

Accelerating Change: The Potential of Capital Market Actors in Addressing Modern Slavery

A briefing for UK policymakers

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Research by:

Overview

Modern slavery¹ remains a global challenge, impacting the lives of an estimated [50 million individuals in 2021](#). The finance sector has played a key role in providing [access to finance](#) to vulnerable people exposed to modern slavery risks. However, little is known about capital market actors' policies and practices to address modern slavery in their value chains. With the [global target](#) to eradicate modern slavery by 2030 and the increasing attention to capital market actors in national and international legislative and normative frameworks² as a potential lever to address modern slavery, it is now crucial to understand their role to inform the development of effective and sustainable solutions.

This Policy Brief is tailored for UK-based policymakers and is based on the findings of a research project on [Capital Markets and Modern Slavery](#) co-funded by the [UK Foreign, Commonwealth and Development Office \(FCDO\)](#) and the [Modern Slavery and Human Rights Policy and Evidence Centre \(Modern Slavery PEC\)](#). This research was conducted by the [Bingham Centre for the Rule of Law and Finance Against Slavery and Trafficking Initiative \(FAST\)](#) at the [United Nations University Centre for Policy Research \(UNU-CPR\)](#).

Two other outputs resulted from this research project. The first, [Accelerating Change: The Potential of Capital Market Actors in Addressing Modern Slavery](#), is a briefing for capital market actors, which provides them with key learnings from their peers and five practical recommendations to address modern slavery in their value chains at any stage of their journey. The second, *Capital markets and Modern slavery Evidence Review*,³ is a report that synthesises the existing publicly available evidence on the role of capital market actors in addressing modern slavery. All outputs can be read at modernslaverypec.org/resources/financial-markets-modern-slavery.

The views expressed in this Policy Brief and the above-mentioned outputs are those of the authors and not necessarily of the Modern Slavery and Human Rights Policy and Evidence Centre, the Finance Against Slavery and Trafficking Initiative, the United Nations University Centre for Policy Research and the UK Foreign, Commonwealth and Development Office.

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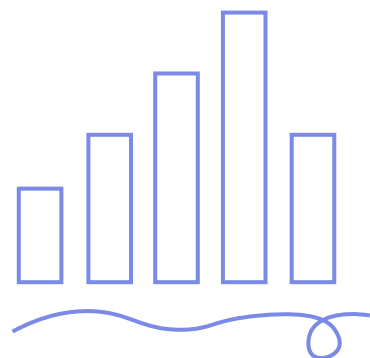
1. Modern slavery is an umbrella term that includes a range of forms of conduct defined in different ways. All these involve people being exploited or deprived of their freedom through coercion, threats, violence, or deception. These forms can often intersect, with individuals potentially experiencing multiple types, such as forced labour and human trafficking.

2. See for example, the EU [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#) which could require institutional investors to undertake human rights due diligence. And normative frameworks such as the [United Nations Guiding Principles \(UNGPs\)](#) and the [OECD Guidance for Institutional Investors](#) which state the responsibility of investors for addressing adverse human rights impacts along their investment value chain.

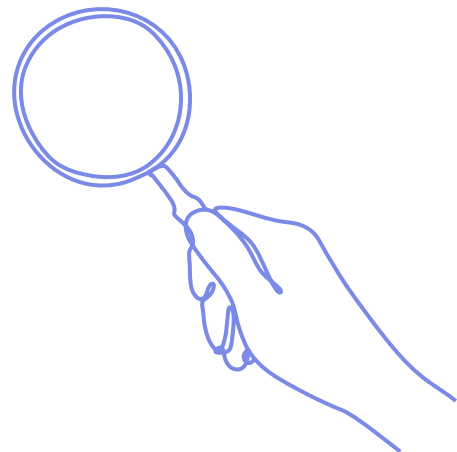
3. A condensed version of this was published as a blog [How effective are investors at addressing modern slavery in supply chains?](#) in the Modern Slavery PEC website.

Key findings

1. Most capital market actors, mainly driven by financial and reputational risks, are addressing modern slavery risks related to health and safety, child labour, and wages in their value chains, as part of their larger ESG risk agenda. To address these risks, capital market actors are focusing on corporate engagements and building corporate capacity. However:
 - Modern slavery risks are generally not a top priority for capital market actors compared to environmental issues and Equality, Diversity, and Inclusion (EDI).
 - The term 'modern slavery' is not explicitly used by most capital market actors when referring to modern slavery risks, partially due to a lack of awareness and understanding of the term, and because the term is not being widely used in national legislation in some countries.
 - Human rights issues are generally not embedded into investors' due diligence processes or explicitly linked to environmental risks.
 - There is limited engagement with people with lived experience of modern slavery and other non-capital market actors when addressing social risks.
 - Most capital market actors are focused on mitigation of modern slavery risks in their value chains with little efforts on remediation. In terms of reducing vulnerabilities, most capital market actors focus on providing access to finance.
2. Capital market actors face several challenges to address modern slavery risks in their portfolio, including data availability, measurement, and reliability.



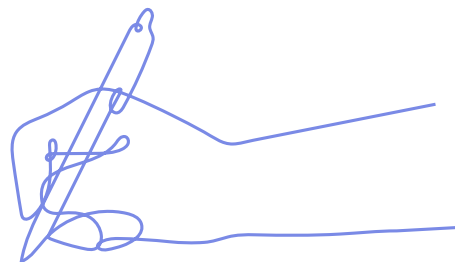
3. There is limited evidence on the factors that may influence the extent to which capital market actors implement their ESG policies and practices that aim to address modern slavery in their portfolios (effectiveness type 1: implementation) and influence change in company behaviour (effectiveness type 2: influence),⁴ but the findings suggest that:
- Human resources, knowledge, and senior level buy-in accompanied with robust governance structures, can influence effective implementation of anti-slavery policies and practices within an investment firm (effectiveness type 1).
 - Collaborative corporate engagements with investees can influence positive changes in corporate practices such as policy developments or changes, increased disclosure, increased compliance with supply chain transparency regulations, increased awareness of modern slavery risks, increased commitment to address these risks, and due diligence improvements (effectiveness type 2).
 - Targeting investees' board of directors, or senior leadership, and contextualising the engagement can potentially increase the effectiveness of collaborative corporate engagements (effectiveness type 2).
4. There is very limited evidence on the factors that may make a difference in actually reducing the incidence of modern slavery (effectiveness type 3: outcomes) but the findings indicate that the institutional environment (the social, economic, political, and economic context) where companies operate worldwide may play a key role.



4. This effectiveness framework is outlined in more detail in the [Methodology](#) section of this brief.

Key recommendations for UK policymakers⁵

1. Set clear regulatory expectations for capital market actors by strengthening and enforcing existing modern slavery and human rights regulation in the UK—including procurement and supply chain transparency legislation—and consider the development of Human Rights and Environmental Due Diligence legislation. Ensure these regulations are aligned to international normative and regulatory frameworks and aim for these to be informed by people with lived experience.
2. Develop tailored guidelines for national and international capital market actors and institutions to address modern slavery, increase awareness of their roles to prevent, mitigate and remediate modern slavery, and incentivise individual and collective action. Consider engaging directly with specific capital market actors at senior levels.
3. Incorporate Global South capital market actors, trade unions and CSOs in the development of social data standards and ESG guidance and frameworks.
4. Support research including by funding research that can shed more light on the role of capital market actors in addressing modern slavery in their value chains.
5. Collaborate with capital market actors, governments in the Global South, multilateral agencies like the Office of the High Commissioner for Human Rights (UN Human Rights) and the International Labor Organization (ILO), or via a Global Commission, in building the institutional infrastructure needed to ensure capital market actors' efforts are effective at preventing, mitigating, and remediating modern slavery in value chains.



5. These recommendations provide a menu of regulatory and non-regulatory levers that can be used. Further detail on these recommendations is available in section 4: [Recommendations for UK policymakers](#).

Glossary of key terms

Active Stewardship: Refers to investors using their influence over current or potential investees on ESG issues. It includes different levers such as corporate engagements, voting practices, and filing shareholder resolutions.

Asset class: Categories of investments such as equities (stocks), fixed income (bonds), private equity, among others.

Asset Managers: Companies that manage investments on behalf of asset owners. Includes, investment fund managers, pension fund managers, and mutual funds companies.

Asset Owners: Entities that represent the ultimate owners of capital (e.g., beneficiaries or governments) and that hold long-term retirement savings, insurance, and other assets. Includes pension funds, endowments, foundations, insurance companies, and sovereign wealth funds.

Capital Markets: Capital markets allow for the buying and selling of financial securities, such as stocks, bonds, and currencies. An example of a capital market is the stock exchange market.

Capital Market actors: Some key actors include asset owners, asset managers, investment banks, and publicly listed companies.

Development Finance Institutions: National and international institutions specialised in supporting the private sector development in developing countries. Usually, majority owned by national governments.

ESG: Term used by capital market actors to refer to the consideration of environmental, social and governance factor in asset allocation and risks decisions to generate sustainable, long-term financial returns.

Global North and Global South: Concepts used in development economics and international development to refer to countries that differentiate, mainly, on their levels of economic and human development, and socio-economic and political characteristics. This distinction emphasises geopolitical power relations (e.g., the Global South usually includes former colonies).

Investment Banks: Financial institutions that provide services as investing and raising capital to individuals or organisations. Mostly involved in helping companies to go public and with mergers and acquisitions.

Institutional Investors: There is not an agreed definition of institutional investors, but this research refers to institutional investors as asset owners and asset managers that differentiate from retail investors.

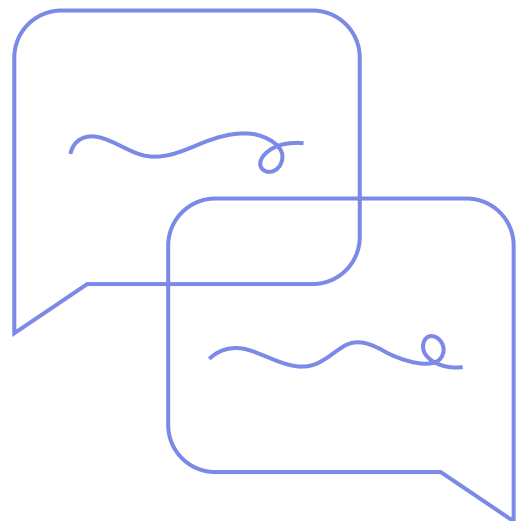
Pension funds: Funds that pool contributions from pension plans and that invest in stock markets.

Publicly listed companies: Companies that are owned through shares of stock which can be traded on a stock exchange.

Private equity: An alternative investment class of equity securities of non-publicly listed companies. Usually organised as Limited Partnerships.

Value Chain: Refers to a company's direct and indirect upstream and downstream business relationships involved in the production and disposal of products or services. Therefore, it includes but is not limited to the supply chain.

Stock Exchanges: Financial markets where traders can buy and sell securities such as shares, stocks, and bonds.



Objective and Methodology

Objective

This policy brief aims to inform UK policymakers about the role of capital market actors in addressing modern slavery in their value chains and provides tailored evidence-based recommendations to inform policy makers' decision-making processes.

The section below discusses this study's methodology. The remainder of this brief is structured in two sections. The first presents key findings relevant to policymakers⁶ and the second provides recommendations to policymakers.⁷

Methodology

This was a qualitative research study conducted between February and August 2023 that explored the role of capital market actors⁸ in addressing modern slavery. It focused on responding to three questions:

1. What *policies and practices* do capital market actors have in place to address modern slavery in business supply chains? and What evidence is there of *effectiveness*?⁹
2. What are the main *drivers* of capital markets actors¹⁰ to address modern slavery in business supply chains?
3. What *data and metrics* do capital market actors use to address modern slavery in business supply chains?

The research project was divided into two complementary phases: a desk-based literature review and a primary evidence collection.

6. This brief does not include all findings from the research project. For more details on the findings and a comprehensive account of them, please refer to Accelerating Change: The Potential of Capital Market Actors in Addressing Modern Slavery report, and the Capital markets and Modern slavery Evidence Review report.

7. Recommendations for investors can be found in Accelerating Change: The Potential of Capital Market Actors in Addressing Modern Slavery report.

8. Private equity firms were included in the sample of capital market actors in both phases of the research project.

9. The question of effectiveness was only explicitly explored in Phase 1 as the team concluded, after a pilot test of the designed interview guide with a stock exchange and some investors, that it was premature to measure effectiveness in Phase 2 due to the nascent stages of this topic among investors. Doing so would have also required adjusting the existent effectiveness framework to adapt it specifically to investors, which could not be addressed within the time framework of this research project.

10. From an organisational level of analysis (e.g., stock exchange, investment firm) rather than individual staff internal motivations or drivers. Further research could explore the individual level of analysis.

Phase 1: Between February and April 2023, a rapid evidence review was undertaken. More than **70 publicly available documents** (including open-access academic papers) were reviewed and systematically analysed on NVIVO using a combination of inductive and deductive thematic coding.

The review of the evidence focused on the policies and practices of stock exchanges and institutional investors such as asset managers, pension funds, insurance companies and banks, as well as venture capital and private equity. Development Finance Institutions (DFIs) were also included due to their key role in financing the private sector in the Global South. The bond market and other capital markets apart from the stock exchange market were excluded to keep the study focused and avoid complexity in the differences across these markets. Other actors such as state-owned enterprises and Public-Private Partnerships (PPP) were also excluded given their public sector component to avoid further complexity given their unique characteristics.

To collect the evidence, the researcher ran standard searches in English in Google, Google Scholar, and open access academic databases such as Social Science Research Network (SSRN) using key words related to modern slavery terminology and variants of these. For instance, “Modern Slavery”, “Forced Labour” and “Human Trafficking” (but excluded forced marriage, commercial sexual exploitation, and criminal exploitation) as well as broader but related terms such as “decent work”, “labour rights” and “human rights”. These were used in combination with capital market actors such as “investors”, “asset managers”, and financial terminology such as “Socially Responsible Investment”, and “ESG”. The selection of documents for review was based on year of publication, prioritising most recent ones, and their potential to answer the study’s research questions which involved reading the abstracts of the yielded documents. There were no geographical or sectorial exclusionary criteria.

The researcher also purposively looked for evidence in repositories such as the Business and Human Rights Resource Centre website, and those of organisations in the anti-slavery field previously identified as relevant for this project based on their mandates such as PRI, Walk Free, CCLA, FAST, the United Nations Sustainable Stock Exchanges Initiative, ShareAction, ISS, Investor Alliance for Human Rights, IAST APAC, among others which are mostly based in the Global North, and which reports are not necessarily peer reviewed.

Therefore, a limitation of this research phase is that most publicly available evidence in English originated in or referred to the Global North and that most of this publicly available evidence was not academic or peer reviewed, including, albeit to a significant lesser extent self-reported evidence (by the investor community itself). In this regard, there is a disproportionate amount of evidence of collaborative investor action compared to bilateral efforts, partially due to the lack of investor reporting on the implementation of these levers, including through the UK Modern Slavery Act.¹¹

11. See ‘Beyond compliance in the finance sector: A review of statements produced by asset managers under the UK Modern Slavery Act’, 2021

Most *publicly available* evidence is focused on revealing company malpractice or investor involvement in it¹² with a minority being academic or peer reviewed (for instance from Sheffield Hallam University's Helena Kennedy Centre for International Justice and Re: Structure Lab). Most but not all case studies on good practice came from reports by the UN Platform for Responsible Investment (PRI) and triangulated with other sources (e.g., third-party reports, reports from other coalitions, or specific reports from the investors involved). Civil Society evidence was also included for example from Amnesty International. Other reviewed documents include those from industry actors from KnowtheChain and Shift.

The time limitations of the evidence review did not allow for an in-depth analysis of any asset manager's policies. The only asset manager that was looked at directly (by reviewing its latest reports) was BlackRock on the criteria of it being the largest asset manager in the world by AUM. If there is reference to evidence from other asset managers specifically in this brief it is because these were referenced in third-party sources.

Based on high risks of modern slavery, prevalence of forced labour, and gaps in the literature, this phase informed the selection of sectors and geographies to focus on in Phase 2 as well as the design and content of the interview guides.

Phase 2: Between May and July 2023, **39 one-to-one key informant interviews** were undertaken with a wide range of capital market actors and Civil Society Organisations (CSOs) in Africa (excluding North Africa) and Southeast Asia (SEA), and some in the Global North, using FAST's stakeholder networks (See Table 1 below). Participant recruitment confined to pre-existing networks, the self-reported nature of the evidence collected, and a small sample size, pose limitations to this study.

While it attempted to focus on high-risk industries, like mining in Africa and agriculture in Southeast Asia, this deep dive was not possible because of investors' broad and diverse portfolios.¹³ Therefore, the findings are not sector specific.

Interviews were analysed thematically using an inductive technique. This means themes emerged from the interview data as opposed to having pre-determined themes. It is worth noting that some themes need further research as they were not intentionally addressed during the interviews.¹⁴ For instance, while the research identified the standardisation/harmonisation of standards as a key theme, more research is necessary to be able to provide concluding remarks.

Given the limitations of both research phases, the findings of this project can only provide an initial understanding of capital market actors' drivers, practices, and challenges.

12. For instance, Facing Finance's Dirty Profits.

13. This suggests that taking a sectorial approach to understand investors' ESG behaviour may not always be appropriate as their ESG policies are not sector specific, nor do ESG teams are structured or specialised according to sector.

14. They were not included in the interview guides as these were not directly responding to the research questions and due to time constraints, it was not possible to take a deep dive on these during interviews.

Table 1: Key Informant Interviews

Actor	Africa (excluding North)	Southeast Asia	Global North (AUS, US, Europe)	Total
Academic	1			1
Asset Managers*	2	1	7	10
Asset Owners				6
- Banks		1	1	2
- Pension Funds	1	2		3
- Endowment Funds			1	1
Civil Society Organisations	3	4		7
Companies	2			2
Development Finance Institutions	4	1		5
Investor Association/coalition	1		1	2
Stock Exchanges	2	2		4
Trade Unions	1	1		2
Total	17	12	10	39

* Includes private equity and impact investors

Effectiveness

To understand the effectiveness of capital market levers in addressing modern slavery in value chains, this research project used an effectiveness framework previously developed by the Modern Slavery PEC and used in several PEC-funded research projects.¹⁵

Effectiveness is not measured quantitatively with this framework, nor does it establish a spectrum from high to low effectiveness, and it does not establish causation (i.e., that an action produced the results claimed). Therefore, this study's findings on effectiveness are not the result of measuring effectiveness, but of *identifying possible* factors that may *influence* effectiveness. The study intentionally uses the word *influence* as opposed to *determine* to highlight that other factors that have not been controlled for may have played a role. Also, the identified factors are not exclusive, that is, other factors may also influence effectiveness but were not captured in this research.

15. See the effectiveness of section 54 of the Modern Slavery Act, effectiveness of mandatory human rights due diligence (mHRDD), and public procurement measures to address modern slavery.

Overall, and as found in previous PEC-funded projects exploring “what works”, there is generally limited evidence around any type of effectiveness regarding supply chain interventions, especially regarding actors addressing the occurrence of modern slavery, or modern slavery outcomes.

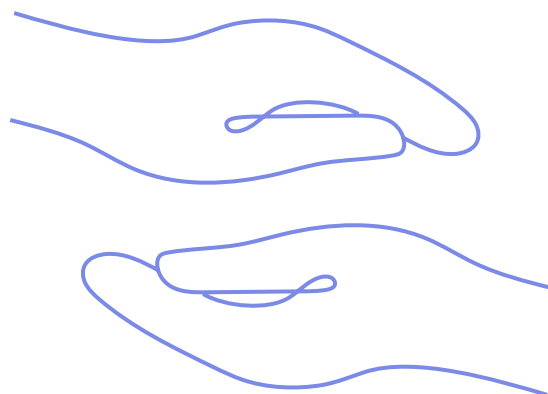
The findings on effectiveness are limited in terms of reliability, validity, and generalisability. First, the evidence base is scarce partially due to low level of investor disclosure, the recent implementation of some levers, and a lack of investment in monitoring and evaluation. The absence of evidence from the ‘engaged’ (i.e., investee companies) also constrains triangulation efforts. Second, most evidence is anecdotal and self-reported, and lacks sufficient depth and detail. Most focuses on “successful cases” limiting the analysis of what works and under which conditions. Moreover, available evidence mostly refers to cases of investor collaboration with limited evidence on bilateral efforts. Third, most evidence available is produced by or references actors in the Global North and may therefore not be fully applicable to capital market actors in the Global South.

The framework identifies three types of effectiveness: implementation, influence, and outcomes.

Type 1: Implementation: Factors that influence capital market actors’ implementation of their ESG policies or practices aimed at addressing modern slavery in business supply chains. Effectiveness of implementation refers to the extent to which such policies and practices are put in place as intended to achieve a goal.

Type 2: Influence: Factors that influence the extent to which capital market actors’ ESG policies and practices implemented to address modern slavery in business supply chains influence positive company behavioural changes.

Type 3: Outcome: Factors that influence the extent to which capital market actors’ ESG policies and practices aimed at addressing modern slavery in business supply chains ultimately impact the occurrence of modern slavery (e.g., increased number of cases of modern slavery prevented, mitigated, or remediated), reduce vulnerabilities, or improve the lives of survivors or those at risk.



Findings

1. How and to what extent are capital market actors addressing modern slavery in business supply chains?

Most capital market actors, mainly driven by financial and reputational risks, are addressing modern slavery related risks such as health and safety, child labour, and wages in their value chains, as part of their broader ESG agenda, and are focusing on corporate engagements and building corporate capacity to address these risks.

However:

- a. Modern Slavery risks are generally not a top priority for capital market actors as opposed to EDI and Environmental issues.
- b. The term 'modern slavery' is not explicitly used by most capital market actors when referring to modern slavery risks partially due to a lack of awareness and understanding of the term and the term not being widely used in national legislation in some countries.
- c. Human rights aspects are generally not embedded into investors' due diligence processes.
- d. There is limited engagement with people with lived experience of modern slavery and other non-capital market actors in these efforts.
- e. Most capital market actors are focused on mitigation of modern slavery risks with little efforts on remediation.

Most capital market actors are addressing modern slavery related risks through an ESG lens. The interviews found that investors are increasingly integrating ESG into their investment policies and that social issues are embedded within their general ESG policy as opposed to dedicated social policies.¹⁶ The levers investors are using to address modern slavery, such as active stewardship, are also part of the wider ESG investment infrastructure. Moreover, interviewees emphasised the importance of companies' ESG management systems and their governance structure as factors to signal company and commitment capacity to address social risks.

Capital market actors have different drivers for addressing social risks according to their investment thesis and external regulatory frameworks and client demands. Most interviewed investors cited financial risks as the top driver to address social risks. This resonated with a study,¹⁷ identified in the evidence review, that found that the world's largest asset managers only address human rights issues when they have identified financial risks. However, interviewed impact investors noted being driven by positive impact and saw no trade-offs with financial materiality.

16. For example, on human rights or modern slavery.

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

Other investors mentioned client demand, mainly from Development Finance Institutions (DFIs) who, implement specific ESG requirements for borrowers, including private equity funds. For instance, the International Finance Corporation (IFC), requires private equity firms to use the IFC Performance Standards¹⁸. Similarly, the African Development Bank, that lends to countries and large companies, contractually requires borrowers to implement their [International Safeguards Standards \(ISS\)](#) which include safe working conditions and avoidance of forced and child labour.

Stock exchanges mostly mentioned national and international regulation as a key driver, including Withhold Release Orders (WRO)¹⁹ and forced labour import bans. A stock exchange also mentioned a “rise to the top” competitiveness among stock exchanges.

Finally, while the literature reviewed indicated that reputational drivers were separate from other drivers, the interviews found that reputation is instead intrinsically linked to financial, impact, and regulatory drivers. Interviewed investors for example, often referred to the link between financial drivers and reputation.

A key finding from the interviews is that globally a minority of investors explicitly refer to ‘modern slavery’ in their investment portfolios, partially due to a lack of awareness and understanding of the modern slavery concept. In particular, the interviews revealed that the term ‘modern slavery’ does not always resonate with capital market actors or their investees.

“The term ‘modern slavery’ is not widely accepted in the Thai context, probably because it is not clearly spelled out in Thai legislation despite references to child labour and human trafficking.”

Asian Investor

However, capital market actors are addressing specific types of modern slavery and modern slavery related risks that lie within a [continuum](#) of exploitation that goes from decent work to forced labour. For instance, interviewed investors highlighted child labour, health and safety issues (that do not always include extreme forms of exploitation such as forced labour) and wages,²⁰ reflecting to some extent the [ILO Declaration on Fundamental Principles and Rights at Work](#).²¹ In particular, addressing child labour was mentioned by investors in Africa. This may be partially due to the high [prevalence](#) of child labour in high-risk supply chains like gold mining, the emerging

18. [Performance Standard 2](#) refers to Labour and Working conditions and includes safe and healthy working conditions, and avoidance of the use of child or forced labour.

19. The US Customs and Border Protection implements Section 307 of the Tariff Act of 1930 (19 U.S.C. 1307) through issuance of Withhold Release Orders (WRO) and findings to prevent merchandise produced in whole or in part in a foreign country using forced labour from being imported into the United States.

20. Mostly in relation to the payment of minimum wages.

21. The declaration affirms the obligations and commitments that are inherent in membership of the ILO, namely: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; the elimination of discrimination in respect of employment and occupation; and a safe and healthy working environment.

efforts to address it through the finance sector,²² and the influencing role of DFIs in Africa.²³ Investors in the Global North are also addressing child labour²⁴ and issues around wages²⁵ as well as freedom of association and collective bargaining.

Interviews showed that Global North and Southeast Asian investors prioritised environmental factors whilst African investors prioritised social considerations in their ESG frameworks. According to Southeast Asian capital market actors, the environmental focus is a result of international influence and ESG trends while the social aspect is not receiving much attention.

“The “S” is not very sexy right now.”

Asian Investor

African investors, on the other hand, highlighted social risks as a priority in their investment approach, and linked this to the influence of Development Finance Institutions (DFIs). Within the broader range of social risks, Equality, Diversity, and Inclusion (EDI) was highlighted most often by South African investors, presumably due to the historical context of the country. This regional variance suggests that contextual differences may be key for investors to address modern slavery related risks across borders.

Human rights aspects are generally not embedded into investors’ due diligence processes or explicitly linked to environmental risks. The evidence review found that the world’s largest investors lack Human Rights Due Diligence (HRDD) processes. Similarly, while interviewed investors referred to undertaking pre-investment due diligence looking at social issues, there was little mention of *human rights* due diligence in particular and of this being a process undertaken throughout the investment cycle. Capital market actors also mentioned taking a risk-mitigation approach²⁶ but there was little mention of remediation. The connection between the “S” and the “E”, while recognised, was generally weak in practice.

Capital market actors are focused on building corporate capacities. The research found that stock exchanges have mostly focused on providing guidelines, tools, and training to publicly listed companies.²⁷ The interviews found that investors too, such as asset managers and pension funds, are **raising awareness** on the importance of addressing human rights risks in all stages of their investment process.²⁸

22. For instance, the ACCEL Africa project at the ILO which is exploring the use of an [impact bond](#), as an outcomes-based financing instrument, to leverage investors to eliminate child labour in cocoa growing regions in Côte d’Ivoire.

23. For instance, the African Development Bank Group’s [Integrated Safeguards System](#) (ISS), has had child labour requirements since 2013 and now in 2023 it has updated them to explicitly include ‘modern slavery’.

24. For instance, the Government Pension Fund Global of Norway (GPFNG), the world’s largest sovereign wealth fund, have established exclusionary policies on child labour.

25. For instance, the Platform Living Wage Financials (PLWF), a Dutch coalition of investment owners and managers that 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 2018.

26. As opposed to setting positive impact goals.

27. For instance, the [Stock Exchange of Thailand](#), in collaboration with FAST and Walk Free, issued modern slavery specific guidance, and the [Johannesburg Stock Exchange](#) and the [Hong Kong Stock Exchange](#) have included modern slavery related provisions in their ESG guidance.

28. From investment selection and due diligence to portfolio monitoring.

Asset managers and DFIs are also **providing financial resources and technical expertise** to build investees' ESG management systems.

Active stewardship, namely corporate engagements, is the most used lever across capital market actors. The evidence review showed that corporate engagements have mostly been undertaken collaboratively between asset managers and asset owners through investment coalitions, such as UN Principles for Responsible Investment (PRI). While this practice seems to be more prevalent among investors in the Global North, the interviews illustrated an increasing recognition by investors in the Global South on the important role and influence of collaborative action through investor coalitions like Investors Against Slavery and Trafficking Asia Pacific (IAST APAC).

In these efforts however, there is limited engagement with people with lived experience of modern slavery and other non-capital market actors, namely Civil Society Organisations (CSOs). Interviewed capital market actors rarely referred to engaging with people with lived experience to inform their decisions.²⁹ Moreover, while some investors interviewed noted the importance of engaging with CSOs to obtain on-the-ground data,³⁰ assess business performance in a broader context (going beyond reports and disclosures) and improve awareness of modern slavery, they mentioned the lack of formal mechanisms that would enable them to do so.

2. What challenges do capital markets actors face when addressing modern slavery in supply chains?

Capital market actors face several challenges to address modern slavery risks in their portfolio, including data availability, measurement, and reliability.

Capital market actors do not have complete and reliable corporate social data to inform their investment decisions and address modern slavery in their value chains. Interviewed investors mostly mentioned difficulty in obtaining data at the lower tiers of the supply chain, given the complexity of global supply chain networks, the lack of transparency, and in some cases reluctance from companies to disclose data.

The data is also perceived to lack reliability, either because it is unverifiable, such as self-reported data by investee companies which may not have robust ESG management systems in place, or because it is inconsistent across ESG data providers.

Both challenges have also been noted in the literature review, including the limitations of ESG data provided by rating agencies attempting to measure modern slavery.³¹ This is especially relevant to some investors such as pension funds who largely

29. Including but not restricted to capital allocation and monitoring decisions.

30. Including but not restricted to data from rightsholders and vulnerable populations. For instance, interviewees also refer to industry-specific data.

31. Mainly, there is not an agreed established set of standards to guide ESG measurement. This results in ESG being measured inconsistently across providers. For instance, different rating agencies use different weighting criteria to social issues. There are also concerns regarding ESG measurements using a narrow conceptualisation of human rights that does not fully capture modern slavery risks. For more details on this see evidence review section 6.2.

depend on index data providers as often, they outsource the management of their investment to external investment management firms. This reliance on ESG data providers was confirmed by the interviews with pension funds heavily using ESG ratings provided by stock market indices, either alone or in combination with corporate data, while most other investors emphasised reliance on company disclosure data and media reports to identify red flags and select company engagements.

The evidence review found that the lack of standardisation of ESG data was a key challenge for investor action as it meant that data varied substantially across rating agencies and data providers, posing interpretation and comparative challenges for investors. The interviews with investors showed that while standardisation of practices, data, and indicators around social factors was welcome by some as this would potentially address measurement inconsistencies, others highlighted the importance of allowing local realities to be factored in. Especially given data standardisation processes have mostly overlooked the voices of Global South actors. For instance, as noted previously, the term modern slavery does not resonate globally across investors and investees, especially those in the Global South.

“Even if the data on S were standardised, it may not necessarily help the African context.”

African investor

3. How effective are capital market actors’ efforts to address modern slavery in supply chains?

1. There is limited robust evidence on the factors that may influence the extent to which capital market actors implement their ESG policies and practices that aim to address modern slavery in their portfolios (effectiveness type 1: implementation) but the findings suggest that:
 - a. Human resources, knowledge, senior level buy-in, and robust governance structures, can influence effective implementation of anti-slavery policies and practices.

While the interviews did not directly ask questions around effectiveness, findings from the interviews provide an initial starting point to understand the factors that may play a role in investors’ implementation of modern slavery levers, as outlined below.

Human resources may influence investors’ implementation of policies and practices aimed at addressing modern slavery. This was found in the evidence review to influence effective implementation of policies and practices and confirmed by the interviews. For instance, several interviewees talked about having limited

human resources, in many cases ESG teams were comprised of two people, and mentioned how such small ESG teams *hindered* their *ability* to address social issues. For instance, some investors mentioned the need for more human resources to monitor their equity assets. Human resources are also key to undertaking company engagements. This was voiced by a Global North investor who stated that limited resources require them to make decisions about which company engagement efforts to prioritise and for how long in the absence of behaviour change.

To implement policies and practices that address modern slavery, awareness, and knowledge of social risks, including human rights and modern slavery risks in investment portfolios and their relevance across ESG factors is necessary.

This was noted by the evidence review and partially confirmed by the interviews by showing that the lack of understanding of what falls within the “S” in ESG, constrains capital market actors’ ability to *explicitly* address modern slavery related risks. This was linked to the general lack of consensus in the field on what issues are included as social in ESG. For instance, different standard-setting organisations, such as PRI, Global Reporting Initiative (GRI), and the International Sustainability Standards Board (ISSB) of the IFRS Foundation,³² have their own examples. This has left investors with the challenge of interpreting them and understanding where to apply modern slavery language to ensure reliable reporting and alignment in future company engagement efforts. The lack of understanding of the “S” also increases the difficulty of gathering and measuring data, especially quantitative data, for proper and comprehensive due diligence and monitoring. The lack of an agreed and established set of standards to guide ESG investment exacerbates this.

The interviews also found that senior-level buy-in and robust governance structures of capital market actors are a pre-requisite that can determine an investor’s approach to human right risks. The governance structure of how the ESG framework is developed, approved, implemented, and monitored can affect investment selection criteria, exclusion parameters, company engagements and potential divestment in the event of continued violations. In some cases, these robust structures also translate to policies that require companies to adhere to international normative frameworks such as the International Finance Corporation’s (IFC) Performance Standards and to undertake capacity-building measures. For instance, some asset managers and a private equity fund manager described governance structures where ESG teams were embedded into investment decision-making, encouraging active engagement between investment officers and sustainability managers in ESG policy departments in businesses. The close interaction facilitated clear communication and understanding of company priorities and action steps if needed.

32. See [SASB Standards](#).

2. There is limited evidence on the factors that may influence the extent to which capital market actors influence change in company behaviour (effectiveness type 2: influence), but the findings suggest that:
 - a. Corporate engagements undertaken collaboratively may influence positive changes in company behaviour such as policy changes, increased disclosure and compliance with transparency regulations, increased awareness and commitment and due diligence improvements.
 - b. Targeting³³ the board of directors or senior leadership, establishing trust, and contextualising the engagement can potentially increase the effectiveness of corporate engagements (Effectiveness type 2).

The length of engagements and trust established during company engagements may also influence corporate changes. The evidence review suggested that collaborative engagements undertaken for a long period of time³⁴ can be successful, especially as this can lead to trust building. Interviewees too, such as some asset managers and pension funds, referred to the importance of long-term engagement strategies and of identifying key **senior people** to build trust with and change practice.

“Who you engage with matters [in order to] to change behaviour.”

African investor

Private equity investors and DFIs may be more likely to influence senior people in the board of directors, as suggested by the evidence review. For instance, private equity investors often sit in the board of directors as they are usually majority stakeholders, and DFIs mainly invest directly into companies and can also be majority shareholders, as opposed to institutional investors (such as pension funds and some asset managers) who tend to be minority holders in a company.

Therefore, collaboration can be a key lever for institutional investors. The evidence review for example, showed that **collaboration can play a key role in the effectiveness of investors’ levers at changing company behaviour.**³⁵ Cases found in the evidence review showed that corporate engagements implemented collaboratively were linked to changed company behaviour.³⁶ The most common changes identified are company policy developments whilst due diligence improvements are the least common, partially due to the focus of investors at influencing corporate policy.

33. Through dialogue, letters, online and in person meetings, etc.

34. See the Dutch Pension Funds engagement with a mining company in Peru for more than two years and Domini’s three-year engagement with Nucor in Brazil, in the Evidence Review Report.

35. Note that this might partially be influenced by the disproportionate amount of evidence on the collective use of levers by investors compared to those used bilaterally.

36. 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.

Finally, interviewed investors highlighted the importance of understanding the regional contexts where companies operate, including their own perspectives, challenges, and goals. This resonates with the evidence review finding that contextualising the engagement, by forming local partnerships, with local CSOs for example, may influence the effectiveness of collaborative corporate engagements. However, as previously discussed, the research found little evidence of investor collaboration with CSOs.

3. There is very limited evidence on the factors that may make a difference “on the ground” to incidence of modern slavery (Effectiveness type 3: outcomes) but the findings suggest that the institutional environment may play a key role.

The regulatory and political institutional environment of the country of investment may influence the effectiveness of investors’ efforts at ultimately tackling modern slavery in their portfolios. For instance, an interviewee noted that conflict, corruption, power imbalances between labour unions and companies, and the weak or absent enforcement of regulations in some countries, can compromise efforts by investors to tackle modern slavery.

“It’s impossible to operate in [African country] without modern slavery... without investing in war... even if investors come with the best intentions.”

International CSO

Nevertheless, **public policies and regulatory frameworks that target the root causes of modern slavery and that provide favourable conditions to tackle it can contribute to effective investor action.** For instance, the interviewee cited above also noted better practices in that country from companies which investors headquartered in countries where there was national or regional mandatory human rights and environmental due diligence and modern slavery related and ESG reporting regulation, including supply chain transparency provisions, and high labour standards. While mostly in the Global North, investors are engaging in advocacy efforts, such as issuing statements, that call on governments to develop regulations that can keep companies accountable for their human rights impacts.

In this regard, trade agreements may play an important role. A separate [research project](#), led by the Rights Lab, University of Nottingham, is exploring the role of trade and investment in addressing modern slavery risks in the Indo-Pacific region, and findings are expected to be published in autumn 2023.

Key recommendations for UK policymakers

The following recommendations are based on the findings presented in this brief and are divided into three categories according to the scope of the action: domestic, international, and a mix of domestic and international. They include regulatory and non-regulatory levers.

Domestic:

1. Set clear regulatory expectations for capital markets actors by strengthening and enforcing existing modern slavery and human rights regulation in the UK – including procurement and supply chain transparency legislation. Consider the development of Human Rights and Environmental Due Diligence Legislation. Ensure these regulations are aligned to international normative and regulatory frameworks and aim for these to be informed by people with lived experience.

As shown in the findings above, there is a need to set clearer expectations for capital market actors regarding modern slavery risks. This can be done through human rights and modern slavery related regulation, which this research also found is an important driver for capital market actors worldwide to address ESG issues, including modern slavery related risks.

The below are three recommendations for the UK Government related to regulation: i) to strengthen UK modern slavery related legislation, ii) to consider the development of Human Rights and Environmental Due Diligence (HREDD) legislation, and iii) to ensure its enforcement and alignment with international frameworks. Some of these require political support in legislatures but others can be done through secondary legislation without requiring parliamentary action.

1.1. Strengthen existing regulation related to modern slavery and value chains.

- 1.1.1.** Build political momentum and willingness to undertake deeper reforms to address modern slavery risks in the UK. For instance, appoint a UK independent anti-slavery commissioner and [continue to support](#) the establishment of a [Global Commission on modern slavery](#). These measures can increase awareness among capital market actors of modern slavery risks in their value chains, highlight the importance of addressing them, encourage good practice and communicate a sense of urgency. By doing so, the UK government can contribute to creating a stronger institutional environment that encourages greater action by capital market actors.

- 1.1.2. Introduce a new Modern Slavery Bill that strengthens Section 54 of the Modern Slavery Act (MSA), as announced in [The Queen's Speech](#) in 2022. The new Bill should amend the MSA to extend the reporting requirement to investors' value chains (investment portfolios) and not only their supply chains and should require companies to publish their annual modern slavery statements on the [Modern Slavery Statement Registry](#).
- 1.1.3. In advance of any new Modern Slavery Bill, promote among investors the use of the [Modern Slavery Statement Registry](#). This will increase transparency and build the evidence base needed to understand investors' levers. The Bill can also highlight investors' responsibility to encourage their invested companies to produce and upload comprehensive statements.
- 1.1.4. Consider supporting UK regulation of ESG ratings and data providers.
 - 1.1.4.1. Support efforts to regulate ESG ratings and data providers and encourage investors to participate in UK consultations such as the [future regulatory regime](#) consultation.
 - 1.1.4.2. Collaborate with existing groups in the UK working on developing a [code of conduct for ESG data providers](#).
- 1.2. **Consider the development of Human Rights and Environmental Due Diligence legislation.**
 - 1.2.1. The European Parliament voted in favour of the [Corporate Sustainability Due Diligence Directive \(CSDDD\)](#) which would require companies, and potentially investors, to undertake Human Rights and Environmental Due Diligence (HREDD). As the findings note, most investors are not undertaking human rights due diligence to their investee companies. In light of this and that many UK businesses and investors are calling for a [UK 'Business, Human Rights and Environment Act'](#), the UK Government could consider developing a UK HREDD legislation that applies to investors.
 - 1.2.1.1. This should clearly state that it is preferred for investors to work and engage with investee companies to improve practices and undertake corrective actions before considering divestment from challenging contexts or business relations.³⁷ This with the objective of preventing adverse human rights unintended consequences that can increase people's vulnerability to modern slavery, especially in the Global South.³⁸

37. Some factors to consider when deciding if divestment is an appropriate response are the investor's leverage over the company; how crucial the relationship is to the investor; the severity of the impact; and whether terminating the relationship with the company would result in adverse impacts. See OECD (2017) [Responsible Business Conduct for Institutional Investors](#).

38. For more information see OHCHR note (2023) [Business and Human Rights in Challenging Contexts Considerations for Remaining and Exiting](#).

1.2.1.2. It should also aim to encourage capital market actors to undertake human rights due diligence throughout the investment cycle and not just pre-contractual.

1.3. Ensure existing legislation is enforced and aligned with international frameworks.

- 1.3.1.** Revive the discussions around the establishment of a [Single Enforcement Body \(SEB\)](#) and explicitly explore its plausible implications for capital market actors. For instance, the SEB could increase transparency by enforcing Section 54 of the Modern Slavery Act and serve as a reliable source of information that can help capital market actors' decision-making regarding investments and engagements with investee companies. It could also raise awareness and increase clarity of expectations from capital market actors regarding compliance with labour laws and standards, ideally across a continuum of labour exploitation.³⁹
- 1.3.2.** Promote the update of the [Modern Slavery in Government Supply chains Procurement Policy Note and Guidance](#) to include the financial sector on the list of high priorities for public procurement.
- 1.3.3.** Ensure all existing and future human rights and modern slavery related legislation mentioned in the points above (1.1. and 1.2.), is aligned with the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) and [OECD Guidelines for Multinational Enterprises](#) in terms of language and content. For instance, make remedy an explicit requirement and place it at the centre of legislative measures.

1.4. In all these efforts:

- 1.4.1.** Consider including the voices of People with Lived Experience (PLE) throughout the policy process, from policy design to implementation, and work on building the capacity of the UK Government to better engage with lived experience in [international policy and programming](#).
- 1.4.2.** Ensure that there are effective cross-Government mechanisms in place to co-ordinate legislation and policy in relation to forced labour in global value chains, with appropriate senior level buy-in, across relevant departments. This is particularly important given the multiple UK Government departments with roles and responsibilities in relation to the role of capital markets in addressing forced labour in global supply chains, including the FCDO, Home Office, DBT, DWP, HMT and UK Export Finance.

³⁹ For a more detailed discussion of the SEB in the context of modern slavery, although not including the implications for capital market actors, see [Restating the Case of a Single Enforcement Body](#).

Domestic and International:

2. Develop tailored guidelines for national and international capital market actors and institutions to address modern slavery, increase awareness of their roles to prevent, mitigate and remediate modern slavery, and incentivise individual and collective action. Consider engaging directly with specific capital market actors at senior levels.

Three key findings of this research inform this recommendation. First, that the term modern slavery does not resonate across the world with investors and their investees and that there is a need to increase investors' awareness and knowledge of modern slavery and its relation to ESG. Second, that investors that work collectively can influence positive business behaviour. Third, that some actors, such as DFIs, may be more influential on investment actors in the Global South. As opposed to the first recommendation, engagement and sensitisation can be done in the shorter term and without legislative changes.

2.1. Develop tailored guidelines for capital market actors to address modern slavery.

- 2.1.1. Continue the promising work being done by the [UK Pension Fund Taskforce](#) on developing ESG guidance for asset owners, including modern slavery and consider promoting this model globally to increase asset owners' awareness of the value proposition of addressing modern slavery risks and their influence on asset managers.
- 2.1.2. Consider extending this Taskforce model to other capital market actors, for instance insurance companies, who are lagging other capital market actors in addressing modern slavery, as the literature review showed.
- 2.1.3. Include in this guidance the importance of asset owners and asset managers establishing effective communication mechanisms that allow for knowledge transfer not only from asset owners to asset managers but from asset managers to asset owners.
- 2.1.4. In developing these guidelines consider that there are different types of investors and behaviours, so 'one size does not fit all'. Consider short term versus long term actions that investors could take and emphasise that divestment should only be used as a last resort to avoid economic unintended consequences on the Global South.
- 2.1.5. Consider endorsing standards and developing guidance for ESG ratings and data providers.

2.2. Increase awareness of capital market actors' roles in addressing modern slavery and target investment firms' senior leadership in these efforts.

2.2.1. Increase investors' awareness of the importance of integrating modern slavery and human rights risks in the same way the sector has approached environmental risk, and of embedding these risks throughout the investment lifecycle.

2.2.2. Increase awareness of investors' need to build their capacities to tackle modern slavery in their value chains, especially when these are in the Global South, as opposed to divesting.

2.2.3. Increase awareness of the difference, but also interrelation,⁴⁰ of modern slavery, health and safety, and other human rights violations, how these fit under the ESG umbrella. Highlight the importance of addressing modern slavery risks specifically, intentionally, and explicitly in their policies and practices (albeit not necessarily using the term 'modern slavery').

2.2.4. Raise awareness of the interrelation between modern slavery and environmental risk such as climate change.

2.2.4.1. For instance, considering the UK's Critical Minerals Strategy and the latest [Critical Minerals Refresh](#), improve awareness that trafficking of natural resources (minerals, precious metals, timber, wildlife, illegally caught fish) not only have significant impacts on the environment but also exploit and expose communities to modern slavery⁴¹.

2.2.4.2. In this awareness raising, consider contextualising your approach as modern slavery does not resonate among capital market actors in some countries as shown by this research. Consider referring to specific types of modern slavery, such as forced and child labour, and specific modern slavery risks such as withholding of wages.

2.3. Consider engaging with specific capital market actors within and outside the UK that may have significant influence in the Global South such as stock exchanges and DFIs.

2.3.1. Stock Exchanges

2.3.1.1. Consider engaging with the London Stock Exchange (LSE) and its regulatory agency, the Financial Conduct Authority (FCA), to support the development of reporting requirements in relation to modern slavery risks for listed companies.

40. Consider using a framework in which labour exploitation occurs in a [continuum](#) from decent work to forced labour.

41. For instance, critical minerals are used in solar panels' production which has been found to involve forced labour. See for example [In Broad Daylight: Uyghur Forced Labour and Global Solar Supply Chains](#) and [The Energy of Freedom? Solar energy, modern slavery, and the Just Transition](#). See also Anti-slavery International's [Written evidence submitted to the UK Government regarding critical minerals](#).

- 2.3.1.2. Consider financial centres that have a regional influence, either in terms of modern slavery (for instance the Stock Exchange of Thailand⁴² and the Johannesburg Stock Exchange⁴³) or significant flows of investment into a wider region of interest (for instance, the Singapore Exchange, one of the largest stock exchanges in Southeast Asia by market capitalisation and one of the largest investors in the Asia Pacific region⁴⁴).
- 2.3.1.3. Incentivise action by considering the drivers of stock exchanges during this engagement. For instance, as suggested by the interview findings, stock exchanges in the SEA region may be interested in becoming the best in their region for modern slavery and wider business human rights and thus may be more willing to lead and innovate.
- 2.3.1.4. Encourage them to use their leverage to increase companies' awareness of modern slavery and of the link between social and environmental issues.

2.3.2. DFIs

- 2.3.2.1. Consider engaging with the UK's Development Finance Institution (the [British International Investment](#)) in the development of standards.
- 2.3.2.2. Encourage investors in the Global South to employ and strengthen DFIs' data standards and frameworks with investees, including those on remediation⁴⁵.
- 2.3.2.3. Encourage the IFC to incorporate human rights due diligence explicitly in its Performance Standards aligning to the UNGPs and the OECD guidelines.

2.4. Encourage and incentivise collaboration among capital market actors and between capital market actors and non-financial actors such as CSOs and PLE, both in the Global North and the Global South.

- 2.4.1. Promote existing UK investor coalitions and collective investor initiatives such as Find it, Fix it, Prevent it and Votes against Slavery, and international ones such as the UN PRI, IAST-APAC, and others. Consider supporting these coalitions with some of the resources and capabilities they may need.

42. See for example the Stock Exchange of Thailand's [Guidance on modern slavery risks for Thai businesses](#)

43. The Johannesburg Stock Exchange (JSE) is one of the few capital markets in the world that explicitly includes modern slavery provisions in their ESG guide. For instance, in its Sustainability Disclosure Guidance 2022 the JSE refers to freedom of association and collective bargaining as well as to child labour.

44. See [ASEANS Statistics](#)

45. See for example OHCHR (2022) [Remedy in Development Finance: Guidance and Practice](#)

2.4.2. Promote the development of investor coalitions in regions where they do not exist yet, such as in Africa.

2.4.3. Encourage, and to the extent possible, facilitate, investor collaboration with multiple stakeholders such as CSOs and PLE. The interview findings indicate CSOs in the Global South are interested in working with investors, but this collaboration would require clear rules to ensure any potential conflicts of interests are addressed.

3. Incorporate Global South capital market actors, trade unions and CSOs in the development of social data standards and ESG guidance and frameworks.

As shown in the findings, data availability, measurement and reliability are the key challenges faced by capital market actors to address modern slavery and some investors see the need to harmonise standards to address these challenges. More research is necessary to better understand to what extent harmonisation of standards is desirable across different types of investors and across countries. The interviews suggest that the standardisation processes would need the incorporation of the voices of Global South actors to include local realities that differ from those in the Global North.

3.1. Increase awareness of the contextual nature of social issues, and of modern slavery.

3.1.1. The UK FCA, the UK Pension Task Force, and others can work on increasing their awareness on the diverse regional priorities and, in turn, incorporate Global South perspectives and context in the development of social standards. This will ensure that social issues are appropriately defined and addressed without neglecting the unique challenges and goals of each region.

3.1.2. Work on increasing awareness of the importance of these contextual realities with international bodies such as the [International Sustainability Standards Board \(ISSB\)](#) and consider engaging with investors in international standard setting consultations.⁴⁶

46. For instance, the 2023 [open consultation of the International Sustainability Standards Board \(ISSB\)](#) on their future agenda priorities including a possible standard on human rights.

4. Support research including by funding research that can shed more light on the role of capital market actors in addressing modern slavery in their value chains.

This study showed that gaps remain in the evidence base to understand capital market actors' leverage to address modern slavery in their value chains. This recommendation aims to address this gap.

4.1. Fund research projects that can increase the evidence base on investors' role in addressing modern slavery.⁴⁷

- 4.1.1. Consider funding projects that can provide more and better data to investors, especially when investing in countries with unfavourable institutional environments.
- 4.1.2. Consider funding research that focuses on specific capital market actors where there is little evidence of their use of levers to address modern slavery such as the insurance sector.
- 4.1.3. Consider funding research that focuses on a specific type of modern slavery such as child labour that resonates more widely across capital market actors.
- 4.1.4. Consider funding research that explores drivers at the individual level of analysis. Including for example reward systems in place for ESG staff working in stock exchanges or investment firms.
- 4.1.5. Consider funding evidence reviews that can shed light on learnings from the broader body of work on the environmental aspect of ESG and how they could be applied or transferred to the social aspect, especially modern slavery. For instance, on [reporting requirements](#).
- 4.1.6. Consider funding research on the impact of the political environment in capital market actors' using their levers to address modern slavery. For instance, the impact of the anti-ESG movement in the U.S.
- 4.1.7. Consider funding research that explores the role of National Action Plans (NAPs) on Human Rights and capital market actors' action, especially regarding Sovereign wealth funds.
- 4.1.8. Consider funding research that addresses the challenges involved in evaluating effectiveness across all levels, especially level 3 (outcomes) by financing impact and evaluation projects of value chain interventions.

⁴⁷ More gaps in need for further research related to the role of capital markets in addressing modern slavery is discussed in section 8 of the Evidence Review Report.

4.1.9. Consider funding research exploring effective research methodologies to better capture capital market actors' realities. For instance, understanding the role sector plays for investors' decision making, including but not limited to materiality, may help better design research projects.

4.2. Encourage and support other big research funders to focus on this topic.

4.2.1. Support national and international funders such as the Modern Slavery PEC, ILO, and others.

4.2.2. Support related research projects such as that funded by the UK Home Office on data sources and resources for investors using an ethical AI platform.

4.2.3. Encourage research projects to include collaboration with people with lived experience, either as consultants or as peer researchers,⁴⁸ local non-financial actors such as CSOs, and local researchers in the Global South, ensuring an equitable remuneration and sufficient financial support.

International:

5. Collaborate with capital market actors, governments in the Global South, multilateral agencies like the Office of the High Commissioner for Human Rights (UN Human Rights) and the International Labor Organization (ILO), or via a Global Commission, in building the institutional infrastructure needed to ensure capital market actors' efforts are effective at preventing, mitigating, and remediating modern slavery in value chains.

This recommendation is based on the research finding that the institutional environment under which companies operate across the world may influence the effectiveness (type 3) of investor action. The UK government can work with capital market actors and international organisations to reduce people's vulnerability to modern slavery, especially in the Global South.

5.1. Encourage and support capital market actors in their efforts at reducing vulnerabilities.

5.1.1. This includes encouraging and supporting capital market actors in their advocacy efforts regarding the development and strengthening of domestic labour laws and policies to address modern slavery risks, especially in the Global South.

48. For the importance of researchers to produce and deliver evidence that integrates the voices of people with lived experience see [Equity in Evidence Conference: three key takeaways for researchers](#).

5.2. Work with international actors to collaboratively influence governments in the Global South.

5.2.1. Support efforts by Global South countries to address the root causes of modern slavery, such as poverty and inequality.

5.2.1.1. For instance, support countries' ambitions to move beyond natural resource-extraction economic models and contribute to building their capacities.⁴⁹

5.2.2. Engage in discussions on how best to support governments in the Global South, ensuring Global South actors are part of these discussions.

5.2.2.1. This can include the work being done in several countries on the National Action Plan (NAP) on Business and Human Rights,⁵⁰ Forced Labour, and Trafficking in Persons.

5.2.3. Encourage governments to move modern slavery related issues, such as labour rights, to the top of their agendas. Care must be taken to not impose or be overly prescriptive given contextual differences across countries.

5.2.3.1. This can include encouraging developing national regulation specific to forced labour, for example regarding transparency, or strengthen existing national labour laws and their enforcement.

5.2.4. Support CSOs in the Global South that are working to eradicate modern slavery in these countries.



49. For example the [DRC's ambition for the Electric Vehicles' \(EVs\) supply chain](#) which can also redistribute concentration of EVs production in specific countries.

50. Such as those in Kenya and Ghana.

MODERN SLAVERY & HUMAN RIGHTS

POLICY &
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