#)

Social audits alone are not the answer. The worst forms of human rights violations are ‘hidden crimes’ and are therefore unlikely to be easily picked up by one off visits. Social audits only provide a ‘snapshot’, rather than an ongoing study, and tend to be focused on direct, Tier 1 suppliers only. However, most issues arise further down the supply chain or through sub-contracting. There can also be a lack of genuine worker engagement due to fear of reprisals. Audits can still be a useful tool in monitoring supply chains but need to be done well, by those who have a track record of identifying problems in their reports, and should be complemented by other approaches.

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For more on this issue, see: [Re:Structure Lab’s Brief on Social Auditing and Ethical Certification](#)



## 2.5 Governance

**Action:** Consider suitability of oversight and ownership, considering:

- Chain of responsibility within the company, including Directors with oversight of responsible sourcing and employment rights, board committees with explicit responsibility for supply chain compliance, and Board-level oversight
- KPIs for Executives
- Incorporation into remuneration

Modern slavery risks lie in direct employment in own operations, goods and services not for resale, the direct supply chain, third party logistics, and the end commodities that go into a product sold.

Responsibility may therefore be spread amongst human resources, business management, and operational procurement.

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## 2.6 Collaboration & Engagement

**Action:** Review extent to which the company engages with policy makers and others to address systemic issues in regions in which they operate / source from, considering:

- Support for legislation on human rights
- Involvement in place-based multi-stakeholder initiatives
- Collaboration with peers (e.g. input into Traffik Analysis Hub, use of Fast Forward auditing etc)
- Stakeholder engagement
- Support for charities (with regards to remediation/victim support etc)



## Resources

- [The MSI Database](#) – this a database of multi-stakeholder initiatives (MSIs) that have been created to address problems ranging from forced labour to deforestation and government corruption. It catalogues basic information about the design characteristics of global standard-setting MSIs, including their scope, governance, and implementation structures. MSIs currently operate in almost every major global industry: certifying the production of clothing and other manufactured goods, monitoring commercial fishing practices, establishing codes of conduct for agricultural producers, and more.

Companies cite numerous organisations with whom they partner and collaborate, as sector or issue experts. A selection is given here:

[Anti-Slavery International](#), [Better Work](#), [British Retail Consortium](#), [BSR](#), [Consumer Goods Forum](#), [End Uyghur Forced Labour](#), [Ethical Trading Initiative](#), [Food Network for Ethical Trade](#), [Fors Comercio Etico](#), [Hope for Justice](#), [IJM](#), [Institute for Human Rights and Business Leadership Group](#), [International Accord](#), [Issara Institute](#), [Medaille Trust](#), [Migrant Help](#), [Modern Slavery Intelligence Network](#), [Seafood Ethics Action Alliance \(SEA Alliance\)](#), [Sedex](#), [Slave-Free Alliance](#), [SOHTIS](#), [Stop the Traffik](#), [Stronger Together](#), [Sustainable Apparel Coalition](#), [Tribe Foundation](#), [Unseen](#)

# Objective 3: Interrogate how statements translate to practice

## 3.1 Company questioning

**Action:** Contact the company (IR, Sustainability lead, procurement team, executive, Board) to discuss:

- Approach to systemic risks within the company's value chain identified as being most exposed to Modern Slavery
- Any concerns regarding commitments and transparency
- Responsible procurement practices – management of supply chain and buying practices
- Resources and governance – understand oversight of MS from Board to front line staff, and training given.
- Recent case studies – from risk mapping through to identification, mitigation and new prevention measures

Incorporate high level questions and 'detailed engagement indicators' questions from "[Find It, Fix It, Prevent It - Engagement expectations: An investor project to tackle modern slavery](#)" (Pages 10 – 13). e.g.

- Have you found modern slavery in your operations or supply chain?
  - If not, can you demonstrate that you have rigorous processes in place to look for it?
  - If so, can you demonstrate the steps you have taken to improve the lives of victims?
  - Have you effectively reported your actions and the steps taken to prevent a re-occurrence?
- 



## 3.2 Site visits

**Action:** If primary research is possible, request access to production sites, and observe evidence of:

- Worker training
- Provision of information on modern slavery, whistle blowing procedures and remedies, in local language of workforce
- Awareness of issues amongst front line staff

The role of an investor on a site visit is not to undertake a social audit and attempt to find first hand evidence of Modern Slavery. Rather, it is to assess the culture of prevention, and seek evidence that the actions that have been communicated are happening in practice.

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## 3.3 Track progress

**Action:** Monitor developments over time, including:

- Year-on-year changes in disclosure
- Delivery on commitments and against KPIs
- Changes in resources allocated to sustainable procurement / human rights due diligence
- External rankings and scoring relative to sector

Many investment firms have invested in their ESG information systems integration to allow research and engagements to be reported to clients. Monitoring developments and tracking progress requires an internal information sharing system that can appropriately record concerns and data, flag issues to allow companies to be prioritised, allow for easy searching across sectors, and integrate with other analyst research.

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# Objective 4: Take action to drive improvements

## 4.1 Company-specific escalation options

**Action:** Consider next steps following due diligence work:

- Feedback: Share views on risks and quality of disclosures and actions being taken (positive and negative).
- Engagement: Letter to management and/or the Board setting out expectations / concerns / areas for improvement, milestones to address issues, and consequences of failure to do so.
- Voting against resolutions at AGM (Report & Accounts, Board members, Auditor as appropriate following engagement).
- Divestment / exclusion (including public 'name and shame' statement).

In addition suggest:  
Initiating a collective engagement (eg via Investor Forum / UN PRI).



For a digestible insight into investors' options, you can watch a recording of the "Monitoring Modern Slavery in Investment Portfolios" [webinar](#) that Themis and the Investor Forum collaborated on in November 2021. The [research report](#) published by Themis, the UK's Independent Anti-Slavery Commissioner and the TRIBE Freedom Foundation about the financial sector's links to modern slavery also features an informative chapter for investors entitled "Invest and Engage" covering these issues.

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Investors may prioritise engagement based on perceived risk (reputational or financial), the severity or significance of adverse impacts and the potential for influence, taking into account the importance of the investee company to the investor and potential limitations on leverage over the company.

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Given investors will generally be acting on publicly available information, it is unlikely that the direct action of whistleblowing to relevant authorities (such as the [Modern Slavery Helpline](#) or the [Gangmasters & Labour Abuse Authority Reporting](#)) would be considered.

## Engagement may focus on calls for the company to:

1

Comply with the requirements of Section 54 of the Modern Slavery Act (2015), addressing:

- Failure by a company to update its statement on an annual basis
- Lack of board approval or sign-off,
- Statements that are not visible and accessible

2

Improve reporting within the MSA statement, addressing:

- Failure to adequately cover the six reporting categories - policies, structures, due Diligence, risk assessment, training, and effectiveness;
- Missing KPIs to assess effectiveness,
- Discussion of emerging issues or long-term strategy

3

Increase transparency to allow proper risk assessment by stakeholders, including:

- Supply chain mapping (beyond the first tier)
- Human rights due diligence reporting
- Supplier Code of Conduct, procurement standards and outcome of auditing programmes

4

Improve general processes to align with sector best practice, on areas such as:

- Compliance with global standards and codes
- Joining multi-stakeholder collaborations, industry initiatives, NGO partnerships
- Increasing worker engagement

5

Improve specific processes to address identified risks or shortcomings, on areas such as

- Procurement practices
- Recruitment practices
- Activity in known high risk regions

6

Respond to alleged incidents of modern slavery or poor practices, including requesting:

- An independent investigation
- A plan of action to address issues and provide remedy to victims
- A report of steps taken to prevent reoccurrence

## 4.2 Investment industry collaboration

**Action:** If concerns arise from general research, consider:

- Joining investment industry initiatives, eg:
  - CCLA's [Find it, Fix it, Prevent it](#) initiative
  - ICCR's [Investor Alliance for Human Rights](#)
  - [Investors Against Slavery and Trafficking Asia Pacific](#)
  - Rathbone's [Votes Against Slavery](#)
  - ShareAction's [Workforce Disclosure Initiative](#)
- Policy-level engagement (directly or through the Investor Forum working groups), eg
  - Director of Labour Market Enforcement
  - Gangmasters and Labour Abuse Authority / Single Enforcement Body
  - Home Office
  - Independent Anti-Slavery Commissioner
- Supporting research targeting better quality data, eg:
  - [Bingham Centre Modern Slavery and Human Rights Policy and Evidence Centre](#)
  - [Global Labor Institute](#) (Cornell University)
  - [Sheffield Hallam University](#)
  - [University of Nottingham Rights Lab](#)



# Company due diligence priority assessment checklist

Desk-based research to determine priority:			
Risk of sector	Low	Medium	High
Risk of country of issuer domicile	Low	Medium	High
Risk of supply chain domicile	Low	Medium	High
Coverage by robust MS laws (eg Revenue / staff exposed to EU)	Yes		No
<b>Conclusion:</b>			
Prioritise for bottom-up research:	No		Yes
<b>Desk-based research at company level:</b>			
(For UK companies) Full compliance with s54 requirements	Yes		No
Identified materiality	No		Yes
Reputation	Market leader	Adequate	Poor
Alignment with sector best practice	Yes		No
Evidence of Human Rights due diligence in issuer disclosures	High	Medium	Low
Quality of modern slavery disclosures	High	Medium	Low
Supply chain transparency	High	Medium	Low
Commitments and collaborations	High	Medium	Low
Observed continuous improvement	High	Medium	Low
Evidence of existing controversy	No		Yes
<b>Conclusion:</b>			
Prioritise for active due diligence:	No		Yes
<b>Active Due Diligence</b>			
Cultural awareness of MS risks	Yes	No	
Consistency between disclosure and action	Yes	No	
Ability to give new examples of actions taken	Yes	No	
<b>Conclusion:</b>			
Take next step:	No	Yes	
<b>Next Steps:</b>			
Feedback	No	Yes	
Engagement area	None	Focus (1-6):	
Escalation	No	Yes	
Voting action	No	yes	
Divestment	No	Yes	
<b>Conclusion:</b>			
Outcome achieved?	No	Yes	

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- NinetyOne - Faye Roberts and Jo Slater
- Schroders

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