BEYOND COMPLIANCE IN THE FINANCE SECTOR:

A REVIEW OF STATEMENTS PRODUCED BY ASSET MANAGERS UNDER THE UK MODERN SLAVERY ACT

WALK FREE

WikiRate

Business & Human Rights Resource Centre

ACKNOWLEDGEMENTS

We would like to acknowledge the following organisations for their contributions throughout the project: the UN Principles of Responsible Investment, ShareAction, CCLA, Finance Against Slavery and Trafficking, Rights Lab, Rights CoLab, The Mekong Club, World Benchmarking Alliance, Interfaith Center on Corporate Responsibility, the UK Independent Anti-Slavery Commissioner, and Royal United Services Institute.

(Cover) Canary Wharf, London, December 2020. The offices of banking giants Citi, HSBC, State Street, and Barclays. Institutional investors have the leverage, and increasingly the responsibility, to push for better human rights and labour rights practices in their portfolios. Photo credit: Tolga Akmen / AFP.

Hawassa, Ethiopia, October 2019. Workers operating sewing machines in a garment factory at the Industrial Park in southern Ethiopia. They work eight-hour shifts, six days a week with low pay. Ethiopia's vision of constructing a national network of industrial parks to attract foreign investment, foster a robust manufacturing sector, and provide badly needed jobs for its young workforce is under threat. While the parks have created tens of thousands of jobs, reports of poor conditions have drawn criticism at home and abroad, and thousands of employees have walked out. Photo credit: Eyerusalem Jiregna / AFP via Getty Images.

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EXECUTIVE SUMMARY

Modern slavery represents a tragic market failure, where some companies maintain competitive advantage and large profits through unethical and unsustainable business practices that rely on the exploitation of approximately 16 million workers worldwide.

The finance sector has not been subject to the same level of scrutiny as sectors that are high-risk for labour exploitation. But financial actors, and asset managers in particular, have the leverage, and increasingly the responsibility, to push for better human and labour rights practices by companies within their portfolios. This is reflected in a fast-growing movement within the finance sector to push for stronger action on non-financial issues, commonly framed as Environmental, Social and Governance (ESG), or sustainability, considerations, such as the Organisation for Economic Cooperation and Development (OECD) guidance for investors on environmental and social risks, the European Union (EU) regulation on sustainability-related disclosure for the finance sector, and the UN Principles for Responsible Investment (PRI) recommendations on integration of human rights into investment practices.

Human and labour rights considerations are necessary in risk management strategies to avoid financial and reputational risk, to comply with regulation, and also to contribute to the development of wider society. It is part of the fiduciary duty of institutional investors to ensure long-term sustainability and financial growth over maximising short-term profits.

Legislation such as the UK Modern Slavery Act (MSA), places obligations on companies in all sectors to address the risks of modern slavery in their direct operations and supply chains. Walk Free, WikiRate, and the Business & Human Rights Resource Centre (BHRRC) identified 91 asset managers required to report under the MSA. Statements produced by 79 of these 91 companies were found and assessed to provide a snapshot in time that shows the level of awareness of modern slavery risks, identifies good practice, and highlights gaps in reporting. In addition to assessing asset managers' disclosure on their efforts to address risks in their operations and supply chains, we also looked at due diligence efforts taken within investment portfolios in line with standards within the sector.

Hami, China, October 2020. A farmer harvests cotton in the Xinjiang Uighur Autonomous Region of China. Reports out of China indicate state-imposed forced labour of the Uighur population. In January 2021, the UK Government announced measures to ensure businesses are not complicit in, nor profiting from human rights abuses in Xinjiang, particularly against the Uighur minority in the region. These measures include a review into which UK products can be exported to Xinjiang and the introduction of financial penalties for businesses that do not comply with the Modern Slavery Act. Photo credit: Pulati Niyazi / VCG via Getty Images.

KEY FINDINGS

53%

failed to meet all minimum requirements of the MSA.

28%

failed to disclose policies to address modern slavery in direct operations or supply chains.

54%

did not disclose due diligence to address modern slavery risks in their supply chains.

51%

conducted some type of risk assessment on their supply chains, but only 30% of these then identified specific risks.

27%

disclosed conducting some form of due diligence on human rights or modern slavery in their portfolio.

15%

disclosed engaging directly with investee companies to address modern slavery through social audits, self-assessment reviews, filing shareholder resolutions, or training.

With this assessment we aim to support the financial sector to improve transparency and drive better practice. By promoting respect for human rights and labour standards, asset managers can play an important role in building a more sustainable and resilient global economy.

RECOMMENDATIONS

Asset managers should:

Comply with the MSA and improve their reporting by:

- Meeting the minimum requirements
- Providing more detailed disclosure on modern slavery risks, including in investment portfolios
- Improving transparency of ownership structures and business relationships, including identifying all in-scope entities
- Going beyond policies and commitments to providing evidence of due diligence measures and improvements made year-to-year

Strengthen efforts to address modern slavery risks in direct operations, supply chains, and business relationships, specifically in:

- Financial activities, including investment portfolios. Asset managers should use their leverage to steer companies to adopt and adhere to human rights standards such as the United Nations Guiding Principles (UNGPs) in line with the nine minimum practices for asset managers to address modern slavery in their portfolios (see page 19)
- Complex supply chains. Investigate supply chains to identify where the spectrum of labour abuse, including modern slavery, occurs in the production of any goods or services or through vulnerable outsourced or agency workers

Engage and share good practice with industry initiatives and collaborations, such as PRI, Finance Against Slavery and Trafficking (FAST) and Investors against Slavery and Trafficking (IAST-APAC).

Dhaka, Bangladesh, December 2016. A worker cleans the glass-wall of a high-rise building. Industries such as cleaning and construction are at higher risk of modern slavery. When outsourced through labour agencies, workers in these industries often lack access to labour protections, which can increase their vulnerability. The finance sector engages these industries in their direct operations or through their controlled entities. Photo credit: Zakir Chowdhury / Barcroft Media via Getty Images.

MODERN SLAVERY AND INVESTORS

Ludhiana, India, September 2017. An Indian man works at a garment factory in Ludhiana. The garment industry is particularly vulnerable to modern slavery due to its complex supply chains and fast turnaround times. Photo credit: Money Sharma / AFP via Getty Images.

Modern slavery represents a tragic market failure, where some companies maintain competitive advantage and large profits through unethical and unsustainable business practices that rely on the exploitation of workers.

Financial actors often perceive the sector as low-risk for human rights abuses, however, it faces clear exposure to modern slavery risk through its direct operations, supply chains, and business relationships:

1. **Direct operations and controlled entities.** The sector engages with industries at higher risk of modern slavery, particularly cleaning, catering, and construction. When outsourced through labour agencies, workers in these industries often lack access to labour protections, rendering them more vulnerable to modern slavery.
2. **Ancillary supply chains.** Modern slavery risks flow downstream from the production of non-financial goods, such as IT equipment and staff uniforms. Upstream, forced labour has also been identified in the mining and harvesting of raw materials used in the manufacture of these goods, including minerals and cotton.
3. **Financial supply chains.** By trading in financial goods and services, such as corporate lending and financing, financial businesses become part of value chains that rely on modern slavery practices. Investors, for example, can be exposed to the risk through their investment portfolios.
4. **Financial crime transactions.** A significant proportion of the profits generated by modern slavery practices are laundered through legitimate financial channels, resulting in the inadvertent contribution to, or facilitation of, these criminal activities.

Any commercial entity that is linked to the spectrum of labour exploitation, including modern slavery, risks contributing to human rights violations. Respecting human rights is the cornerstone of the UNGPs, which apply to all business enterprises, regardless of size, sector, location, ownership, or structure. The UNGPs state that enterprises are to respect human rights, including requirements to avoid causing or contributing to adverse human rights impacts and to seek to prevent and mitigate any abuses that may occur. Commercial entities also risk legal liability under an increasing number of regulatory frameworks that require businesses to prevent human rights harms, as well as reputational and financial damage that may compel its investors to respond, as we saw in the recent case of the apparel brand, Boohoo.

The Boohoo example highlights that investors should incorporate ESG considerations into investment decisions to ensure long-term sustainability and financial growth over maximising short-term profits. While more work must be done to raise awareness that social considerations such as human and labour rights are financially material, increasing engagement on social issues presents an opportunity for institutional investors to achieve greater financial returns for shareholders while also helping to eliminate modern slavery from the global market.

The growing momentum within the sector, as shown by the FAST initiative, the engagement of the UN PRI, CCLA's "Find It, Fix It, Prevent It" initiative, and KnowTheChain, among others, highlights the essential role that institutional investors have to use their leverage to actively promote business practices that contribute to tackling modern slavery. One clear avenue to demonstrate this commitment is in the statements produced by asset managers under the UK Modern Slavery Act.

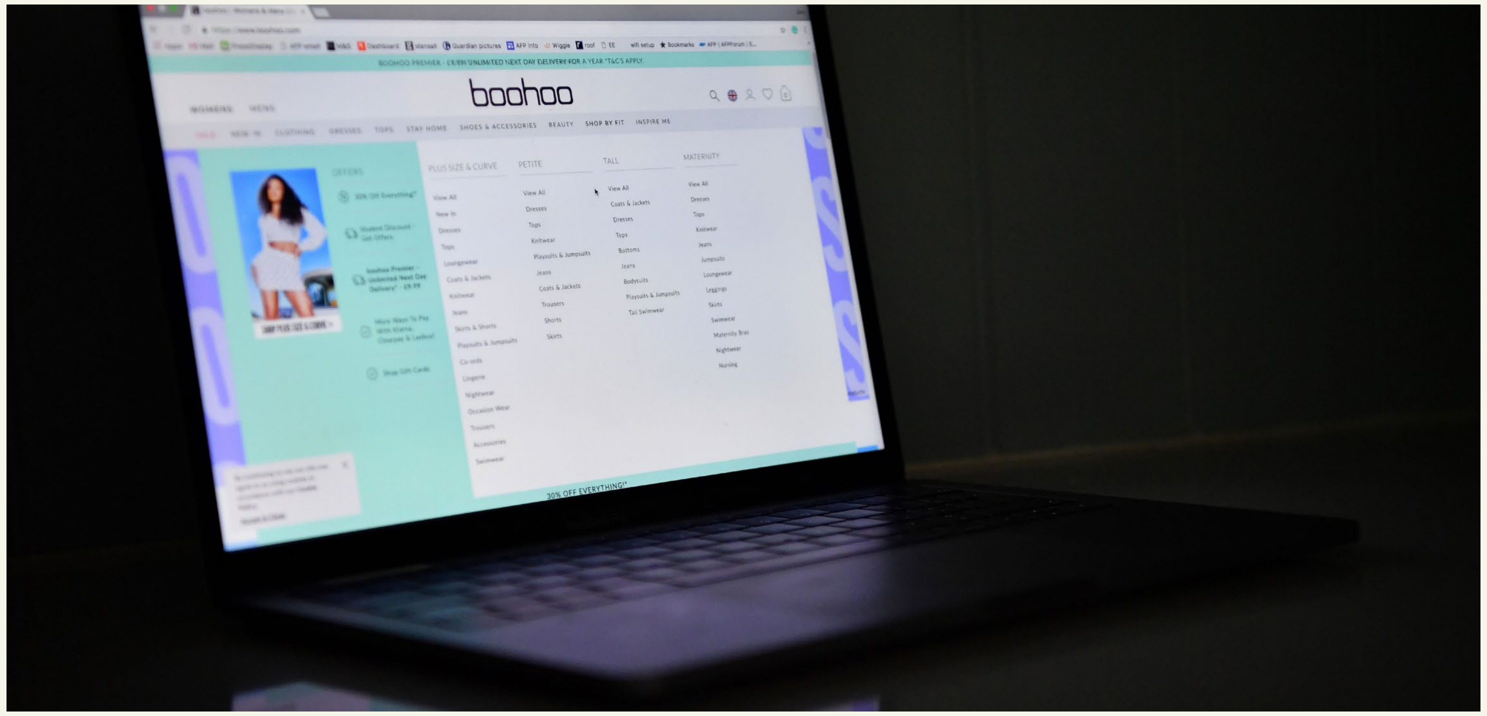
METHODOLOGY

What do asset managers disclose in their Modern Slavery Act statements?

London, United Kingdom, April 2020. The online fashion portal Boohoo is pictured on a laptop. In July, a report by NGO Labour Behind the Label alleged that garment workers in brand suppliers in Leicester were forced to work during the national lockdown implemented in response to the COVID-19 pandemic. The report points to high levels of infection in the textile factories, and many reports of furlough scheme fraud. Having registered a significant increase in sales in 2020, the fast fashion brand was publicly accused of profiting from exploitative working conditions at their suppliers, and soon after, its market value slumped with the withdrawal of key investors. Despite concerns that Boohoo's reputation would undermine investor confidence, other investors took the opportunity to "cash-in", ignoring the human rights violations linked to the fashion brand's suppliers. Photo credit: Ben Stansall / AFP via Getty Images.

Under Section 54 of the 2015 MSA, the UK government requires all companies with a turnover of over £36 million per annum to release an annual statement on the actions they are taking to tackle modern slavery in their direct operations and supply chains.

In 2020, Walk Free, WikiRate, and the Business & Human Rights Resource Centre,[1] assessed the statements produced by 79 asset managers, identified as having to report under the MSA.[2] These statements were assessed against minimum compliance requirements as set forth under Section 54 and against metrics derived from the Home Office statutory reporting guidance accompanying the MSA. The purpose of the assessment was to understand the level of awareness of modern slavery risks among asset managers, to identify good practice, and to highlight gaps in reporting. By conducting this assessment, we aim to support the financial sector to improve transparency and drive better practice.[3]



1 With support from the Australian National University, Columbia University, University of Connecticut, University of Nottingham, and University of Amsterdam.

2 We defined the scope of the project through review of available lists, such as the ones publicly available by UN PRI and WBA and in consultation with industry experts. As of November 13, 2020, we had found 79 publicly available modern slavery statements from the Modern Slavery Registry and company websites.

3 For more information about the project and its methodology, please visit: walkfree.org/projects/strengthening-supply-chain-transparency/ or get in touch via info@walkfree.org. All data can be downloaded from widgets.wikirate.org/walkfree/.

CHALLENGES IN IDENTIFYING INVESTORS IN SCOPE OF MANDATORY REPORTING

Of the 91 asset managers identified as within scope of the MSA, 87 per cent (79) had a modern slavery statement[4] covering a total of 303 entities. We could not find the statements for the remaining 12 asset managers (13 per cent) on their websites; this is concerning given it is over five years since the MSA was passed.

When trying to identify which investors were in scope of the legislation, we encountered the following challenges:

1. Lack of transparency within the sector to determine whether the asset manager's revenue meets the £36 million threshold. Investment income, which is publicly disclosed, cannot be used to determine revenue.
2. Opaqueness in ownership structures and business relationships. This makes it difficult to determine which entities within a group structure are required to report and therefore hinders the ability to monitor compliance by in-scope companies. It leads to perceived underreporting, where parent companies do not disclose all eligible subsidiaries.
3. No publicly available government list of entities required to report under the Act.

The UK government has recently announced plans to introduce penalties for businesses that do not comply with the MSA. By our assessment, this means that 12 asset managers will soon be exposed to financial penalties, unless remedial action is taken.

REPORTING PERIODS FOR ASSESSED MODERN SLAVERY STATEMENTS

Most recent statements

4 For this analysis, data were collected until November 13, 2020. After that date, four companies published updated modern slavery statements: Apollo Global Management LLC, GAM (UK) Ltd, Marathon Asset Management LLP, and Pzena Investment Management, which are excluded from this analysis.

ARE ASSET MANAGERS COMPLIANT WITH THE MINIMUM REQUIREMENTS UNDER THE UK MODERN SLAVERY ACT?

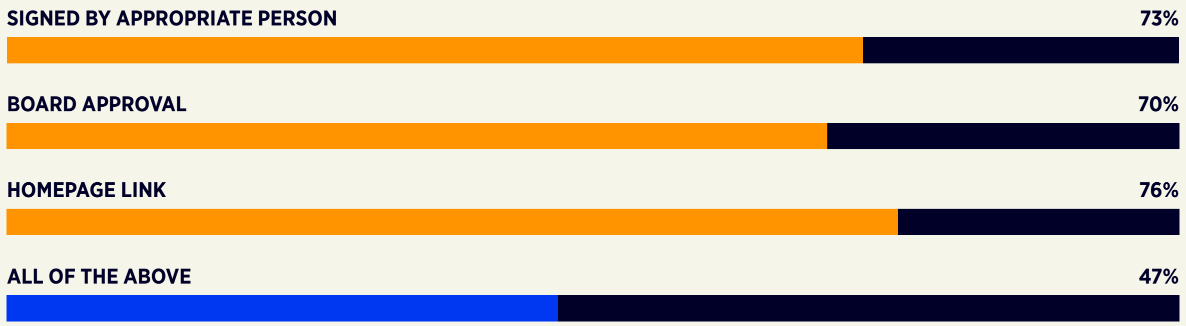
Asset managers are falling short on compliance with the minimum requirements under the MSA.

Each statement must be:

- signed by a director (or equivalent),
- approved by the Board of Directors (or equivalent management body), and
- linked from the company's homepage.

These requirements are intended to ensure that company leaders are engaging on this issue and that statements are easily accessible for stakeholders to scrutinise. Although **most companies met at least one of these requirements,** less than 50 per cent met all three.

% OF COMPANIES MEETING MINIMUM REQUIREMENTS



London, United Kingdom, April 2017. A view looking skyward of the Cheesegrater, the Gherkin, and the Lloyd's building in the financial hub of London. Photo credit: John Keeble via Getty Images.

Metrics derived from the Home Office statutory guidance

Organisational structure and supply chains

- Does the company disclose the ownership structure(s) and/or business model(s) of each of its brands, subsidiaries, and other businesses covered by their Modern Slavery statement?
- Does the company's statement identify the suppliers in their supply chain and/or the geographic regions where their supply chain operates?

Organisational policies

- Does the company's statement detail specific, organisational policies or actions to combat slavery in their direct (tier 1) and/or in-direct (beyond tier 1) supply chain?

Due diligence

- Does the company continuously monitor suppliers to ensure that they comply with the company's policies and local laws?
- Did the company explain the corrective steps it has taken (or would take) in response to modern slavery incidents in their own operations and/or supply chain?

Whistleblowing

- Does the company have a grievance mechanism in place to facilitate whistleblowing or the reporting of suspected incidents of slavery or trafficking?

Assessing and managing risk

- How does the company assess the risks of modern slavery and trafficking in their supply chain?
- Does the company's statement identify specific geographic regions, industries, resources, or types of workforce where the risk of modern slavery is the greatest?

Performance indicators

- Does the company define performance indicators that measure the effectiveness of their actions to combat slavery and trafficking?
- Has the company reviewed business KPIs to ensure they are not increasing risk of modern slavery?

Training

- Does the statement describe training for staff that is specifically geared towards detecting signs of slavery or trafficking?

ARE ASSET MANAGERS CONSIDERING THE RISK OF MODERN SLAVERY IN THEIR SUPPLY CHAINS?

Beyond minimum requirements in the MSA, the accompanying Home Office statutory guidance outlines the actions companies should take to ensure their supply chains are free from exploitation.

Our research highlights several concerning findings. Of the 79 statements assessed:

28%

failed to disclose policies to address modern slavery in direct operations or supply chains.

30%

did not disclose whether they facilitate any training on this topic.

10%

disclosed policies that applied beyond tier 1.

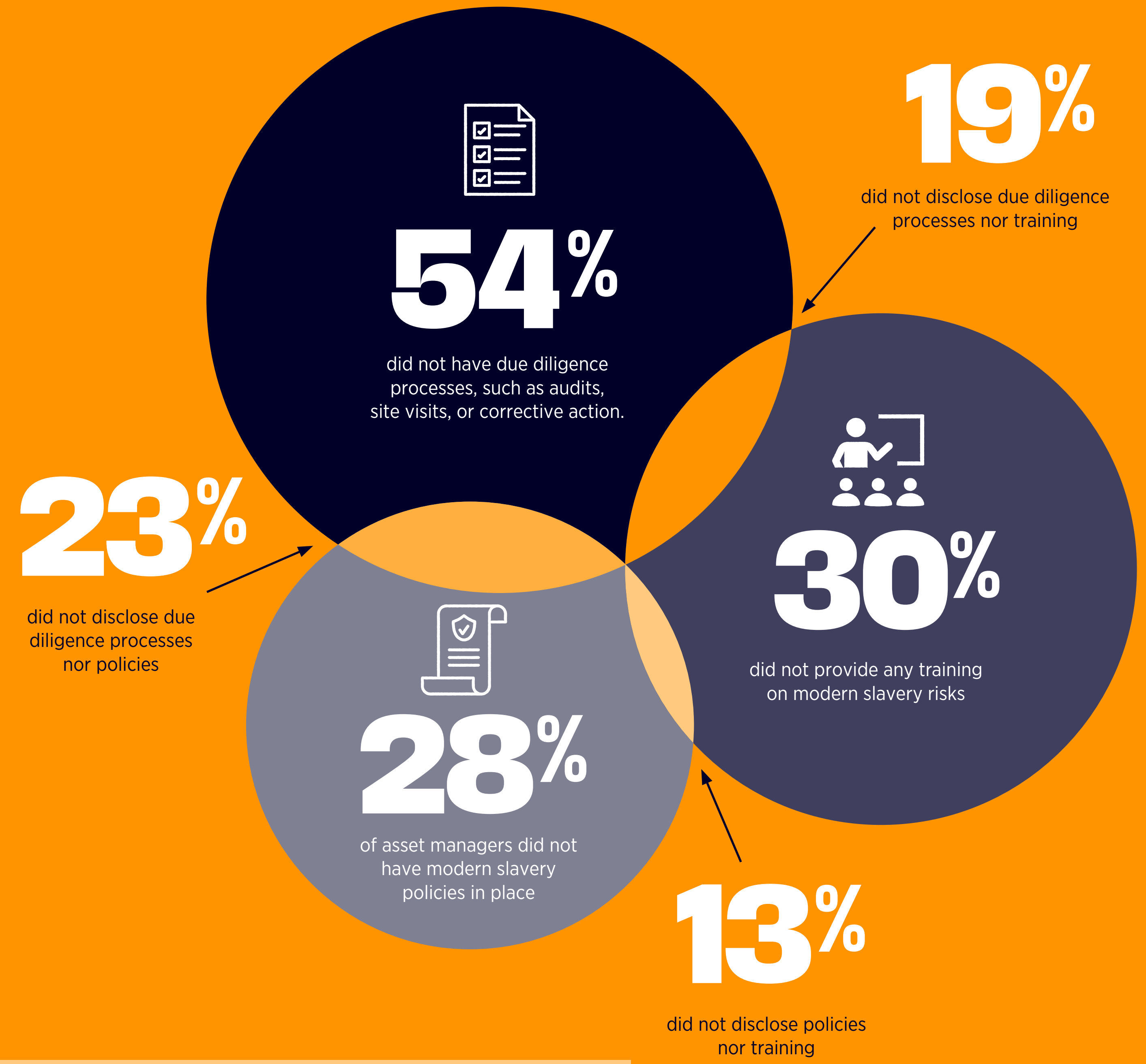
54%

did not disclose due diligence to address modern slavery risks in their supply chains.

TRAINING

Of the companies that disclosed providing any training on modern slavery risks, approximately **1 in 4 provided training to all employees.**

While 38 per cent did not mention a specific training recipient, 22 per cent indicated providing training to procurement teams. Few mentioned training for leadership groups, recruitment/HR teams, or suppliers.

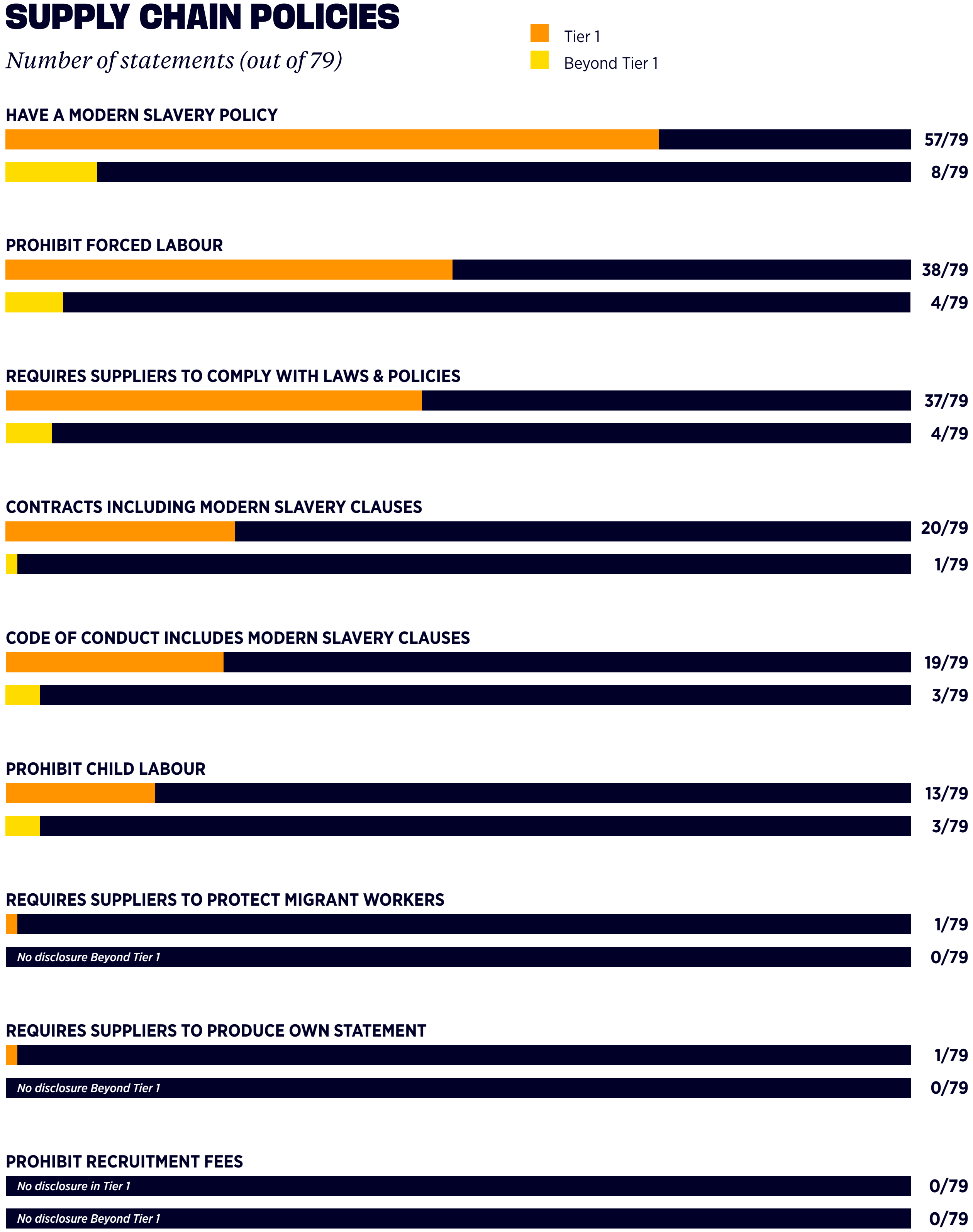


CORRECTIVE ACTION

Two out of 3 asset managers did not mention any form of corrective action. For those that disclosed it, the most common was contract termination (23 per cent), followed by the involvement of senior management (11 per cent). Six per cent mentioned a corrective action plan.

MODERN SLAVERY SUPPLY CHAIN POLICIES

Number of statements (out of 79)



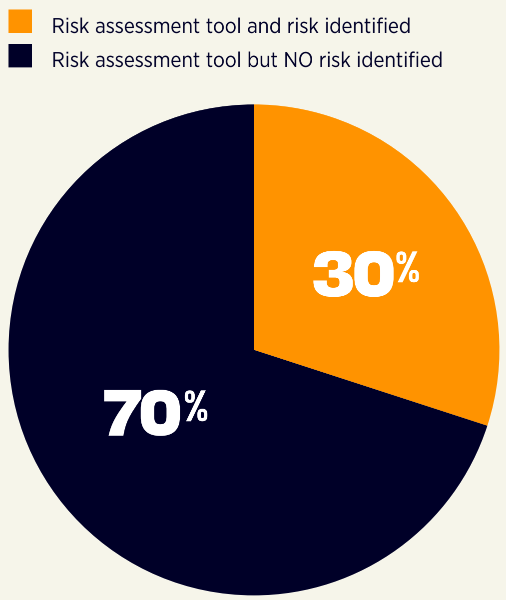
ASSESSING AND IDENTIFYING MODERN SLAVERY RISKS IS AN IMPORTANT PART OF TARGETING EFFECTIVE RESPONSES AND RESOURCES.

We found that **51 per cent of asset managers conducted some type of risk assessment**, such as requiring all suppliers to complete risk-based questionnaires, using specific risk management software, or conducting desk research.

However, only **30 per cent of those who conducted a risk assessment then identified specific risks**, such as those associated with construction or cleaning industries, or a particular workforce like agency and temporary staff. It was unclear why the remaining 70 per cent did not identify any specific risks.

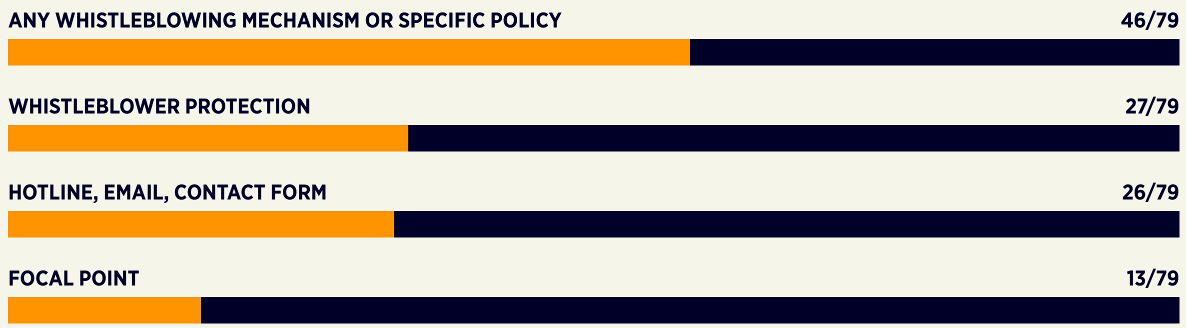
Grievance mechanisms for reporting incidents are essential to any modern slavery response. **Fifty-eight per cent of companies disclosed at least one mechanism, such as a hotline, or a specific policy offering protection for whistleblowers** against reprisals.

RISK ASSESSMENT TOOL AND RISK(S) IDENTIFIED



WHISTLEBLOWING MECHANISMS OR SPECIFIC POLICY

Number of statements (out of 79)



ARE ASSET MANAGERS CONSIDERING MODERN SLAVERY RISKS IN THEIR PORTFOLIO?

In consultation with experts, we developed nine metrics to assess the minimum actions asset managers should take to conduct modern slavery due diligence in their portfolios. For this publication, we assessed the statements against five of these metrics.

While asset managers are not required to report on these metrics under the MSA, they should already be taking steps to continually engage with investee companies to prevent modern slavery.

According to PRI and the OECD, asset managers which do not integrate ESG considerations into their investment practices and decision-making are failing in their fiduciary duties. Integrating ESG issues is becoming commonplace in regulatory and legal requirements for institutional investors, and increasingly aligns with the preferences of clients and beneficiaries. For example, the EU Regulation 2019/2088 on sustainability-related disclosures sets obligations for the financial sector, including the consideration of "negative externalities on environment and social justice of investment decisions or advice." Modern slavery is clearly a human rights and labour standards issue and should be considered as part of the S in ESG. This is being translated into national legislation; the Australian Modern Slavery Act, for example, requires companies to report on the modern slavery risks associated with their portfolios. It therefore follows that reporting on addressing modern slavery risks in investment decisions is good practice, offering an opportunity for asset managers to show transparency and leadership.

MODERN SLAVERY DUE DILIGENCE IN INVESTMENTS

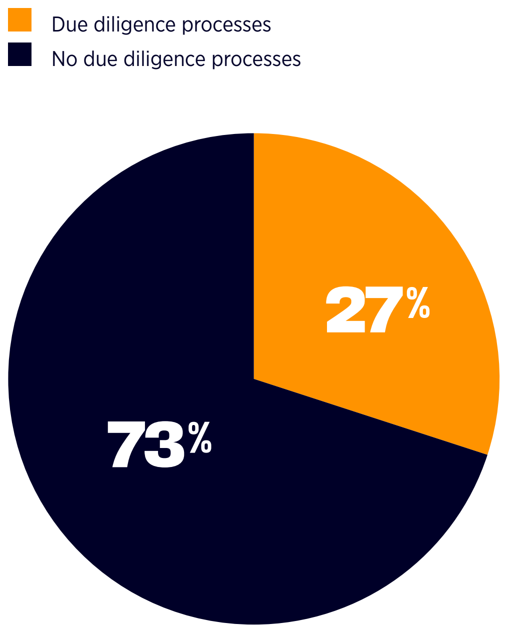
Number of statements (out of 79)

Despite this, most asset managers did not disclose modern slavery risks as a consideration in their investment decisions.

Less than one third (27 per cent) disclosed conducting some form of due diligence on human rights or modern slavery issues in their portfolios — actions reflected in metrics 1 to 4.

- Few asset managers disclosed **assessing their investee companies for modern slavery risks (7) and engaging directly with companies to address modern slavery** through social audits, self-assessment reviews, filing shareholder resolutions, or training (12).
- **Only eight per cent disclosed that investee companies are required to meet their reporting obligations under the MSA.** This helps asset managers conduct their own due diligence and demonstrates to investee companies that this is a priority issue.
- **One in 3 institutional investors indicated being part of an industry or non-industry initiative or collaboration** such as PRI, FAST or the UN Global Compact. While these initiatives provide a useful platform for institutional investors to learn from experts and peers to lift the industry standard for preventing, identifying, and mitigating modern slavery, institutional investors should look for meaningful engagement with these initiatives and not join them as a tick-box exercise.

MODERN SLAVERY DUE DILIGENCE PROCESSES IN INVESTMENTS (TOTAL %)



Metrics used to assess modern slavery risks associated with portfolios in this study

1. Does the investor disclose it has a human rights investment policy covering any portfolios under management?
2. Does the investor disclose it requires investee companies to meet their reporting obligations under the UK Modern Slavery Act?
3. Does the investor disclose it assesses investee companies prior to investment to identify potential modern slavery risk areas?
4. Does the investor disclose active engagement, either directly or through intermediaries, with investee companies on their (investee companies') modern slavery/ labour exploitation/ human trafficking risks in value chains and business relationships? This can be done through social audits, self-assessment reviews, filing or supporting shareholder resolutions, on-site visits, civil society monitoring, training, engagement policy/ leverage policy, or other.
5. Does the investor disclose it collaborates with industry and non-industry stakeholders to learn from experts and peers on and/or lift the industry standard for preventing, identifying, and mitigating modern slavery, labour exploitation and human trafficking risks, and enabling effective remedy for harms caused or contributed to? Examples are PRI, the FAST initiative, ShareAction, The Mekong Club, WBA, the UN Global Compact, CCLA's "Find it, fix it and prevent it", and the Corporate Sustainability Reporting Coalition.

Additional metrics on investment due diligence best practice

6. Does the investor disclose it has a human rights due diligence process in place to prevent and mitigate modern slavery/ labour rights/ human rights risks identified within its portfolio pre, during and post-investment or identified in its investments?
7. Does the investor disclose whether any of the following social issues (the S from ESG) inform the company's investment decisions? Issues include: modern slavery, human trafficking, forced labour / labour exploitation, labour rights, human rights, child labour, other.
8. Does the investor disclose it identified salient human rights and labour rights risks in their investments (e.g. vulnerable workers, geography, sourcing country, etc)?
9. Does the investor disclose it has an exclusionary policy in place to screen out companies based on social criteria related to modern slavery and human trafficking?

One example of good practice was an asset manager's disclosure of a modern slavery incident in a company they were engaged with. They also described their continuous engagement to help remedy the situation. This provides critical evidence for greater corporate transparency and shared learning on remediation.

Case study: Allegations of labour abuses in the palm oil industry

In their 2019 statement, Federated Hermes disclosed how it engaged with Kuala Lumpur Kepong Berhad (KLK), a palm oil producer facing allegations of poor labour standards, including child labour, in its plantations in Liberia and its suppliers in Indonesia. The asset manager described increasing its monitoring and using its leverage to strengthen KLK's labour standards and disclosure. Federated Hermes also supported KLK to achieve a Roundtable on Sustainable Palm Oil certification for its operations in Malaysia, and to adopt a group-wide sustainability policy which included labour standards. KLK commissioned external audits of its supply chains, and disclosed audit findings and follow up action plans to provide increased transparency for its investors. KLK is also conducting due diligence on worker recruitment fees and taking action to ensure migrant workers retain access to their passports.

WITH GREAT ASSETS COMES GREATER RESPONSIBILITY.

The top 15 companies in terms of assets under management (AUM), identified as within scope of the MSA, account for almost double the AUM of the other asset managers combined.[5]

Those which published a statement were half as likely to consider modern slavery in their portfolios when compared to all reporting asset managers. This needs to shift given the enormous leverage that these groups have.

	Top 15 companies by AUM	All asset managers
Published a statement	14/15 (93%)	79/91 (87%)
Disclosed modern slavery due diligence in their supply chains	8/14 (57%)	36/79 (46%)
Disclosed modern slavery due diligence in their investments	2/14 (14%)	21/79 (27%)

5 The top 15 AUM account for nearly 44 trillion USD as opposed to just over 23 trillion USD, See wikirate.org for details.

LOOKING FORWARD

London, England, January 2017. The Lloyds building is seen, beyond some of the older offices, in the financial district, also known as the Square Mile. Photo credit: Leon Neal via Getty Images.

The investment community has come a long way in redefining fiduciary duty to think beyond short-term profits for shareholders and integrate ESG into investment decisions. This approach should be applied to efforts to tackle modern slavery risks.

Beyond the moral imperative of addressing modern slavery, global regulatory changes are closing the net on laggard asset managers and institutional investors. The MSA, and the recent announcement to introduce penalties for non-compliance, is part of a series of legislative developments, such the EU Regulation 2019/2088 and the Australian Modern Slavery Act. Together with the OECD guidance for institutional investors and PRI's strengthening of its human rights requirements, expectations for asset managers and institutional investors to integrate ESG considerations, including modern slavery, into their investment decisions and reporting are increasingly clear.

The MSA offers asset managers the opportunity to investigate the prevalence of modern slavery risks in their direct operations and supply chains. By also addressing risk in their portfolios, they can use their leverage to improve the due diligence efforts of their investee companies. Promoting respect for human rights and labour standards is critically important to build a more sustainable and resilient global economy, which is particularly urgent as the world reacts to current crises, including the COVID-19 pandemic.

RECOMMENDATIONS

Asset managers should:		Why it is important
1. Comply with the MSA and improve their MSA reporting by:	Meeting the minimum requirements	This is explicit in the MSA and now the UK government MSA registry is established it will be obvious who has, and who has not complied. Board approval and director signature demonstrates to asset owners that this is a priority issue at the highest levels of leadership.
	Providing more detailed disclosure on modern slavery risks, including in investment portfolios	The Home Office Guidance is explicit about disclosure on supply chain risks, while the Australian Modern Slavery Act and the EU Regulation 2019/2088 require disclosure on investment portfolios. Detailed disclosure that demonstrates asset managers have a clear understanding of their risks and have plans in place to address them also generates trust from stakeholders.
	Improving transparency of ownership structure and business relationships, including identifying all in-scope entities	Under the new MSA registry, companies will have to disclose all entities covered by their statement. Improved transparency will also streamline reporting processes for business groups by allowing them to publish a single statement that covers all in-scope entities while reflecting on the specific risks linked to each entity within that group. This will allow the government to easily identify whether in-scope companies have complied with their reporting requirements.
	Going beyond policies and commitments to providing evidence of due diligence measures, outcomes and improvements made year-to-year	Mandatory reporting requirements ultimately aim to drive better action to tackle human rights abuses. Going beyond policies to implementation of due diligence and engagement illustrates how seriously institutional investors are taking their fiduciary duties.
2. Strengthen efforts to address modern slavery risks in direct operations, supply chains, and business relationships, specifically in:	Financial decision making activities, including investment portfolios. Asset managers should use their leverage to steer companies to adopt and adhere to human rights standards such as the UNGPs in line with the 9 minimum practices for asset managers to address modern slavery in their portfolios.	Integrating ESG issues is becoming commonplace in regulatory and legal requirements for institutional investors, and increasingly aligns with the preferences of clients and beneficiaries.
	Complex supply chains. Investigate supply chains to identify where labour abuse, including modern slavery, occurs in the production of any goods or services or through vulnerable outsourced or agency workers.	Like all large businesses, asset managers are at risk of exposure to modern slavery through the goods and services that they purchase. Those reporting under the MSA are required to critically engage with their supply chains to understand where these risks occur and target their response accordingly. Identification of risks of all labour abuse will assist in preventing more extreme abuse, including modern slavery.
3. Engage and share good practice with industry initiatives and collaborations	Several finance sector initiatives exist to support investors to consider ESG risks in their portfolios. These include PRI, FAST and IAST-APAC.	The financial sector is evolving, with many initiatives developing good practice and providing opportunities to learn from peers.

RESOURCES

- Business & Investor Toolkit, Walk Free
- FAST Blueprint
- Find it, fix it and prevent it, CCLA
- IAST APAC Investor Statement
- Investors Against Slavery and Trafficking (IAST) - APAC
- Investor Alliance for Human Rights Toolkit
- Investor dashboard, Walk Free, WikiRate and BHRRC
- KnowTheChain investor resources
- Modern Slavery: A Resource Guide for the Banking Industry, The Mekong Club
- Modern Slavery Act: Five years of reporting - Conclusions from Monitoring Corporate Disclosure, Business & Human Rights Resource Centre
- Preventing modern slavery and human trafficking, Independent Anti-Slavery Commissioner, Tribe Foundation and Themis

Hong Kong, May 2019. Workers carry placards and banners as they march on the street during the Labor Day rally. Hundreds gathered in Hong Kong on Labor Day to demand better workers' rights. Photo credit: Anthony Kwan via Getty Images.

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