

HYMANS ROBERTSON

Evaluating manager approaches to modern slavery risk management

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Modern slavery's presence in global supply chains makes it a financially material risk to pension-scheme investments. When uncovered, it can create financial and reputational risks. We surveyed listed credit and equities managers on their approaches to modern slavery risk management, and how they're engaging with portfolio companies to promote real-world change.

What is modern slavery and why is it important to pension schemes?

According to Anti-Slavery International, modern slavery occurs 'when an individual is exploited by others, for personal or commercial gain. Whether tricked, coerced, or forced, they lose their freedom. This includes but is not limited to human trafficking, forced labour and debt bondage.'[1]

Modern slavery practices such as forced labour can exist deep in global supply chains. When these issues come to light, companies face operational disruption, loss of workforce stability and supply-chain breakdowns. This can directly affect a company's financial performance and impact long-term investors – including pension schemes.

As one of our four key focus themes, modern slavery underpins our dialogue with managers. In our Modern Slavery Statement, we commit to engaging with managers on modern slavery risk and helping clients understand portfolio exposures.

Our research: a deep dive into managers' approaches

Our survey assessed modern slavery risk management by listed credit and listed equities managers, exploring the following areas:

- Governance of modern slavery and senior accountability
- How modern slavery risk management has been integrated into the investment process
- Process for investigating potential exposures to modern slavery via portfolio-company supply chains
- Data sources and frameworks to support understanding
- How ongoing/emerging modern slavery risks are monitored post-investment
- Portfolio company engagement on modern slavery

The overall response rate across the sample was 88%. Listed equities managers' response rate was 88% and listed credit was 87%.

[1] *https://www.antislavery.org/slavery-today/modern-slavery/*

Nearly all managers surveyed incorporate modern slavery issues into investment processes and have a policy covering modern slavery.

Chart 1 – % of managers with a firm-level Modern Slavery policy

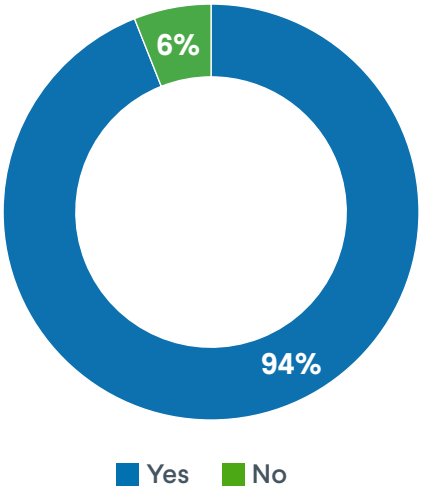


Chart 2 – % of managers with a Modern Slavery policy addressing investment decision-making

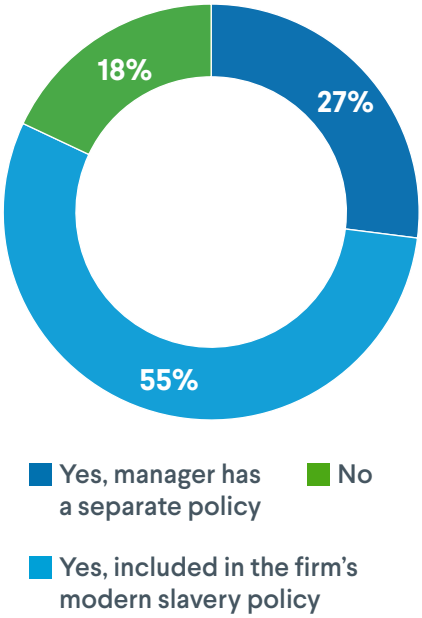
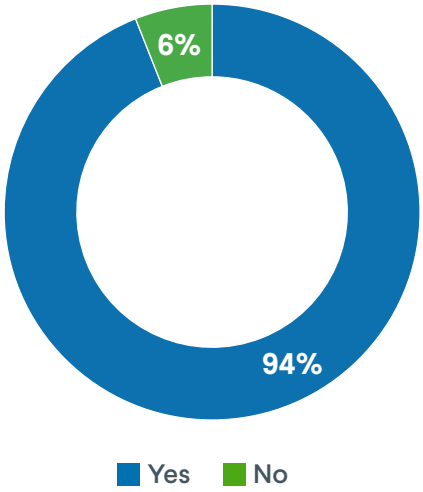


Chart 3 – % of managers who actively engage with company management on Modern Slavery



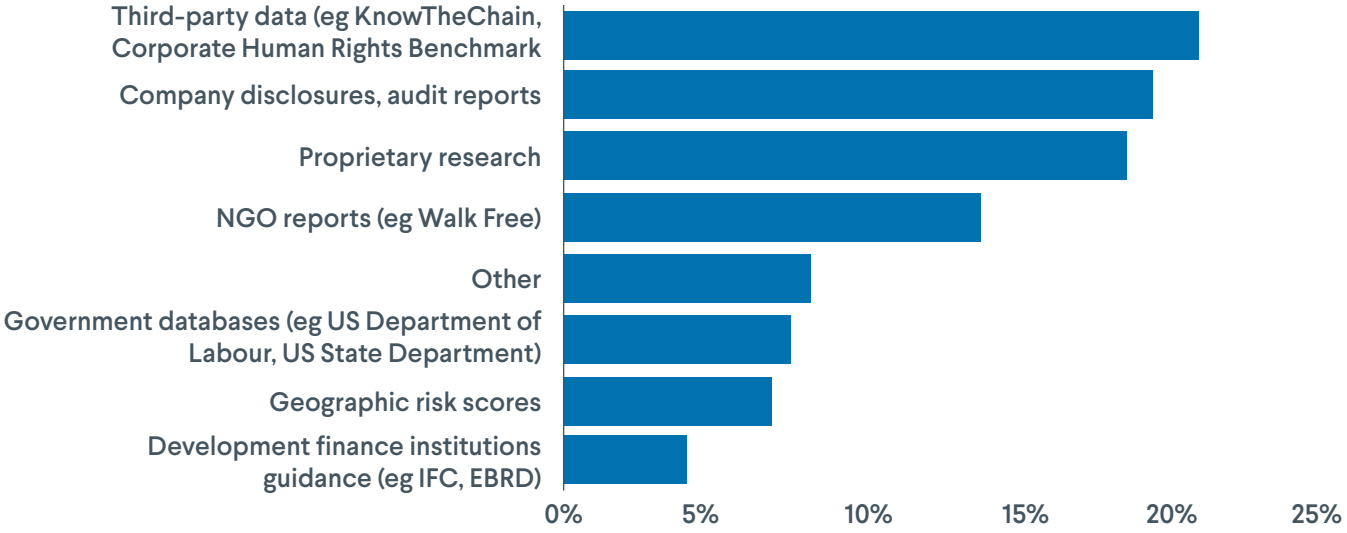
Overall, the managers exhibit a strong, basic consideration of modern slavery through firmwide policies and engagement activity. A smaller cohort embed modern slavery considerations into investment decision-making.

- Most managers surveyed (94%) have a firm-level policy, indicating that modern slavery is broadly recognised as a governance and risk issue at the organisational level.
- Regarding how (and whether) modern slavery is reflected in investment decision-making, over half (55%) include investment-related expectations within their firm's Modern Slavery policy. Just over a quarter (27%) have a separate policy specifically addressing investment decisions. However, 18% reported that policies don't address modern slavery.
- Of those surveyed, 94% reported actively engaging with company management on modern slavery topics, suggesting a high level of responsiveness to identified or perceived concerns.

Monitoring and managing modern slavery risk post-investment: global frameworks and data sources

It's helpful to understand managers' tools to assess modern slavery risk and exposure within portfolios. These comprise internal and external data sources: 1) company-level proprietary research and third-party data disclosures; and 2) publicly available data sources (ie non-governmental organisation reports and government databases).

Chart 3 – % of managers who actively engage with company management on Modern Slavery



Obtaining comprehensive data on modern slavery risks and exposures is challenging. Therefore, multiple information sources are crucial, mitigating data gaps and enhancing understanding of priority risk areas.

This lack of transparency makes it challenging for managers to monitor modern slavery's existence in portfolios via portfolio-company supply chains. Most managers surveyed use both internal frameworks and globally recognised standards (eg the UN Global Compact, OECD Guidelines and third-party ESG data providers) to evaluate and monitor modern slavery risk.

Common global standards supporting modern slavery risk-management oversight[2]

Name	Description
UN Global Compact (UNGC)	A voluntary initiative based on CEO commitments to implement universal sustainability principles.
UN Guiding Principles on Business and Human Rights (UNGPs)	31 guidelines endorsed by the UN Human Rights Council in 2011 to prevent, address and remedy human rights abuses in business operations.
International Labour Organisation (ILO)	Promotes social justice and internationally recognised human and labour rights.
OECD Guidelines for Multinational Enterprises	Recommendations addressed by governments to multinational enterprises, encouraging positive contributions to economic, environmental and social progress.

These frameworks guide investment decision-making. Common post-investment approaches to monitoring and mitigating modern slavery risk involve controversy screening, supply-chain audits and company management engagement. Managers frequently cited the use of third-party data providers (eg KnowTheChain, Corporate Human Rights Benchmark, Sustainalytics, MSCI) alongside proprietary research and sector/geographic risk scores.

[2]UN Global Compact; Business and Human Rights Centre; The International Labour Organisation; OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

There was a clear trend toward developing proprietary frameworks and risk-scoring models to supplement external datasets; managers emphasised sector, geography and supply-chain complexity as key materiality factors. One manager established a formal Human Rights Integration Framework to evaluate modern slavery risk in investment decision-making. Another manager created a Human Capital Analysis Framework, incorporating human capital management, health and safety, and human and labour rights, while considering supply-chain and modern slavery risks. These proprietary frameworks help with investment selection and engagement priorities, ensuring that modern slavery risks can be detected, tracked and managed throughout portfolios. For sectors with high-risk exposure, we find that managers examine companies' risk-management practices and benchmark them versus peers.

Monitoring and managing modern slavery risk post-investment: engagement

94% of managers actively engage with company management on modern slavery. Engagement with companies is often cited as leading to demonstrable improvements, eg enhanced supplier audits, expanded risk assessments and increased reporting transparency.

Examining a range of case studies provided alongside our survey, we noted that engagement objectives focused on improving corporate transparency and disclosure around modern slavery risks, alongside strengthening due diligence and ongoing operations and supply-chain monitoring. Managers frequently sought independent assurance, encouraging third-party audits, investigations and verification to validate risk-management practices and address workforce allegations.

Many engagements also pushed companies towards adopting recognised standards to embed best practice, complemented by efforts to enhance traceability and responsible sourcing for high-risk materials and supplier tiers. A recurring theme was securing remediation and corrective action for affected workers, ensuring harms were not being repeated. A smaller but notable share of engagements emphasised stronger governance, accountability and escalation processes. In several cases, managers pursued these objectives through collaborative initiatives and investor coalitions, reflecting the value of coordinated action.

Below, we set out two manager-engagement case studies: one focuses on increased transparency/disclosure, while the other shows corrective actions being taken in modern slavery risk management.

CASE STUDY 1: MANAGER ENGAGEMENT LEADS TO CORRECTIVE ACTION BY THE COMPANY

The manager engaged with an automobile company on allegations regarding human rights and environmental issues at their sustainable cobalt supplier. Concerns had been raised regarding labour practices, child labour and unsafe working conditions across mineral supply chains.

Corrective action: As a result of the engagement, the company initiated two independent audits (social and environmental) and maintained active communication with their cobalt supplier. While the social audit didn't validate all the allegations made, it identified anomalies that have since been addressed. The separate environmental audit revealed high arsenic concentrations, requiring immediate remediation.

CASE STUDY 2: MANAGER ENGAGEMENT LEADS TO INCREASED TRANSPARENCY/DISCLOSURE

A manager engaged with a sports equipment company in China seeking to strengthen supplier labour management and risk-mapping and to improve raw-material traceability, especially around leather sourcing and deforestation-related risks.

Increased transparency/disclosure: In 2024, the company disclosed a supplier list for the first time and recently disclosed that 77% of suppliers have completed Corrective Action Plans in 2025, addressing the manager's request for confirmation of remedial action. To support raw-materials traceability across their supply chain, the company joined the Leather Working Group (LWG). Since then, 100% of leather suppliers for footwear products have obtained LWG Gold certification and over 99% of leather is confirmed traceable in the latest disclosure.

This shift towards greater transparency and disclosure is welcome, as it's important to highlight the work being done by managers in this space, much of which can go unnoticed by investors. However, improved disclosures alone may not be enough to drive substantial change. We believe it's important to consider whether companies' levels of engagement, research and risk assessments are adequately robust.

Manager engagement that results in corrective actions being taken by companies – not simply increased transparency and disclosure – showcase what can be achieved. Changes by companies or their supply chains can bring real improvements for people and reduce risk to companies and their investors.

What can trustees do?

Trustees can play a critical role in overseeing modern slavery risks within investment portfolios. This is significant for pension schemes, since modern slavery risks can manifest in portfolio-company supply chains. Engagement is a powerful tool for trustees to gain deeper insight into managers' approaches to modern slavery risk management.

Case studies demonstrate that targeted corrective actions alongside enhanced transparency foster improvements in supply-chain management and labour practices. Vigilant oversight, proactive questioning and understanding of portfolio-company supplier arrangements are essential.



Based on our findings, trustees should note several steps for action. It's vital to probe managers with challenging, targeted questions about their supply-chain oversight, the robustness of corrective measures and their reporting transparency.

- Trustees should educate themselves about modern slavery and the potential implications for investment portfolios and risk-management approaches.
- Trustees can use the DWP's Task Force on Social Factors guidance, viewing the modern slavery case study as a framework to support engagement and understand modern slavery risks.
- Trustees can also monitor the emerging Taskforce on Inequality and Social-Related Financial Disclosures (TISFD) draft framework, which aims to support more consistent reporting on inequality and social-related risks and opportunities, helping them stay informed on evolving expectations for human-rights and modern-slavery disclosures.
- Trustees should consider which questions may arise in manager discussions, particularly around risk assessment, remediation and the monitoring of labour practices.
- Asset owners and trustees ought to scrutinise managers' approaches and seek evidence of progress when engaging with them, holding them accountable for their commitments and actions.

For further information, trustees can refer to our stewardship guide on modern slavery. Please contact your usual Hymans consultant if you'd like to receive this guide and discuss these topics in more depth, or if you require additional support in advancing effective engagement and stewardship on modern slavery risks.

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