



INVESTING TO END MODERN SLAVERY:
A landscape assessment and roadmap for increasing
investor engagement

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EXECUTIVE SUMMARY

Modern slavery is so rampant across the globe that twice as many people work under forced labor conditions today, than were brought to the Americas during three centuries of the Atlantic Slave Trade.¹ It is embedded in almost everything we consume, and continues to proliferate in its many forms, such as debt bondage, sex trafficking, prison labor, and forced servitude.² While little has been done to put an end to human trafficking and modern slavery to date, politicians, lawyers, and the public are finally recognizing its pervasiveness and calling for companies to do their part to put an end to this inexcusable exploitation.

Now is the ideal time to focus, strengthen, and expand investor engagement to make eradication of human trafficking and slavery a top corporate and political priority. Recent modern slavery disclosure regulation and newly-developed benchmarks are making more data on corporate activities available to analysts and investors. This data can be used to inform investment decisions and to spur shareholder advocacy on human trafficking and slavery. Complementing increased investor engagement by the sustainable, responsible, impact (SRI), and faith-based investment communities, is the need to widen and coordinate the scope of investors involved to include large institutional asset owners and managers. An increase in engagement by a wide pool of mainstream investors will send a strong message to corporations that this is a serious material risk and they can no longer sit idly by.

Legislators in the United States and the United Kingdom have passed laws that mandate corporate reporting to address human trafficking and slavery in product supply chains. Media coverage, consumer backlash, class action lawsuits, and a U.S. government-published list of products made by forced labor, are exposing human trafficking as a material corporate financial risk—not just an ethical one.

Shareholders have the power to ensure that their investments are not at financial risk due to company ignorance of – or support for – human trafficking and slavery. They have a unique opportunity to halt a major flow of capital that sustains exploitative practices, and direct it toward ethical and empowering employment. Investors also bring a unique and valuable voice to policy debates about how business practices should be regulated to prevent human trafficking.

For this report, Patricia Jurewicz, Vice President of Responsible Sourcing Network (RSN) and Michael Passoff, CEO of Proxy Impact, conducted web-based research and interviews with shareholder advocates, investors, proxy analysts, industry service providers, grant makers, and nonprofit organizations that either directly engage with corporations on these issues, or support an aspect of corporate engagement. Based on their research, this report:

- **ASSESSES THE CURRENT LANDSCAPE** of investors and key stakeholders active on human rights issues, strategies and tactics employed, issue areas prioritized, current standards, soft laws, and legislation related to human trafficking.
- **IDENTIFIES GAPS** in current understanding, tools, and activities that, if filled, will strengthen the impact of shareholder advocacy and corporate actions in addressing human trafficking; and
- **OFFERS RECOMMENDATIONS** for how SRIs, pension funds, mainstream investors, and philanthropic funders can support expanded and more effective investor engagement to influence the activities and efforts of publicly-traded companies to curtail human trafficking and modern slavery linked to their business practices. The main recommendations are:
 - Utilize newly available data, benchmarks, and technologies to inform investors, increase company engagement, and influence portfolio decisions.

- Increase coordination and capacity for shareholder engagement, impact, and coalition building.
- Widen the scope of investors taking action to include large institutional asset owners and managers by strengthening the financial argument.

Injecting resources, coordination, and energy into these three recommendation areas will provide information, incentives, and momentum to take investor engagement, outreach, and impact to the next level. Supporting a more in-depth understanding of the financial risks and impacts associated with human trafficking and slavery in business practices is a critical foundational need to build the case that modern slavery is a material financial issue, not just an ethical one.

Committed investors and their fellow stakeholders can build and disseminate the financial argument against slavery, point to benchmarks that track progress, identify industry leaders and laggards, develop best practices, and expand investor engagement to have the issue addressed in every corporate boardroom. Now is the time to enhance coordinated actions and leverage financial markets to eradicate human trafficking and slavery once and for all.

LANDSCAPE: INVESTORS AND STAKEHOLDERS

Over the past two decades, dozens of U.S.-based organizations have engaged with and spurred change at corporations on a variety of issues related to human trafficking. More than 100 investors, grassroots groups, coalitions, labor unions, and other stakeholders have worked with hundreds of corporations on at least twelve major human trafficking and slavery issues, including Thai seafood, Uzbek cotton, and international sex trafficking.

Organizations actively engaging companies on behalf of investors on these issues fall into several categories:

1. **Investor Networks.** Networks for faith-based and/or sustainable, responsible, and impact investors (SRIs) help educate members on human trafficking, forced labor, and modern slavery through conferences, webinars, and reports, and may coordinate their members' activities. Several of these networks include the Interfaith Center on Corporate Responsibility (ICCR),³ The Forum for Sustainable and Responsible Investment (US SIF),⁴ First Affirmative Financial Network,⁵ Ceres⁶ Principles for Responsible Investment (PRI),⁷ and Investor Alliance for Human Rights (IAHR).⁸ IAHR was formed in 2017 to identify and address human rights and business issues through targeted action, education, and multi-stakeholder engagement.
2. **Faith-based institutions.** More than 300 faith-based organizations are members of ICCR, the most prominent network that includes faith-based institutions. ICCR members range from congregational volunteers to multi-billion-dollar pension funds, and include faith communities, asset management companies, labor unions, pension funds, NGOs, and college and university endowment funds. Key faith-based members that lead on human trafficking and slavery engagement include Mercy Investments,⁹ Everence,¹⁰ Wespath,¹¹ Trinity Health,¹² Christian Brothers Investment Services,¹³ Northwest Coalition for Responsible Investment (NWCRI),¹⁴ Socially Responsible Investment Coalition (SRIC),¹⁵ and Tri-State Coalition for Responsible Investment (TriCRI).¹⁶ Canada and Europe have similar faith-based networks and coalitions.
3. **Sustainable, Responsible, and Impact Investors (SRIs).** According to US SIF, the total assets under management (AUM) for U.S. investors using SRI strategies was \$8.7 trillion in 2016, with \$2.7 trillion used to support shareholder resolutions.¹⁷ SRIs regularly partner with faith-based investors to engage companies on a wide variety of worker and human rights issues. Boston Common Asset Management,¹⁸ Calvert Research and Management,¹⁹ Clean Yield,²⁰ Domini Impact Investment,²¹ Green Century Capital Management,²² and Trillium Asset Management²³ have been among the most active SRIs on trafficking and forced labor issues. Together these SRIs have approximately \$50 billion AUM.
4. **Pension Funds.** Advocacy-oriented pension funds, such as the California Public Employees' Retirement System (CalPERS)²⁴ with \$290 billion AUM, California State Teachers' Retirement System (CalSTRS)²⁵ with \$188 billion AUM, New York State Common Retirement Fund (NYSCRF)²⁶ with \$185 billion AUM, and the New York City Employee Retirement System (NYCERS)²⁷ with \$47 billion AUM, are actively engaged on many environment, social, and governance (ESG) issues, but have barely been involved in modern slavery, forced labor dialogues or resolutions. Labor unions manage pension funds for their current and retired members, and many have a long history of shareholder engagement on workers' rights issues and general labor rights policies that oppose forced labor. But with few exceptions, they have not been active on specific human trafficking and slavery issues. By comparison, numerous

European pension and sovereign wealth funds have strong responsible investing policies and practices, and have often taken the lead on shareholder advocacy on human trafficking, much like the faith-based institutions and SRIs have done in the United States.

5. **Shareholder Partners.** Shareholder advocates often collaborate with, or rely on information from, NGO partners that have special expertise and knowledge on trafficking and forced labor. The wide range of organizations described in Appendix A contribute in a myriad of ways, including providing proxy voting, developing benchmarks and indicators, conducting issue and company research, advocating for legislation to achieve company compliance, building public pressure that elevates an issue, and occasionally even filing their own shareholder resolutions.

NOTE: *Appendix A contains a partial list of investor organizations and other stakeholders that support investor action on these issues.*

KEY TAKEAWAYS: INVESTORS AND STAKEHOLDERS

Conversations with shareholder advocates, investors, proxy analysts, NGOs, and other relevant stakeholders revealed several learnings that can be integrated into investor and philanthropic funder activities so they better support effective corporate engagement on human trafficking:

- In the U.S., about a dozen ICCR members and SRIs have been world leaders in the investment community by consistently putting pressure on companies about human trafficking and slavery issues over the past decade.
- In the EU, there is broad engagement through pension funds and sovereign wealth funds, as well as several large institutional asset managers on human trafficking and slavery. Activating U.S. pension funds to directly engage companies, file shareholder resolutions, and vote their proxies can significantly raise the profile of this issue.
- Most U.S. mainstream institutional asset managers/owners and pension funds have not acted on human trafficking and slavery due to a lack of knowledge about the issues, companies, and financial risks involved, as well as a lack of focus on human rights/labor rights more generally (in contrast to SRIs/faith-based investors).
- Educating investors and providing them with materials such as talking points, specific requests for company action, and tools for tracking improvements by companies, can elevate this as a core concern for many more investor groups.
- NGOs can play a critical role by providing research and materials that help build a materiality argument for human trafficking and slavery, and thus motivate more investors and companies to be active on this issue.
- Industry associations can be a key partner to educate and engage an entire industry on a salient issue. When government and industry-wide involvement is needed to tackle a deep-rooted problem, investor engagement is a useful first step in encouraging companies to join these associations or multi-stakeholder groups.

Table 1: This table provides a partial overview of the investor groups and NGO stakeholders that have been active on human trafficking issues, organized by type of engagement and shareholder campaign issues. Appendix A contains a list of complete names and descriptions of these organizations, and Appendix B contains descriptions of the issue campaigns. IAHR is not listed because this list was compiled before it was in action.

U.S. ACTORS	Type of Human Trafficking Engagement				Shareholder Campaign Issues											
	Multi-Stkhdr Group	Dialogue	Resolution	Divest	Palm Oil	Sea-food	Cot-ton	Pig Iron	Sugar	Fair Food Tomatoes	Cnflct Minrls	Co-coa	No Fees	Sex Traf-ficking	Forcd Labor Supply Chain	UN/ OECD Hum Rt Assmnt
Faith-based																
ICCR																
Wespath																
Mercy Investment																
Christian Bros																
Everence																
Trinity Health																
Prsbytrn Church																
Cngrgtn St Joe																
SRI Coalition																
Tri-State CRI																
Church Pensn Frnd																
CREA																
SRI																
Boston Common																
Calvert																
Domini																
Trillium																
Clean Yield																
Green Century																
F&C																
Pension																
CalPERS																
CalSTRS																
NYCERS																
NYSCRF/NYSCO																
Union																
AFL-CIO																
AFT																
AFSCME																
UAW, UFCW, IBEW, Teamsters, USWUSW																
Network																
CERES																
FAFN																
PRI																
U.S. SIF																
NGO																
RSN																
SumOfUs																
Amnesty USA																
AYS																

NOTE: This table is based on data from two sources, the ICCR Shareholder Action Database and the Proxy Preview,²⁸ which compile information differently so some discrepancies and omissions may apply. Grey boxes indicate engagement in that area.

LANDSCAPE: STRATEGIES AND TACTICS

The size, scale, and complexity of modern slavery demands the problem be addressed through a variety of tactics and strategies. Furthermore, no single sector in society can end slavery by working alone. Investors need to work with civil society, and companies need to understand what their exposure to modern slavery is, and what they can do to address it. The research identified five different strategies and a number of tactics that investors are currently implementing – or could replicate from other issue areas – to address human trafficking and slavery. These different approaches can be complementary and mutually reinforcing, building on one another to expand shareholder engagement and strengthen investor impact on corporations.

1. Use of Benchmarks and Best Practices to Prioritize, Assess, and Promote Action

Benchmarking companies on key performance indicators (KPIs) such as policies, management systems, implementation, monitoring, and remediation is a key driver for corporate improvement. Investors utilize benchmarking resources and tools to discern which companies they hold are acting to minimize a specific social risk. These tools are key to providing investors with credible and actionable information on what companies need to do to mitigate their social risk. KnowTheChain (KTC)²⁹ has developed criteria and benchmarked companies in three sectors, specifically on anti-human trafficking and slavery activities. Closely related, but with a broader set of human rights indicators, is the Corporate Human Rights Benchmark (CHRB).³⁰ Both developed their criteria with input from the investment community.

Reports that rank companies help identify industry leaders and laggards, which is powerful information within the financial community. Every time a leader takes a step forward, the pressure is on its peers to match it, thus driving a race to the top. Conversely, laggard companies can be targeted by consumer campaigns, resulting in negative media, tarnished brand reputations, and increased financial risk to companies. Benchmarks and scorecards are invaluable to shareholder advocates who can use the results for dialogues, resolutions, and in outreach to proxy and industry analysts.

In 2016, KnowTheChain benchmarked 60 large global companies in the Information & Technology Communication, Food & Beverage, and Apparel & Footwear sectors on their efforts to address forced labor and human trafficking in their supply chains. Forty of these companies received direct engagement from investors through letter writing by investor groups in the U.S., UK, and Europe. The majority of the engagement efforts focused on the companies with extremely low performance in KTC's benchmark. In 2018, KTC is expanding its coverage to 120 companies in these three high-risk sectors.

The development of best practices helps identify steps companies can take to reduce its financial risk exposure such as: adopting policies with remediation plans; supporting legislation; joining supply chain task forces and industry-wide due diligence initiatives; signing onto verification and certification programs; and establishing no recruitment fees policies. These, and other actions, need to be clearly laid out as a path for companies to move forward. Companies being targeted are generally not up to speed on the issues, and are looking for guidance and recommendations, as has been observed regarding conflict minerals. Investors can play a critical role in educating companies and helping identify—and set—best practices.

2. Investment Strategies and Tools

Aside from the group of dedicated ICCR and SRI investors, shareholder engagement on forced labor has been relatively nascent, when compared to engagement on other ESG issues. Although some investors have engaged with publicly held companies, the financial market has not seen the demand for—and therefore has

not provided –forced labor-free bonds, impact investing private equity portfolios, or other investment vehicles that exist to address other ESG issues.

As awareness of human trafficking and slavery—and its risk to companies and investors—increases, the demand for alternative investment types and vehicles, should grow.

Web-based Investment Tools. Web tools now give investors visibility on ESG issues such as fossil fuel holdings in their mutual funds and exchange traded funds (ETFs). Such tools promote investment in companies that make a significant portion of their revenue from green activities. Once a robust list of companies of slave-free and laggard companies is compiled, analogous investing tools can be developed and deployed.

Screened Funds. Many ESG screens include human rights criteria such as if a company has a human rights policy or not. But few seem to specifically screen out – or in – using an analysis of forced labor. A few new products have recently been introduced. A screen managed by Parametric³¹ allows investors to screen out entire sectors, or individual companies, that have been linked to forced labor using information from MSCI.³² OpenInvest³³ launched a screen that only includes companies that rank in the top 2% for ethical treatment of workers according to information from Just Capital.³⁴ Ethic³⁵ is a data-driven technology platform that creates custom-built portfolios for which investors can apply anti-slavery assessment criteria. As KTC and CHRB rank greater numbers of companies, screened funds could be developed that use their criteria and/or results—in addition to applying their criteria and/or results to dozens of existing funds.

Divestment. Divestment campaigns addressing modern slavery have had mixed results. Typically, divestment campaigns are better at raising public awareness than they are at moving money away from a company or industry (unless there is a strong financial case as with the fossil-free divestment movement). A divestment strategy for addressing modern slavery is likely to be more successful if promoted alongside other strategies such as media or NGO campaigns.

*Investors Against Genocide*³⁶ successfully convinced TIAA-CREF, American Funds, and T. Rowe Price to divest from Petro China for its contribution to the Sudanese government during the height of the Save Darfur movement. The AFL-CIO³⁷ publicly opposed a Petro China initial public offering (IPO) on human rights grounds and briefed 42 global investment firms on its investment risks. When BP announced its intent to purchase \$1 billion of the stock, U.S. NGOs launched a nationwide boycott against BP Amoco gas stations. Due to the divestments, education, and public outcry, Petro China’s IPO, which was expected to raise \$10 billion, only raised \$2.9 billion.³⁸

Divestment campaigns at universities benefit from students’ willingness to engage in on-campus activism, and from the more personal nature of students and alumni challenging their school administrators. Columbia University and the University of California system both divested tens of millions of dollars in prison holdings³⁹ in support of the Prison Divestment Campaign.⁴⁰ Given the recent news stories about overcrowding and excessive force being used in prisons, plus the opinion held by many that prison labor is forced labor, momentum to divest from private prisons is growing.

3. Shareholder Engagement

Heightened consumer awareness and action is creating greater risk for brands perceived to be involved with, or unwilling to address, human trafficking and forced labor in their supply chains. Therefore, if a company is not proactive on the issue, shareholders have several options to initiate engagement:

Shareholder Letters/emails: Shareholder letters may be sent individually, as an organized group, or through internet or social-media based sign-on letters. Letters coordinated by networks such as ICCR, Ceres, and PRI often represent hundreds of billions, and sometimes even trillions of dollars in AUM.

Company Dialogues: A company response to a shareholder letter may turn into a dialogue in which both sides learn from each other and, ideally, cooperate in finding solutions.

Shareholder Resolutions: If a company is not responsive to the shareholder's concern, the shareholder may file a resolution that is placed on the company's proxy and voted on by shareholders. Companies often want to negotiate prior to the vote, and as a result, about half of all ESG resolutions filed are withdrawn. If the resolution does go to a vote, even a modest vote in support of the resolution may be enough to encourage the company to address the issue in some way. It is common for shareholders to utilize both dialogues and resolutions to motivate a company to act.

Filing similar resolutions at many companies has been successfully used as a strategy to launch high profile campaigns. Large shareholder campaigns – where resolutions are filed at dozens of companies – put entire industry sectors (and their investors) on notice.

Investor Coalitions: Coalitions show widespread support for an issue and can serve as coordinating and research bodies, but do not file shareholder resolutions themselves. Currently, there is not an overarching coordinating body to help facilitate cohesive action solely on anti-human trafficking and slavery efforts.

Multi-Stakeholder Groups: More recently, shareholders have faced global supply chain issues that may require interaction with global NGOs, local affected communities, trade associations, governmental agencies, and international institutions. With exploitation embedded in complex supply chains, the investors' role is less about making a single request for company action, and more about leveraging the investor voice to influence how a company addresses the problem.

Investors can issue statements in favor of, or against, a new proposed policy or action by an industry group, a government, or an international institution. If shareholder signatories on statement represent a large combined AUM, that communicates economic clout and potential financial risk behind a position – not just NGOs asking for justice. A good example is a recent statement by nearly 90 investors representing \$5.83 trillion AUM supporting the creation of a new corporate benchmark on human rights.⁴¹ This coalition is also actively backing the UN Guiding Principles for Businesses and Human Rights (UNGP)'s⁴² Reporting Framework⁴³ that was developed to guide companies on how to implement the UNGPs.

SHAREHOLDER CAMPAIGNS

Investor groups regularly collaborate with like-minded shareholders to launch multi-company campaigns; these typically include some level of company dialogue and, if needed, shareholder resolutions. The most successful campaigns often include multiple stakeholders, including NGOs, that help elevate an issue along with associated industry or company involvement through research, media outreach, grassroots campaigning, and other tactics. The examples below illustrate some of the issues and impacts of past and current campaigns. Appendix B includes a more extensive list of campaigns, and a companion report, *Investing to End Modern Slavery Case Studies*⁴⁴ provides detailed analysis.

Sex trafficking is a central issue for Mercy Investment Services, which has led more than a dozen faith-based institutions to approach over 25 hotels, airlines, and trucking companies on sex trafficking. Shareholder dialogue have focused on asking a company to adopt a human rights policy and conduct prevention trainings with their employees. Most of the resolutions were withdrawn as the companies

agreed to develop or amend human rights policies, and to conduct company training. The nature of sex trafficking makes companies more willing to dialogue than on other issues, and this campaign is unusual in that it consists almost exclusively of shareholder dialogue.

Thai seafood has garnered significant media attention highlighting the presence of slave labor.⁴⁵ PRI, ICCR, and other investors have engaged Costco, Walmart, Kroger, Whole Foods, Thai Union, CP Foods and Dollar General to ask them to only purchase Thai seafood from responsible sources. A resolution at J.M. Smucker (owner of the Iams pet food brand) was the first to specifically address this issue. It was withdrawn when the company agreed to update its Supplier Code of Conduct, strengthen its human rights risk assessment process, and eventually create benchmarks. Financial risk is a growing concern as several lawsuits have been filed against companies (Costco, Nestlé, Mars, J.M. Smucker, P&G, and others) for selling products made with slave labor.

Uzbek cotton spurred investors into action for having forced labor of children between the ages of 7 and 14 in its harvesting.⁴⁶ Starting in 2007, RSN helped initiate a U.S. campaign, coordinating SRIs and faith-based investors, to contact more than 30 companies that committed not to source Uzbek cotton. Calvert Investments (now Calvert Research and Management) took the lead to engage the U.S. State Department, and ILRF began promoting the issue in the media. Through a series of dialogues, and not shareholder resolutions, great achievements were made including Gap, Levi Strauss, C&A, Walmart, and others establishing no-Uzbek cotton policies. Today the Uzbek government has significantly diminished, if not eliminated, forced *child* labor and is beginning to address the persistence of forced *adult* labor. This big goal was largely achieved due to coordinating a variety of strategies by a multi-stakeholder network of companies, trade associations, investors, and NGOs.

Palm oil is one of the most interrelated cross-issue campaigns due to the egregious environmental destruction, and forced labor linked to its production. Investors have had great success in pressuring companies to source sustainable palm oil through the Roundtable for Sustainable Palm Oil (RSPO).⁴⁷ Investigations have continued to document environmental destruction and use of forced labor by RSPO-certified companies, so shareholders are reengaging companies to determine if they are actually using sustainably-harvested palm oil.

4. Building the Financial Argument

A strong financial argument is crucial in appealing to corporate management, institutional investors, proxy service analysts, and others. However, it is challenging to sway investor concern about the material risk of forced labor and slavery when just a handful of companies have experienced negative financial impacts despite known connections to forced labor in many industries. A strong financial argument should contain analysis of the following components:

1. Regulatory risk around state, national, or international regulations, such as the California and UK transparency laws, and the financial fines that may accompany them.

2. Reputational risk in the form of negative media exposure, opinion polls, and consumer campaigns that correlate to a decrease in a company's stock price, revenue, or market share.
3. Litigation risk including direct lawsuits from workers, shareholders, or governmental agencies; class action law suits on behalf of consumers; new or proposed anti-slavery laws that would make litigation possible; and, other legal red flags such as company products found on the U.S. Department of Labor List of Goods Produced by Child Labor and Forced Labor.⁴⁸
4. Operational risk incorporating loss of market share to competitors that have better reputations or offer certified products; loss of revenue due to boycotts; supply chain inefficiencies; decreased worker morale; the inability to keep or recruit top talent; change in bank loan or insurance borrowing rates.

The Teachers' Retirement System of Alabama and the Employees' Retirement System of Alabama suffered the damage of risk becoming reality. Together, the two funds owned 47 percent, or \$75 million, of Signal International, a construction company that employed over 200 workers trafficked from India to help rebuild oil rig operations in New Orleans after Hurricane Katrina. The company declared bankruptcy in 2015 due to two settlements totaling \$34 million for human trafficking.

<https://www.marketwatch.com/story/signal-international-files-for-bankruptcy-2015-07-13-71034519>

Recent reports are beginning to address materiality risk, including: PRI's investor guides for engaging companies on agricultural supply chain labor issues⁴⁹ and the extractive industries;⁵⁰ ShareAction's⁵¹ *Forced Labour: What Investors Need to Know*;⁵² the Global Child Forum's⁵³ *Investors Perspectives on Children's Rights*;⁵⁴ and, the Danish Center Against Human Trafficking's⁵⁵ *Managing Risks of Forced Labor*.⁵⁶

The tremendous growth of investor engagement on environmental issues – climate and energy in particular – can serve as a valuable learning platform for how to better understand and communicate the financial risks and potential impact of investor advocacy. Environmental organizations and sustainable investors provide tools and information that investors use to understand how companies are tackling material risks and opportunities they face from sustainability issues. Replicating these tools such as talking points, scorecards, investment guidebooks, and sample shareholder resolutions, will make it easier for disengaged investors to act once they believe certain companies face material risks due to human trafficking and slavery in their supply chains.

5. Litigation

Investors engaging companies on ESG issues rarely use litigation as a tactic as it is a costly and often complex option. If a company decides to exclude a shareholder resolution from its proxy so that it will not be voted on at the annual meeting, shareholders can file a resolution lawsuit. The company files a no-action letter with the SEC and the shareholder proponent files a defending brief. If the SEC decides in favor of the company to exclude the resolution, the shareholder has the right to challenge this in court.⁵⁷

Shareholders can also bring derivative lawsuits that compel the company to sue a third party, such as management or the board of directors, which it feels harmed the company through misconduct or misrepresentation. For example, Duke Energy's board is being sued for failure to stop the company's mishandling of coal ash waste, an issue that was the subject of two shareholder resolutions that were ignored, but then led to injuries, pollution, and multi-million dollar fines.⁵⁸

There are, however, other litigation options in the human trafficking space. For example, lawyers are using California law SB 657, to attempt class action lawsuits on behalf of consumers.⁵⁹ If successful, this would support shareholder claims of legal risk to companies.

KEY TAKEAWAYS: STRATEGIES AND TACTICS

- Making a strong financial case is crucial in appealing to institutional investors, proxy service analysts, and others. An argument of material risk within an industry needs to be paired with clear indicators and benchmarking so companies can demonstrate improvement over time and be compared to one another.
- Increased collaboration and coordination between and among NGOs and investors could help accelerate efforts to address forced labor by companies.
- Few shareholder resolutions have gone to a vote on the specific issue of human trafficking and slavery because shareholders have historically embedded forced labor within dialogues or resolutions about general human rights policies and labor standards.
- Forced labor resolutions have generally been limited to companies with clear links to violations.
- More recently, resolutions linking the connection between forced labor and other issues such as climate change or farm workers, has helped expand and elevate forced labor issues in the eyes of companies and investors.
- Filing the same resolution, in a coordinated way, with a large number of companies is an efficient way to draw attention to the issue and engage an industrial sector quickly. It is also a great way to elevate the profile of the modern slavery issue, especially when the filings have a media outreach strategy incorporated into them.
- Companies are becoming more willing to dialogue on the issue of human trafficking and forced labor in their supply chains because it could be extremely harmful to their brands to be seen as a laggard on this issue, but that does not assure change in their behavior.
- A significant challenge for investors is linking verifiable on-the-ground abuse to publicly-traded companies due to lack of transparency and verification at multiple points in supply chains.
- Media reports and lawsuits have played key roles in alerting investors to new issues and companies to engage with. Consumer-facing brands are very susceptible to reputational harm and the impact of bad press. Investors often point to potential or real reputational risk when building the materiality argument for companies to address human trafficking and slavery.
- More investor demand is needed to prompt more fair labor / slave-free investment products.
- Shareholder litigation is not a common tactic due to cost, complexity, and the need for experienced legal guidance. Other litigation, such as lawsuits related to regulatory compliance, support an investor's materiality argument.

LANDSCAPE: VOLUNTARY STANDARDS, SOFT LAWS, AND LEGISLATION

As the world becomes more globalized, worldwide regulations and norms increase in importance. They create cohesive expectations across the global marketplace and are not subject to national political shifts.

Investors have been strong supporters of guidance, policies, and legislation aimed at increasing corporate responsibility for human rights abuses. When regulations, soft laws, and agreed-upon voluntary standards do exist, such as those listed below, investors can assess, reward, and push for companies' compliance as one way to mitigate risk and promote responsible behavior.

Principles and International Institutions

UN Guiding Principles for Businesses and Human Rights (UNGPs)

Since their release in 2011, investors have been able to use the UNGP framework to motivate companies to adopt a human rights policy, implement due diligence, and conduct human rights risk assessments and remediation.

To offer support to companies on how they should disclose their efforts to implement the UNGPs, The Shift Project⁶⁰ collaborated with Mazars,⁶¹ a multinational audit and legal consultancy firm, to develop the UNGPs Reporting Framework.⁶² An investor coalition headed by Boston Common and managing \$4.8 trillion AUM is supporting the reporting framework as well as the recently released Corporate Human Rights Benchmark (CHRB).⁶³ The coalition is working to align the various reporting and disclosure frameworks so they support the UNGPs and provide investors information in a transparent and standardized way.

Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidelines

Updated in 2011, the OECD's *Guidelines for Multi-National Enterprises* support and are aligned with the UNGPs.⁶⁴ The OECD lays out sector-specific frameworks to implement due diligence to identify, prevent, remedy, and account for human rights abuses. These frameworks were developed with multi-stakeholder consultations, including investor involvement. They have been referenced in a variety of national laws (including Section 1502, see below), and are now being used – including by the AFL-CIO – in investor dialogue and shareholder resolutions with companies.

The UNGPs can also be applied directly to the investment firms. The OECD has begun a multi-stakeholder process to develop a guidance framework on applying the UNGPs and OECD due diligence process to the financial sector.⁶⁵

International Labour Organization (ILO)

Investors have been engaging with and relying on the language of the ILO core labor conventions since 1995, when shareholders embedded ILO language in shareholder resolutions calling for companies to institute a “global set of corporate standards.” More recently, there is explicit reference to the ILO in several dialogues, including two in 2016 with Boeing and Target.

In 2009, the Cotton Campaign⁶⁶ coordinated investors and corporations, asking them to encourage the International Organization of Employers (IOE) to file a complaint with the ILO against Uzbekistan for the government's forced labor practices in its annual cotton harvest. The complaint filed by the IOE was coordinated with a similar complaint filed by the International Trade Union Confederation (ITUC).

Legislation and Regulation

U.S. Government Agencies

Actively engaged investors commonly submit comments, use letter writing campaigns, and attend in-person meetings to contact Congress; Securities and Exchange Commission (SEC); State Department; Department of Labor (DOL); Bureau of International Labor Affairs (ILAB); Department of Democracy, Human Rights, and Labor (DRL); Office to Monitor Trafficking in Persons (TIP); and other governmental bodies. Engaging these agencies allow investors to express their views on public policy and regulatory initiatives to strengthen disclosure, due diligence, and accountability by corporations.

Dodd-Frank Act, Section 1502 on Conflict Minerals

In March 2017, 127 investors with \$4.8 trillion AUM submitted a letter asking the SEC to preserve Section 1502 of the Dodd-Frank Act,⁶⁷ which the Trump administration has pledged to repeal. Section 1502 established one of the first human rights disclosures a company is required to submit to the SEC. Specifically, it requires that a company using tin, tantalum, tungsten, and gold make efforts to determine if those materials came from the Democratic Republic of Congo (DRC), or an adjoining country and, if so, to carry out a "due diligence" review of its supply chain to determine whether the minerals in its products are funding armed groups in eastern DRC. After Dodd-Frank was passed into law in 2010, investors influenced the rulemaking of 1502 by submitting recommendations and meeting with SEC staff and commissioners.⁶⁸

California Transparency in Supply Chains Act of 2010 - SB657

This act was one of the first slavery-specific disclosure laws; it requires a company of a certain size doing business in California to post a statement on its website explaining its actions to keep slavery out of its supply chain. SRI's spoke at the CA Senate hearing, issued a press release, and encouraged corporations to support the law.⁶⁹ Calvert Investments, Christian Brothers, and ICCR issued a white paper offering companies guidance and going beyond SB657.⁷⁰ Although the California District Attorney has not yet penalized a single company for not abiding (or accurately abiding) by SB657, law firm Hagens Berman referenced the law in its class action lawsuits against chocolate and cat food companies for not disclosing the use of slave labor in their products.⁷¹

UK's Modern Slavery Act 2015

Like California's SB657, the Modern Slavery Act requires a company of a certain size doing business in the UK to disclose annually information on how it is (or is not) ensuring slavery or human trafficking is not taking place in its supply chain or business. Several investors commented in favor of including supply chain reporting in the legislation; one investor letter included 21 investors representing £940 billion.⁷²

Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 (House and Senate Bills)

Reintroduced in both houses of Congress in 2015, these bills (H.R. 3226 and S.B. 1968) pull requirements from California's SB657 and Section 1502,⁷³ for company disclosures on its efforts to eliminate slavery from its business practices. Spearheaded by ICCR, investors have encouraged members of Congress to co-sponsor these federal business transparency bills.⁷⁴

SEC Comments and Petition

In July 2016, the SEC called for input from stakeholders on details for non-financial (environmental and human rights, including human trafficking) disclosures for Regulation S-K.⁷⁵ ICCR coordinated an investor letter that

was submitted to the SEC and encouraged its members to submit their own. All 30 letters submitted by ICCR members are publicly available.⁷⁶

The AFL-CIO, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW),⁷⁷ International Brotherhood of Teamsters,⁷⁸ and Hermes Investment Management⁷⁹ (asset manager for BT Pension,⁸⁰ the UK's largest pension), along with state pension funds such as CalPERS, and the Connecticut Office of the State Treasurer,⁸¹ are part of the Human Capital Management Coalition that was formed in 2013 and has grown to include 25 institutional investor members representing over \$2.5 trillion AUM.⁸² In fall 2016, the coalition petitioned the SEC to require companies to provide mandatory “human capital management” disclosures. These disclosures will range from freedom of association policies, to human rights assessments including policies, monitoring, and remediation regarding forced labor.

Other Global Regulations

Additional policy considerations calling for greater transparency and responsibility by companies operating globally are progressing through the law-making processes within their respective governments. The French Assembly passed a law,⁸³ called the French Duty of Vigilance Law, requiring French companies with 10,000 employees worldwide to establish a due diligence process for identifying risks of human rights, health and security, or environmental violations within their global supply chains. The Dutch Parliament passed the Child Labour Due Diligence Law (Senate approval pending), requiring companies to examine whether child labor occurs in their production chains, and to draw up action plans if it does exist.⁸⁴ The Australian Government⁸⁵ is considering a similar law to the U.K. Modern Slavery Act.

KEY TAKEAWAYS: STANDARDS, SOFT LAWS AND LEGISLATION

- Investors are drawn to international norms such as the UN Guiding Principles for Business and Human Rights (UNGP), and to standard setting tools like the UNGP Reporting Framework, KnowTheChain, and the Corporate Rights Human Benchmark. These frameworks and benchmarks apply to all companies, including subsidiaries and suppliers, globally, which eases investors’ comparisons of international companies. It is important that frameworks and benchmarks have aligned indicators to minimize confusion by companies doing the reporting and by investors analyzing the companies.
- In the U.S., investors can influence definitions of “materiality,” which must be disclosed. The definitions are evolving through the SEC, the development of SASB, and other accounting standards, and will eventually trickle up to corporate disclosure. It is important for investors to speak up on this issue and PRI, ICCR, and others regularly coordinate sign-on letters that represent hundreds of billions in AUM, and help influence policy.
- Investors can have an impact in influencing legislation, but it may take many years of lawsuits and bureaucracy. It is also subject to the vagaries of politics. The Dodd-Frank Act Section 1502 on Conflict Minerals took five years to get passed and had significant impact. Yet the new Administration may now leave this and related bills gutted. Meanwhile California’s state bills are still intact and, while less rigorous, will force companies to review and address their practices. The right legislation or regulations can have a major impact and are ultimately worth the effort needed to develop and pass them.

GAP ANALYSIS

Research for this report revealed gaps in five major areas that, if filled, could greatly enhance the capacity for investors to change how corporations use their leverage to help influence and end human trafficking and slavery. The Recommendations section includes guidance for how active investors and philanthropic funders can help fill these gaps.

1. The tools and measurement of human trafficking and slavery risks are underdeveloped

Perhaps the biggest gap is the anti-human trafficking and slavery community's ability to measure these issues in a way that support strong cases for investor action.

SRI screens, for example, but they are often very broad in terms of a company's human rights impacts, and have not been developed to provide useful information on human trafficking and slavery in supply chains.

An examination of environmental investor advocacy reveals a more mature understanding and toolset to measure outcomes and impacts that has developed over the past decade. This includes work led by the Ceres Investor Network on Climate Risk⁸⁶ launched over a decade ago, and more recent tools like the Divest-Invest movement⁸⁷ and fossil free funds.⁸⁸ To date, the Divest-Invest movement represents \$6.3 trillion in assets.⁸⁹ The anti-trafficking community should learn from these developments in order to accelerate investor understanding of how, and when, modern slavery can be an investment risk.

2. A broad set of SRI investors do not actively engage on human trafficking

Investor engagement on human trafficking and slavery is at a nascent stage, and a broad set of shareholders – even those who vigorously support environmental, corporate governance and other social issues – have not actively engaged on human trafficking and modern slavery using shareholder advocacy, and are slightly unaware of companies' leverage points to address it.

Sustainable, Responsible, Impact, and Faith-Based Investors have heroically led the efforts to engage on forced labor through corporate dialogues, resolution filings, multi-stakeholder groups, and petitioning governmental bodies. While their impact, particularly catalyzed by ICCR, has been significant, it has been conducted by only a handful of investors and the broader SRI movement has not engaged robustly. The SRI community has proven that it has the ability to impact an issue, but is not currently fully engaged on human trafficking and slavery issues. IAHR was created to spur investor involvement. Expanding investor engagement requires educating a larger number of SRI and faith-based investors on the issues by developing materials, identifying companies, and conducting shareholder campaigns with easy entry points regarding sign-on letters, dialogues, and resolutions.

Pension Funds, which some may or may not consider to be SRIs, are a natural target for increased engagement on human trafficking and slavery issues. Four of the five largest U.S. pension funds,⁹⁰ CalPERS, CalSTRS, NYCERS, and NYSCRF, all have a good but selective record on dialogue and voting for ESG shareholder resolutions. However, they have been largely silent on human trafficking and slavery. In Europe, the leadership role played by pension funds on human rights issues, including human trafficking and slavery, points to the potential for expanding the role of U.S. pension funds.

Unions and Labor Organizations have most recently focused on governance issues such as proxy access (shareholders' right to nominate board members), CEO pay, and disclosure of lobbying and political

contributions. A surprising gap is that labor unions have never had a coordinating body for all their shareholder advocacy work. Yet, labor unions have the history, experience and resources – and inherent concern for the rights of all workers – that positions them as valuable potential stakeholders in any push for stronger anti-slavery legislation, to bring issues to the attention of the ILO, and to file shareholder resolutions.

3. Mainstream U.S. investors are largely absent on human trafficking and slavery issues

Mainstream U.S. investors comprise the largest untapped audience for potential engagement on human trafficking and slavery; they own the largest number of companies, so educating and mobilizing these investors can translate to the greatest impact.

U.S. Mutual Funds had nearly \$18.7 trillion in assets in 2015.⁹¹ Ninety-one million Americans hold mutual funds and exchange-traded funds (ETFs), mostly in workplace retirement 401(k) and 403(b) plans, and IRAs. Few investors know what companies are held within their funds.

Large Institutional Investors like BlackRock, the world's largest asset manager, almost never vote against management on an ESG resolution. However, these powerful investors do raise questions with companies in private dialogues, and are being actively pressured to change their proxy voting policies on ESG issues.

In 2017, shareholder pressure led BlackRock and Vanguard to support ESG resolutions for the first time. They voted for two climate risk resolutions and a handful of board diversity resolutions, most of which resulted in majority votes. Their votes sent a strong message to the marketplace about the importance of these issues and investor expectations that management needs to address them.

Shareholders and NGOs have also on occasion successfully lobbied the large mainstream investors to host briefings, such as when the Humane Society convinced BlackRock to host a one day “Humane Economy” event to discuss the financial risks linked to animal welfare issues. The event drew more than 50 companies with combined assets of over \$17 trillion.⁹²

Endowments are unique investments managed by institutions. Of the top 20 institutions with the largest endowments in the U.S., 10 are universities.⁹³ The Intentional Endowments Network helps educate colleges and universities about investor engagement and ESG investing.⁹⁴ Responsible Endowments Coalition⁹⁵ (REC) and 350.org help organize students to pressure endowment committees to divest from particular holdings like prisons or oil companies. Yet most trustees maintain a high level of secrecy around the endowment portfolios they oversee and only adjust their investments when the pressure becomes too great to ignore.⁹⁶ Other than a handful of universities divesting from private prisons, these endowments have not been active on human trafficking and slavery issues.

Impact Investing and Thematic Investment involves moving investments towards solution-oriented companies. This approach is in its early development, mostly characterized by private investment in smaller socially-responsible businesses. However, new models are starting to emerge such as social impact bonds, B-Corps, impact-driven businesses, thematic investment, and impact investing funds. To date, these approaches are primarily focused on environmental sustainability issues.

Philanthropic Foundation Investments, particularly those with strong human rights portfolios, represent another mission-based investor sector that is not fully including human trafficking and slavery issues when evaluating which companies they invest in or divest from. Confluence Philanthropy,⁹⁷ Mission Investors Exchange,⁹⁸ and the Global Impact Investing Network⁹⁹ provide education, trainings, and networking for those looking to learn about impact investing (Confluence and Mission Investors primarily serve the philanthropic community), but none of them appear to be addressing the topic of modern slavery.

4. The financial community does not focus on company risks related to human trafficking and slavery

Investors are currently not influencing the broader financial community, apart from limited outreach to proxy analysts on human trafficking and slavery. However, investors are starting to use ranking tools, such as the KnowTheChain (KTC) or Corporate Human Rights Benchmark (CHRB) criteria and indicators, which offer an opening to educate the broader financial community about the companies involved, potential solutions, and, most importantly, the actual or perceived financial impact on a company that has human trafficking or slavery in its supply chain.

Proxy Analysts play a crucial role in determining the fate of shareholder resolutions. Gaining support from the two leading proxy analysts – ISS¹⁰⁰ and Glass Lewis¹⁰¹ – is alone likely to add 20-35 percent vote support. SRI support by itself is about 7 percent, so adding a “positive support position” from one of these analysts typically pushes the vote total into the 20 percent range, and support from both can push the vote into the 40 percent range. It is difficult for a company to ignore 20-40 percent shareholder votes in favor of an issue.

Industry Analysts are an important group to target, as they issue the buy/sell recommendations for company stocks. The main data providers to the financial industry, Bloomberg¹⁰² and MSCI,¹⁰³ are always looking for new information and are continually expanding their ESG services. Morningstar’s recent decision to release ESG ratings on nearly 200,000 funds raised fears that it could cost funds billions,¹⁰⁴ and provides an example of potential impact of further education and engagement of analysts. ICCR, SRIs, and NGOs have not often used the strategy of reaching out to industry analysts in the past, but unions have utilized this approach.

Service Providers – such as banks, ratings agencies, auditors, law firms, and accounting offices that assist companies in preparing their SEC disclosures, and insurance companies that consider risk when determining loans and rates, are another important audience. If benchmarking data and laggard company lists are disseminated to large service providers, it could prompt them to contact the laggard companies directly or offer training on complying with the latest regulations¹⁰⁵ to address the identified risks and developments in the field.¹⁰⁶

5. Multi-stakeholder engagement strategies are not at scale

Deep-rooted and endemic problems require many different players and diverse strategies. Effective multi-stakeholder groups have leveraged the influence of governmental agencies, international institutions, local communities, consumer groups, and the media to elevate an issue and expose material risk for companies. The approaches below have been effective, but are not being fully utilized to address human trafficking and slavery.

Investor-NGO Communication can play a key role in making engagement more effective. Investors often hear about a problem when a NGO raises concerns via a report, protest, or social media campaign aimed at a company. NGOs can play an important role in educating companies about an issue and identifying positive solutions. It is not uncommon for investors to bring NGO experts or local representatives from impacted communities, into company dialogues. Shareholders may also provide proxies to NGO representatives to attend annual meetings, allowing them to directly ask questions of the company CEO. Facilitating engagement between NGOs and corporate management has been used in a few of the anti-slavery campaigns, but with increased availability of benchmarking it could become more common.

International Institutions such as the United Nations and OECD are not currently being influenced by investors through these institutions' multi-stakeholder convening events. Similarly, there is opportunity for investors to educate and influence the World Bank, International Finance Corporation (IFC), and International Monetary Fund (IMF), to encourage increased accountability and policies to address human trafficking and slavery. In addition, there is a gap in investor activity to influence loan policies or criteria regarding disclosure, compliance, complaints, remediation, and liability at international financial institutions such as the World Bank, IFC, IMF, Asia Development Bank, or African Development Bank. All of these activities could have far reaching impacts, and are deserving of their own engagement strategies. Such strategies are covered in *Advancing Human Rights Accountability for Economic Actors: A Field Guide for Funders*.¹⁰⁷

RECOMMENDATIONS

Investor and philanthropic communities have many opportunities to support the growth and maturation of anti-human trafficking and slavery investor engagement. Some of the earliest successful investor campaigns exposed and addressed the need for corporations to do their part to protect factory workers' labor and human rights. These early investor actions have helped companies reduce their exposure to some aspects of modern slavery by placing an emphasis on human rights at the management level. Even so, large gaps in quantitative analysis, capacity, and coordination are holding the investment community back from realizing impact at scale.

There are three recommended areas where increased focus and support by philanthropic funders, and impact investors can greatly enhance critically important efforts. First, build off of newly available disclosures to use data and benchmarks to inform investors, influence portfolio research and decision-making, and engage corporations. Second, increase the coordination and capacity of investors currently focused on human trafficking and slavery to amplify and expand their influence. Third, widen the scope of investors taking action to include large institutional asset owners and managers by strengthening the financial argument.

With additional attention and resources focused on solidifying human trafficking and forced labor as an investor material risk, mainstream investors and management will gain an understanding of how they can impact companies' brand value and returns. This argument, partnered with expanded benchmarks and increased coordination, will build momentum to make human trafficking and slavery the essential social priority for mainstream investors and corporations of all sizes and geographies.

RECOMMENDATION #1: Use data to inform and engage

Identifying corporate leaders and laggards is a powerful means to motivate companies to act. Until recently there has been little information available for investors to evaluate the actions a company is implementing that can prevent or mitigate human trafficking. Increased research and analysis is needed, but fortunately, new disclosures, benchmarks, and technologies are making this information more accessible than ever before. The more access investors have to comparable anti-trafficking analyses, the more likely they are to integrate it into their corporate engagement and investment decisions.

1. **Inform investors** about how to analyze a company on its anti-slavery and trafficking efforts by pulling information from the Know the Chain (KTC) benchmark reports. Develop talking points and questions that investors can raise with companies or financial advisors on corporate policies, management systems, implementation, monitoring, and remediation. Make it easy for investors to know what questions to ask when talking to companies.
2. **Expand the benchmarking of companies** on key performance indicators (KPIs) using KTC's and CHRB's approaches. Use benchmarking as a strategic driver for corporate improvement and portfolio decision-making. To give investors information about companies in all asset classes, thousands of companies need to be benchmarked, not just tens or hundreds.
3. **Urge ESG screens to include high quality anti-trafficking indicators and rankings** to enhance the broad human rights impact screens that SRI investors most often use. Incorporate the KTC and CHRB criteria and scores into the research criteria.
4. **Encourage more FinTech platforms** like Ethic, OpenInvest, and Parametric, which are starting to offer individuals the opportunity to have their public equities screened for slavery. Adapt transparency platforms such as As You Sow's¹⁰⁸ *Fossil Free Funds* for human trafficking.
5. **Research and report on mutual fund proxy votes**, in addition to spotlighting the companies included in the funds. As resolutions come to a vote, mutual funds can be pressured to vote in alignment with anti-slavery advocates or face criticism in the media. For example, Vanguard has responded to shareholder and media pressure by making its first votes in support of climate resolutions.
6. **Support the market for alternative investments**, which is only just developing. Larger supply chain consulting and management platforms like EcoVadis¹⁰⁹ and Elevate¹¹⁰ have attracted mainstream investment from large institutions. Other supply chain management solutions are using new technologies for mapping, traceability, databases, certification, and supplier engagement to help identify human rights risks, including human trafficking, and to provide greater transparency.

RECOMMENDATION #2: Increase coordinated investor engagement and actions

To increase attention on human trafficking and slavery, encourage companies to take action, and improve the lives of millions of exploited people, investors need to elevate the issue in the public arena, expand and deepen their engagement with companies, and educate influential stakeholders. The most effective way to do this is by having focused and organized coordination of engagement, outreach, and impact.

1. **A broader, deeper, and more coordinated effort is needed** to help facilitate cohesive investor action on anti-human trafficking and slavery efforts. Convening and coordination of key players, including mainstream investors, is needed to collaborate and coordinate efforts with faith-based and SRI investor groups, NGOs, academics, unions, pension funds, foundations, impact investors, and other stakeholders.

2. ***Activate and expand actions by the faith-based and SRI community*** since it is already fully committed to anti-trafficking policies. Coordinate and expand corporate dialogues and the filing of shareholder resolutions, to make this a widespread issue and a core consideration for all companies.
3. ***Get out the vote*** on shareholder resolutions. Prioritize educating, engaging, and soliciting the two leading proxy analysts, ISS and Glass Lewis, on anti-trafficking shareholder resolutions as they head to a vote.
4. ***Leverage multi-stakeholder groups*** comprised of investors, companies, and human rights groups, which play a key role in addressing systemic issues. In the past, investors have successfully worked with trade associations in multi-stakeholder groups, which can move an issue through an industry faster than going company by company. Trade associations and multi-stakeholder groups can also influence governmental agencies and international institutions, which in turn can be leveraged to exert their power.
5. ***Create educational guides and tools for grant makers***, which will help raise awareness and identify where human trafficking is linked to their endowments, and any opportunities to move their investments toward solution-oriented companies. This may also have the added benefit of bringing more foundation grant support to anti-slavery campaigns.
6. ***Encourage investors to continue advocating for policies*** that protect their investments. As we've seen with investor engagement on Dodd-Frank's Section 1502 on Conflict Minerals, the California Supply Chain and Transparency Act, and the UK Modern Slavery Act, having investors argue that corporate regulations and reporting requirements are helpful to them is a powerful counter to the anti-regulation business voices.

RECOMMENDATION #3: *Widen the investor scope with a strong financial message*

For corporations to take the issue of human trafficking and slavery seriously, they need to hear from more than a handful of SRI investors. Mainstream investors are reluctant to engage on an issue unless they believe there is material risk for the company they own. Motivating investors – especially the disengaged large institutional investors that represent tremendous potential for impact – will require tools that deliver clear and relevant quantitative information, and build the business case for designing their portfolios with anti-slavery analyses built into them.

1. ***Encourage U.S. pension funds and large asset owners to get involved on this issue*** so their engagement rivals the advocacy of Europe's pension funds on human rights issues. CalPERS could be encouraged to increase its leadership since in 2015 it listed "Eliminating Human Rights Violations" as one of its core governance principles.¹¹¹ CalPERS' actions could then serve as a catalyst for other pension funds to implement anti-trafficking policies.
2. ***Engage with institutional investors' ESG departments*** by encouraging them to host investor briefings, provide feedback on financial risk reports, raise questions with specific companies, and vote in support of anti-slavery shareholder proposals. Leverage ESG investor networks such as PRI, Ceres, and USSIF by presenting at their conferences, offering webinars, and circulating reports. Focus the information on best corporate practices, listing industry leaders and laggards, and how ignoring this issue creates financial risk for investors.
3. ***Measure financial risk***, which would include regulatory, reputational, legal, and other financial risks, and their impact to the bottom line. This needs to be documented to show companies, and their investors, the true business risk exposure they have to the use of human trafficking and forced labor.
4. ***Promote best practices and the benefits of being the best.*** Documenting best practices in regard to supply chain management, monitoring, and remediation will help guide companies through the process of eliminating forced labor from their business practices and supply chains. Make companies aware of the

financial benefits of eliminating modern slavery linked to their business practices, such as brand enhancement, more efficient supply chains, and improved employee recruitment.

5. ***Expand the reach of anti-trafficking information*** among the financial community. The benchmarking and financial information developed for investors and companies should also be provided to research and analytical services, financial media, banks, insurance companies, and ratings agencies.

CONCLUSION

Injecting resources, coordination, and energy into these three recommendation areas will provide information, incentives, and momentum to take investor engagement, outreach, and impact to the next level.

Supporting a more in-depth understanding of the financial risks associated with human trafficking and slavery in business practices, along with the tools to assess risks and measure impacts, is a critical foundational need to build the case that modern slavery is a material financial issue, not just an ethical one.

While it is not easy to mobilize the financial industry to care about an ESG issue, examples like the climate campaign demonstrate that with a clear roadmap, it is possible. Committed investors and their fellow stakeholders can build and disseminate the financial argument against slavery, point to benchmarks that track progress, identify industry leaders and laggards, develop best practices, and expand investor engagement to have the issue addressed in every corporate boardroom.

The rise in momentum – reflected by investor action, current regulation, litigation, consumer outcries, and media attention – all point to a timely opportunity to enhance coordinated actions and leverage the financial markets to eradicate human trafficking and slavery once and for all.

APPENDIX A: INVESTOR ADVOCACY ORGANIZATIONS

NOTE: *The authors recognize that this list is incomplete, and apologize for any inadvertent omission of organizations that work on this issue.*

U.S. INVESTOR ORGANIZATIONS

The investor organizations and networks listed below have engaged corporations on human trafficking and slavery issues, as reported in Table 1.

Sustainable, Responsible, Impact Investors (SRI)

Boston Common Asset Management, Calvert Research and Management, Clean Yield Asset Management, Domini Impact Investments, F&C Asset Management, Green Century Capital Management, Trillium Asset Management

Faith-based Investors

Christian Brothers Investment Services, Church Pension Fund, Congregation of St. Joseph, CREA, Everence, Mercy Investment Services, Presbyterian Church, SRI Coalition, Tri-State CRI, Trinity Health, Wespath

Investor Networks

Ceres, First Affirmative Financial Network (FAFN), Investor Alliance for Human Rights (IAHR), Interfaith Center on Corporate Responsibility (ICCR), Principles for Responsible Investment (PRI), U.S. SIF: The Forum for Sustainable and Responsible Investment

Pension Funds

California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), New York City Employee Retirement System (NYCERS), New York State Common Retirement Fund/New York State Comptroller's Office (NYSCRF/NYSCO)

Unions

AFL-CIO, American Federation of Teachers (AFT), American Federation of State, County and Municipal Employees (AFSCME), International Brotherhood of Electrical Workers (IBEW), Teamsters, United Auto Workers (UAW), United Food and Commercial Workers (UFCW), United Steelworkers (USW)

NONPROFIT ORGANIZATIONS AND OTHER STAKEHOLDERS

Nonprofit organizations act as partners to investors in many different capacities. Below are some examples of organizations of which investors, and the philanthropic community, should be aware of that issue research, provide guidance on proxy voting, file shareholder resolutions, coordinate multi-stakeholder networks, or apply public pressure.

As You Sow conducts shareholder campaigns on a variety of environmental, social, and governance (ESG) issues and also produces reports and investor education materials. As You Sow engaged in shareholder campaigns combating forced labor and human rights abuses in Burma (Unocal), Saipan (Nordstrom), and Indonesia (ExxonMobil).

*Investor Alliance for Human Rights (IAHR)*¹¹² provides investors with a platform to engage companies, governments, and standard-setting bodies to promote policies and standards to prevent negative corporate human rights impacts, and hold companies accountable. IAHR addresses human rights and business issues through targeted action, education, and multi-stakeholder engagement.

*Proxy Impact*¹¹³ provides ESG proxy voting and shareholder advocacy services for foundations and sustainable and impact investors. It is currently engaging companies on a number of human rights issues and has plans to expand its engagement to include sex trafficking and other issues that impact women and girls.

*Responsible Endowments Coalition (REC)*¹¹⁴ supports student networks to advocate for responsible investment policies at universities and colleges. REC is actively engaged in a prison labor divestment campaign at several universities, including UC Berkeley and Columbia University.¹¹⁵

*Responsible Sourcing Network (RSN)*¹¹⁶, a project of As You Sow, provides information to investors on modern slavery and other egregious human rights violations in corporate supply chains. It does this by providing talking points and coordinating letter writing with investors. RSN builds multi-stakeholder networks to harmonize efforts, provides joint recommendations on policy making, and analyzes companies' activities to encourage the elimination of forced labor and human rights abuses.

*ShareAction*¹¹⁷ is a UK charity that promotes Responsible Investment (RI). It conducts research and trainings, produces educational materials, runs campaigns to engage with companies on RI issues, supports savers to engage with their pension funds and directly with companies, ranks the investment industry on its RI performance, and coordinates networks of investors and NGOs.

*SHARE*¹¹⁸ provides proxy voting, shareholder engagement, research, and education services to Canadian pension plans, foundations, endowments, religious organizations, SRI mutual funds, and fund managers. SHARE works to implement responsible investment strategies in support of a sustainable economy. It has filed shareholder resolutions at half a dozen companies on issues of forced labor and human rights.¹¹⁹

*Shift*¹²⁰ is a leading center of expertise on the UN Guiding Principles on Business and Human Rights (UNGPs) and works to embed the UNGPs into practice. Shift engages with investors, and together with Mazars (an international audit and consulting group), developed the UNGPs Reporting Framework,¹²¹ which allows investors to focus on forced labor as a salient issue with specific measurement indicators.

Anti-trafficking Policy Advocacy. There are a number of NGOs that have worked to pass legislation and/or encouraged increased funding for government anti-trafficking efforts. A few of the leading NGOs are: Amnesty USA, Anti-Slavery International (ASI), ECPAT-USA,¹²² International Corporate Accountability Roundtable¹²³ (ICAR), International Labor Rights Forum¹²⁴ (ILRF), Free the Slaves,¹²⁵ and Alliance to End Slavery & Trafficking¹²⁶ (ATEST), which is a coalition of anti-slavery NGOs.

NGOs as Shareholders. A number of NGOs incorporate shareholder advocacy as a campaign tactic that they implement themselves such as Amnesty USA and SumOfUs.¹²⁷ Both groups have filed resolutions on human rights issues with a significant forced labor component; Amnesty's last resolution was in 2008 while SumOfUs filed a resolution in 2016.

Company Research, Benchmarks, and Tools. Other NGOs work to provide research, benchmarking, and tools designed to help investors evaluate risk, and help companies establish practices that will reduce exposure to human trafficking and slavery in their supply chains.

*Business & Human Rights Resource Centre (BHRRC)*¹²⁸ is an information hub tracking recent articles and reports on 6,000 companies, and has contacted 2,400 companies to respond to alleged human rights violations. It is a partner organization of both CHRB and KTC. Further, BHRRC undertakes targeted outreach on emerging urgent issues on modern slavery, such as exploring working conditions in Qatar's construction industry and engaging brands and others on Syrian refugees in Turkish garment factories. BHRRC hosts a Registry¹²⁹ where companies' statements to comply with the UK Modern Slavery Act can be located.

*Corporate Human Rights Benchmark (CHRB)*¹³⁰ is a joint project of Aviva Investors,¹³¹ Business and Human Rights Resource Centre (see below), Calvert Investments, EIRIS,¹³² the Institute for Human Rights and Business (see below), and Association of Investors for Sustainable Development (VBDO).¹³³ CHRB is part of an investor coalition with \$4.8 trillion in AUM that supports the world's first wide-scale benchmark on companies' human rights policies, processes, and practices.¹³⁴ In March 2017 CHRB released its pilot benchmark report that ranked 98 companies in the agricultural, apparel, and extractives sectors¹³⁵ based on the companies' own public disclosures. With an entire section on forced labor, this human rights benchmark is critical for investors to standardize an analysis of companies and industrial sectors.

*Institute on Human Rights and Business (IHRB)*¹³⁶ conducts research and tracks information related to regulatory, legal, and financial implications of corporate human rights policies and practices. It launched the Dhaka Principles¹³⁷ on migrant labor and is leading coalitions on Responsible Recruitment¹³⁸ and promoting human rights with Mega-Sporting Events.¹³⁹

*KnowTheChain (KTC)*¹⁴⁰ a project of Humanity United, together with Sustainalytics,¹⁴¹ BHRRC, and Verité developed a critical tool to benchmark¹⁴² companies on their activities to address forced labor.

*Sustainability Accounting Standards Board (SASB)*¹⁴³ develops sustainability standards for corporations. It is the only ESG framework that meets the SEC's definition of materiality and is meant to be used in a company's 10-K or 20-F filings.

*UN Global Compact*¹⁴⁴ is a policy platform and practical framework to support the goals of the United Nations (UN) and encourage businesses to align their operations with ten principles on human rights, labor, environment, and anti-corruption. It is the founding co-partner of PRI and has 7,000 corporate signatories in 135 countries.

APPENDIX B: SHAREHOLDER CAMPAIGN EXAMPLES

These examples demonstrate the breadth of issues that investors have engaged on in the area of human trafficking and slavery, and demonstrate the potential for shareholders to impact companies' actions. A companion report, *Investing to End Modern Slavery Case Studies*¹⁴⁵ includes greater detail on each of these campaigns:

- **Cocoa harvesting** in Ivory Coast and Ghana has been known to force over one million children to work as recently as 2014. Children are trafficked from neighboring countries and sold to plantation owners by brokers or smugglers. In the 1990s, ICCR members started engaging the chocolate companies Hershey's, Mars, Cadbury, Nestlé, and others to improve their cocoa supply chains. As a result, companies and other stakeholders formed the World Cocoa Foundation in 2000, which has since reached over 540,000 cocoa farmers.¹⁴⁶ In January 2016 the Supreme Court rejected a bid by Nestlé, ADM, and Cargill to dismiss a 2005 lawsuit which makes the companies liable for the use of child slaves to harvest cocoa in Ivory Coast,¹⁴⁷ and a California class action lawsuit was filed against Hershey's, Mars, and Nestlé in 2015 for tricking their customers into unknowingly supporting slave labor.¹⁴⁸
- **Conflict minerals** from the Democratic Republic of Congo (DRC) are not directly related to forced labor conditions, but are significant because of their due diligence and disclosure requirements, which are the basis of the California Supply Chain and Transparency Act and the UK Modern Slavery Act (see below). Since 1996, the conflicts, fueled through revenues from exporting minerals, have utilized child soldiers, caused over six million casualties, and contributed to the rape of hundreds of thousands of women.¹⁴⁹ A major shift came in 2010 with the passing of the Dodd-Frank Wall Street Reform Act that included Section 1502, which requires companies to publicly report to the SEC about the origin and labor conditions of their sourced metals. Investor engagement was key to bringing corporations to the table to join in multi-stakeholder recommendations for the implementation of Section 1502. Since companies first started reporting to the SEC in 2014, over 1,300 companies have submitted conflict minerals disclosures.¹⁵⁰ The Enough Project reports that over 140 mines that were previously controlled by rebel groups are now considered "conflict-free."¹⁵¹
- **Cotton in Uzbekistan** has garnered attention for having forced labor of children between the ages of 7 and 14 in its harvesting.¹⁵² Starting in 2007, RSN helped initiate a U.S. campaign, coordinating SRIs and faith-based investors to contact more than 30 companies. Calvert Investments took the lead to engage the U.S. State Department, and ILRF started promoting the issue in the media. Through dialogues, and not shareholder resolutions, great achievements were made including Gap, Levi Strauss & Co., C&A, Walmart, and others, establishing no-Uzbek cotton policies. Today the Uzbek government has significantly diminished, if not eliminated, forced *child* labor and is beginning to address the persistence of forced *adult* labor. This big goal was largely achieved due to coordinating a variety of strategies, by a multi-stakeholder network of companies, trade associations, investors, and NGOs.¹⁵³
- **Human rights risk assessments, policies, and implementation** have historically accounted for most of the human rights resolutions and dialogues. Dialogues with Boeing and Target about ILO implementation have reached the fourth consecutive year. ICCR members have engaged with military contractors for decades about human rights policy implementation. Correctional facilities have become a recent focus for dialogue on implementation, and recent shareholder votes on risk

assessment resolutions at Kroger, Amazon, and Potash Corp. demonstrate that company owners are concerned about human rights topics and want to see management address it responsibly.

- *Labor recruitment fees and corruption* contribute to bonded labor situations for migrant workers globally, including in the United States. ICCR has taken the lead in asking companies to adopt a wide range of measures to address abusive recruitment practices.¹⁵⁴ ICCR's "no fees" campaign targets 50 companies in the food, agriculture, automotive, apparel, travel, and electronics sectors. Eighteen companies have adopted ethical recruitment policies and the companies are now developing plans for the implementation of monitoring, verification, and public reporting. In addition, the industry association Responsible Business Alliance (formerly EICC), has recommended a "no fees" policy to its 100+ members.¹⁵⁵
- *Sex trafficking.* Major hotel chains, airlines, and trucking companies have agreed to some, or all, investor requests to adopt a human rights policy, which includes the topic of human trafficking and conducting prevention trainings with employees.
- *Sugar cane* in Dominican Republic (DR) is known to be produced by workers recruited from Haiti, under the false promises of a higher standard of living and higher wages. An estimated 500,000 undocumented immigrants were born in and reside in the DR in bonded labor situations. Other countries that have documented cases of forced labor in their sugar production include Bolivia, Brazil, Myanmar, and Pakistan. Coca-Cola, Ferrero, and PepsiCo **have** made commitments to only source from certified sources by 2020.
- *Tomato harvesting in the U.S. and Mexico* have been fraught with low pay, abusive conditions, and forced labor. The Coalition of Immokalee Workers (CIW) Fair Food Program¹⁵⁶ asks companies to only buy from tomato growers that comply with labor standards and pay one cent more per pound, which goes directly to the pickers. Using marches and boycotts, CIW pressured Walmart, McDonalds, Burger King, Whole Foods, Trader Joe's, and others to join the Fair Food Program. Kroger has refused to join, and has faced five shareholder votes in the last six years on farm worker rights/supply chain related issues.

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Responsible Sourcing Network (RSN) (www.sourcingnetwork.org), a project of the nonprofit organization As You Sow (www.asyousow.org), is dedicated to ending human rights abuses and forced labor associated with the raw materials found in products we use every day. RSN builds responsible supply chain coalitions of diverse stakeholders including investors, companies, government officials, and human rights advocates. Currently, RSN works with network participants to leverage their influence in the areas of conflict minerals and forced labor in cotton fields to create positive change for brands, consumers, and the impacted communities. For more information, contact: info@sourcingnetwork.org.

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