PRI RESPONSE

CALL FOR INPUT ON THE ROLE OF THE FINANCIAL SECTOR IN ERADICATING CONTEMPORARY FORMS OF SLAVERY

17 April 2025

To inform this paper, the following group has been consulted: Global Policy Reference Group, Human Rights and Social Issues Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Special Rapporteur on contemporary forms of slavery's call for input on the role of the financial sector in eradicating contemporary forms of slavery.

ABOUT THIS CONSULTATION

The Special Rapporteur on contemporary forms of slavery is calling for input from relevant stakeholders to support his next thematic report to the General Assembly, which will focus on "the role of financial sector in preventing and addressing contemporary forms of slavery."

Contemporary forms of slavery create significant costs for society at large: law enforcement costs, healthcare costs and foregone economic inputs. Investors have a responsibility under international standards to respect human rights, and any connection to forced labour represents a key reputational and compliance risk.

The PRI's response highlights the role of investors in supporting efforts to tackle contemporary forms of slavery, as well as emerging international legislation and best practices that could be appropriate for consideration in the Special Rapporteur's thematic report.

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KEY MESSAGES

- As with other human rights issues, **contemporary forms of slavery can be a material issue for investors**. They may lead to issues related to brand and reputation, litigation, employee strikes and supply-chain interruptions, and customer boycotts that may impair financial performance The response provides case studies of investors who have started taking action to help tackle the issue.
- **Regulators and policymakers are acting to limit the prevalence of contemporary forms of slavery**, with policies focusing on including modern slavery acts, due diligence regulations, forced labour import bans and disclosure regulations. Other policy instruments, such as stewardship regulations and Anti-Money Laundering provisions, have been identified as possible tools to help address this issue.
- **Lack of reliable and verifiable data has been highlighted as a challenge for financial actors**. Initiatives such as those of the International Sustainability Standards Board (ISSB), the Global Reporting Initiative, the Sustainable Stock Exchanges Initiative, and the Taskforce on Inequality and Social Related Financial Disclosures (TISFD), can support financial institutions and policymakers to close these data gaps.

DETAILED RESPONSE

ROLE OF REGULATIONS AND COMPLIANCE MEASURES

- **Please list any relevant legislation, regulations, reporting requirements or programs (e.g., those covering the prevention of contemporary forms of slavery, detection or remediation, human rights due diligence, anti-money laundering and asset recovery.)**

Regulation on contemporary forms of slavery[1] is growing across the world, with different types of policies adopted either on a mandatory or a voluntary basis. The main types of these policies include:

- Modern slavery acts, such as the ones adopted in the UK, California, Canada, and Australia;
- Forced labour import bans, adopted in the US, Canada, Mexico and the EU;
- Due Diligence regulations and guidelines in the EU Corporate Sustainability Due Diligence Directive, French Loi de Vigilance, German Supply Chain Act, Dutch Child Labour Due Diligence Act, Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains, and the Norwegian Transparency Act. Proposals for similar policies have been introduced in other jurisdictions, such as Thailand;
- Social (including modern slavery) disclosures, such as the EU CSRD and SFDR.

Beyond the policies highlighted above, which the PRI has focused on in its engagements, investors are also subject to Anti-Money Laundering (AML) regulations. While this has not currently been

[1] Please note that the term Modern Slavery is used throughout this response, where this is consistent with the term used in the jurisdiction that is being analysed, or where this is the term originally used in the studies identified.

implemented in any jurisdiction, studies have shown that the AML regime may be used to tackle contemporary forms of slavery.[2]

- **Do Governments coordinate across all relevant agencies/ministries on issues relating to contemporary forms of slavery?**

As highlighted by recent PRI research, the transition to a sustainable and equitable economy that benefits natural and social systems has become an increasingly urgent policy objective in many countries and within international forums. This transition will have social effects, both in terms of socioeconomic conditions, and protection of fundamental rights, that need to be managed. Some economic activities closely related to the transition, such as the mining of critical minerals, have been associated to instances of contemporary forms of slavery.[3] Tackling this phenomenon should be part of a whole-of-government approach to the transition, to ensure its fairness in the eyes of workers and communities. Integrating action throughout all government departments involved in the prevention of this phenomenon can provide better coordination between agencies and more effective results.[4]

- **If no relevant laws and regulations exist in your country/jurisdiction/region, which measures do you think would be helpful?**

A broad range of sustainable finance policies (as well as coordinated real economy policies) can support the financial system in tackling issues related to contemporary forms of slavery. These policy tools can include the ones highlighted in the PRI toolkit published with the World Bank[5], and explored in the PRI's paper on Adopting a strategic approach to human rights and social issues policy:

  - **Corporate ESG Disclosures**: While metrics around environmental and governance (aspects are currently more evolved, there is a movement towards the development of disclosure metrics and standards on social issues. Policymakers and standards setters are increasingly active in this area, mirroring the strategies employed on climate and environmental issues. This is exemplified by the European Sustainability Reporting Standards (ESRS) and the proposed expansion of the International Sustainability Standards Board's (ISSB) work to encompass human capital management.

  - **Stewardship frameworks and regulations:** As recognised by the PRI's Advance initiative, stewardship is a key tool that investors can use to ensure that the companies they invest in respect human rights. In recent years, it has been shown that strict scrutiny by regulators can support and enhance the results of these activities. Regulatory frameworks for effective stewardship can help investors mitigate system-level risks (such as inequitable social structures), improve the long-term performance of economies and their investment portfolios, as well as improve social and environmental outcomes in line with their beneficiaries' objectives and public policy goals.

[2] United Nations University (2023) Targeting the International Anti-Money Laundering Regime to Address Human Trafficking and Forced Labour.
[3] AllianceBernstein (2023) The Connection Between Climate Change and Modern Slavery.
[4] Examples of coordinated public response to issue of modern slavery can be found in a recent report by the UK Independent Anti-Slavery Commissioner, focused on the role of local authorities.
[5] Please note that the toolkit is currently being updated.

- **Investor ESG regulations**: As highlighted in the PRI's human rights paper, human rights and a range of social issues, including contemporary forms of slavery, can be recognised as material considerations for investors. Depending on the jurisdiction's regulatory landscape, disregarding material ESG issues such as human rights violations may trigger litigation, liability and reputational risks, and therefore have relevance for investors' fiduciary duties.[6] These factors could be integrated into disclosure frameworks and the general duties or obligations of investment entities to meet the demands of clients and beneficiaries. The information gathered through better mandatory corporate disclosure regimes will support investors and should be used to inform their investment decision-making.
- **Taxonomies**: In the social space, taxonomies are important for a number of reasons:
  - social taxonomies support investors to drive capital directly towards the delivery of social objectives;
  - minimum safeguards in environmental taxonomies can ensure that capital supporting green goals does not undermine social progress or harm communities.
- **National sustainable finance strategies:** Sustainable finance strategies, when implemented as part of a whole-of-government approach, can help mainstream human rights and social issues within the financial system, bridging the gap that exists between the finance sector and the wider economy. These strategies can promote economic development while fostering social inclusion and protecting the environment. They can support and enable investment in areas that require capital, such as social impact investment, and can enable or accelerate a country's ability to deliver on sustainable development goals.

In addition to the policy tools highlighted above, **due diligence regulations in line with international standards** can introduce safeguards in the economy to ensure that businesses identify and remediate negative human rights impacts, including instances of contemporary forms of slavery.

The benefits of corporate due diligence disclosures for investors include:

- Support of investors' sustainability assessments;
- Enhancing risk analysis and processes for impact prevention, mitigation, and remediation;
- Provide greater understanding of companies throughout the value chain;
- Enable responsible investors to conduct better-informed engagement with investees, respect human rights, and provide due consideration to environmental issues.

In 2020 over 100 investors from several different jurisdictions, representing over US$4.2 trillion in assets, signed a letter calling on governments to develop, implement, and enforce mandatory human rights due diligence requirements. The letter argues that due diligence processes are:

- Materially good for business, investors, and the economy;

[6] PRI, UNEP-FI and Generation Foundation (2019) Fiduciary Duty in the 21st Century.

- Essential in creating uniformity and efficiency as an increasing number of governments are already taking this step; and
- A necessary component for investors to fulfil [their] own responsibility to respect human rights.

Elements that should be considered to ensure that due diligence policies are both practicable and effective include:

- **A risk-based approach** in-line with international standards and grounded in the concepts of 'severity' and 'leverage'. This approach allows undertakings to carry out proportionate due diligence, prioritised and targeted to where the impacts are most severe – leading to more successful impact.
- **An obligation of means**: companies should take appropriate measures which are capable of effectively addressing adverse impacts, in a manner commensurate to the severity and likelihood of the impact. This provides reassurance and legal certainty.
- **Meaningful stakeholder engagement:** undertakings should carry out effective engagement with stakeholders, providing relevant and comprehensive information. This informs all other steps of the due diligence process to ensure better prioritisation and mitigation of impacts.
- **Guidance:** Early guidance on how to conduct due diligence in line with the regulatory requirements should be provided, to provide certainty and limit compliance costs.
- **A clear civil liability regime:** An approach in line with international standards, where no liability is attributed for being "directly linked" to adverse impacts (as opposed to causing or contributing them), can provide clarity to in-scope undertakings.
- **Support for SMEs:** Even if often excluded from regulatory requirements, SMEs are likely to be impacted by due diligence requirements cascading down the value chain. For this reason, measures should be adopted to minimise any undue burden this causes. This can take the form of requiring in-scope companies to provide targeted and proportionate support to business partner SMEs where necessary in light of their resources, knowledge and constraints.

Finally, **forced labour import bans** are a growing instrument to combat forced labour, and may be effective as part of a holistic approach to tackling forced labour globally. When properly enforced, forced labour bans may cause additional costs for business, further increasing the materiality of the issue for investors.

Studies on existing forced labour import bans, such as the US Uyghur Forced Labor Prevention Act, found conflicting evidence of the effectiveness of these instruments.[7] While this may in part be due to the limited amount of research conducted on this topic to date, evidence of long-term impact is unclear, and more analysis should be conducted to ascertain this effectiveness. The efficacy of these instruments in eliminating the causes of negative human rights impacts may be limited by the fact that they often do not require companies to take steps to remediate any adverse human rights impacts,

[7] Modern Slavery PEC (2021) Effectiveness of forced labour import bans; The Remedy Project (2023) Putting things right: Remediation of forced labour under the Tariff Act of 1930.

like a due diligence requirement would.[8] Simply relying on the incentive to maintain access to the market, which some analyses have identified as an incentive to provide remedy, may not be sufficient to ensure that corporates address the impacts that have been identified. The fact that, up to this point, bans have generally been targeted at specific geographical areas, can encourage trade diversion from these regions, and mean that adverse impacts taking place in other areas may remain unaddressed.

For these reasons, when adopted, import bans should be incorporated into a holistic approach to tackling forced labour globally, as part of a suite of regulatory interventions that include:

- Mandatory due diligence regulation;
- Contemporary forms of slavery disclosures on a comply or explain basis; and
- Forced labour import bans.

ROLE OF VOLUNTARY MEASURES:

- **What kind of sectoral, national, regional, and international voluntary measures, such as voluntary rules or guidelines have incentivized or obliged financial actors to prevent contemporary forms of slavery?**

The United Nation Guiding Principles on Business and Human Rights (UNGPs)[9] and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines)[10] provide the basis for action on business and human rights, and as shown below, are widely considered as the standards for corporate activities on these issues. The Guidelines have been integrated with specific guidance for the financial sector.[11]

The PRI has previously participated in the Finance Against Slavery & Human Trafficking project under the Lichtenstein Initiative, supporting the publication of the Blueprint for Mobilizing Finance Against Slavery and Trafficking.

CURRENT EFFORTS AND PROMISING PRACTICES

- **Please provide information regarding the existing and emerging promising practices/positive measures adopted by financial actors for preventing and eradicating contemporary forms of slavery.**

Just like several other human rights issues, contemporary forms of slavery are a material concern for investors. Research from AllianceBernstein highlights that “modern slavery carries financial risks associated with factors such as brand and reputation, litigation, employee strikes and supply-chain interruptions, and customer boycotts that may impair financial performance”.[12]

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[8] Currently, existing bans do not directly require such remediation, with the EU Forced Labour Regulation giving lead competent authorities the chance to request information from the company under investigation on “the relevant actions it has taken in order to identify, prevent, mitigate, bring to an end, or remediate risks of forced labour in its operations and supply chains. “
[9] United Nations (2011) Guiding Principles on Business and Human Rights.
[10] OECD (2023) ECD Guidelines for Multinational Enterprises on Responsible Business Conduct.
[11] OECD (n.d.) Operationalizing RBC Due Diligence amongst financial sector practitioners.
[12] AllianceBernstein (2021) Modern Slavery Risk: the Investor's View, p. 2.

The PRI 2024 reporting data shows asset owners and investment managers are paying increased attention to human rights and social factors, including through use of the UNGPs.

- 82% of signatories reporting in 2024 said their policies include guidelines on social factors (up from 69% in 2021 and 78% in 2023)15. Of these:
  - 1,836 signatories have public guidelines on social factors and 1,221 signatories have public guidelines on human rights.
- The percentage of signatories using the UN Guiding Principles and / or the OECD Guidelines to identify impacts has also increased from:
  - 18% in 2021, to 30% in 2023, to 32% in 2024 for investment managers;
  - 27% in 2021, to 36% in 2023 and 2024 for asset owners.
- 42% of European signatories reporting in 2024 use the UN Guiding Principles and / or the OECD Guidelines to identify impacts (this is a slight increase from 41% in 2023).

The PRI has also collected several case studies of investors engaging on issues related to human rights and the UNGPs. A number have a specific focus on forced labour and contemporary forms of slavery. Below are some examples of different approaches, divided by asset class.

- Investment managers : ILX Management B.V.; AllianceBernstein; Rathbones Group; PAI Partners; Stepstone, Polaris; Abris, Union Investment; FSN Capital, Robeco.
- Asset owners: VCMF, AP2.

The Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) is an investor-led, multistakeholder project.[13] It was established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains. It comprises 50 investors with AU$12 trillion in Assets Under Management (AUM), together with the Australian Council of Superannuation Investors (ACSI), Walk Free and the Finance Against Slavery and Trafficking (FAST) initiative.

The Taskforce on Social Factors run by the UK Department for Work and Pensions focused one of its workstreams on the issue of modern slavery. The Taskforce published a guide to support pension trustees in assessing the social risks and opportunities of their schemes' investments.[14] The guidance includes a deep dive on addressing modern slavery in pension investment, suggesting the need to conduct a risk-based assessment that focused on high risk geographies, sectors and business models, as a way to address the lack of meaningful and outcomes-based data for investors (highlighted in the response to the question below).

The Responsible Investment Association of Australasia published an Investor Toolkit to help investors to engage constructively with the intention to encourage better practice from companies, thereby reducing human rights risks in supply chains.[15]

[13] IAST APAC, The issue
[14] Taskforce on Social Issues (2024) Considering Social Factors in Pension Scheme Investments: a guide from the Taskforce on Social Factors

[15] RIAA (2021) Investor Toolkit – Human Rights with a Focus on Supply Chains.

In addition to institutional investors, other actors along the investment supply chain have a role to play in tackling contemporary forms of slavery.

Stock exchanges have several ways to address contemporary forms of slavery, such as through listing rules, ESG indices, and ESG reporting guidelines and data. The Sustainable Stock Exchanges Initiative has been involved in this process, and in 2023 it published an analysis of the coverage of modern slavery issues in exchange ESG disclosure guidance.[16] The research found that found that stock exchange guidance to issuers on disclosure about modern slavery and related issues is becoming a market practice: more than two-thirds of the 70 exchanges reviewed include at least one modern slavery related reference; 59 include the topic of decent work; while supply chain and remedy topics are covered by 36 and 30 exchanges, respectively.

In 2022 the Stock Exchange of Thailand launched the first guidance to assist Thai-listed companies to identify, address and report on modern slavery risks throughout their value chain.[17]

CHALLENGES AND RECOMMENDATIONS

- **What are the main challenges financial actors are facing internally or externally in addressing contemporary forms of slavery in their operations and their value chains? What measures would you recommend to overcome these challenges?**

Lack of reliable and verifiable data has been highlighted as a challenge for financial actors. As detailed in PRI's guidance on identifying human rights risks, it can be helpful to look at country-, sector-, and company-level data. There is a wealth of data sources available for country-level data, but less so for sector- and asset-level and supply chain. Recent geopolitical developments may influence data availability, and may need to be considered by investors. Access to reliable and comparable data on human rights risks can help investors make better informed investment decisions, and support engagement with companies when risks are identified. The PRI's paper on What data do investors need to manage human rights risks? identifies four categories of information currently lacking:

- companies' inherent human rights risks;
- how the board and leadership help embed commitments into company culture and practice;
- the quality of companies' human rights due diligence; and
- quantitative information about positive human rights outcomes to which companies have contributed, including remedy and preventative measures taken by companies.

Initiatives aimed at increasing data availability on social factors include:

- the International Sustainability Standards Board (ISSB) is developing a standard on human capital management.
- the Global Reporting Initiative's standards cover issues related to contemporary forms of slavery, including child labour and forced and compulsory labour.[18] The Initiative is also

[16] Sustainable Stock Exchanges Initiative (2023) Modern Slavery: Analysis of Coverage in Exchange ESG Disclosure Guidance
[17] Stock Exchange of Thailand (2022) The Guidance on Modern Slavery Risks for Thai Businesses.
[18] Global Reporting Initiative (n.d.) GRI standards.

planning to launch sector standards specific to the financial sector, which will include similar issues.[19]

- the Taskforce on Inequality and Social-related Financial Disclosures. Supported by the PRI, the Taskforce aims to "develop a global framework for companies and financial institutions to include within their public reports more effective disclosures about impacts, dependencies, risks, and opportunities related to social issues, including inequality."[20]

In terms of creating an enabling environment for sustainable investment, the PRI Legal Framework for Impact project found that sustainability outcomes are highly relevant for most investors. Negative sustainability outcomes such as contemporary forms of slavery pose significant risks to the social systems on which economic prosperity and investment returns ultimately depend. The research found that:

- Investors generally have a legal obligation to consider pursuing sustainability impact goals where that can help pursue their financial objectives.
- Regulators and policy makers are implementing measures to increase the incentives and ability of investors to monitor and disclose sustainability outcomes, mitigate sustainability risks, and contribute to sustainability goals.
- States should consider how investors can play their full role in addressing sustainability challenges posed by the economic transition. Measured and effective financial regulation reforms enable investors to contribute effectively to addressing core sustainability aspects of the economic transition.
- Policy makers should continue to clarify legal duties where necessary, while shifting the emphasis decisively to policies that support and incentivize investor action. This means:
    - ensuring investors can confidently set and pursue commitments to achieve positive sustainability outcomes;
    - establishing compatible national and regional sustainable finance policy regimes with multilateral support; and
    - developing market infrastructure (disclosures, product standards, data and incentives) to enable investors to innovate and scale up investments that contribute to sustainability goals in support of economic transition.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Special Rapporteur further to tackle contemporary forms of slavery globally.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org

[19] Global Reporting Initiative (n.d.) Sector Standards Project for Financial Services.
[20] UNDP (2024) Launch of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).