Managing Risks Associated with Modern Slavery

A Good Practice Note for the Private Sector

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Preamble

Context: The private sector is increasingly acknowledging the significant role that their investment decisions and internal controls can play in reducing modern slavery risks throughout their activities. Less evident is how this can be achieved. CDC, DFID, EBRD and IFC recognised that additional guidance was needed to increase the private sector's ability to identify and assess modern slavery risks, and to implement appropriate controls and solutions.

The Good Practice Note (GPN) has benefitted from inputs and contributions from a wide range of interested parties (Annex 1) and was developed by Ergon Associates and the Ethical Trading Initiative (ETI).

Objectives and scope: This practical guidance is meant to support the private sector, a key actor in the fight against modern slavery. The GPN does not set new standards but aims to provide practical tools to support environmental and social due diligence, as well as monitoring processes that many investors and companies already have in place. It also aims to provide an understanding of why action is necessary, how to manage and address issues, and the need for cooperation with others.

Audience: This GPN targets two main audiences, investors and companies.

Information relevant to investors is flagged throughout the note with the following logo:

Information relevant to Companies is flagged throughout the note with the following logo:

For *investors* this GPN provides guidance to banks, private equity firms and other financial actors who provide finance to private companies in emerging markets. Within this group, the guidance is particularly relevant to environmental and social (E&S) specialists, investment staff and compliance professionals.

For *companies* this GPN provides guidance across a range of sectors where risks of modern slavery are high. The GPN is relevant to a range of company functions including management, human resources, sustainability/E&S and procurement.

How to use: This GPN serves as a comprehensive resource for investors and companies. For ease of use, readers should refer to the table of contents or the GPN Navigation Table in the next page to identify sections that are most relevant to you. Many sections are relevant to both investors and companies, though some focus on one or the other. This is indicated using the respective icons throughout the note.

Information is supported by good practice examples as well as practical tools and checklists which are included at the end of the document, including pre-screening questionnaires and guidance on workplace assessments. Additionally, each section includes supplemental guidance and resources to further support the reader:

Boxes:

Provide additional information on specific issues.

Examples:

Offer real-world scenarios that illustrate issues described in the text.

Further reading:

Additional links to resources are provided throughout the GPN which cover certain topics in greater detail.

Relevant to investors

Relevant to companies

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Acronyms

DFI	Development finance institution
DFID	Department for International Development (UK)
EBRD	European Bank of Reconstruction and Development
E&S	Environmental and social
ESAP	Environmental and Social Action Plan
E&SDD	Environmental and social due diligence
ESG	Environmental, social and governance
ESMS	Environmental and social management system
ETI	The Ethical Trading Initiative
FLA	Fair Labor Association
GPN	Good Practice Note
GRI	Global Reporting Initiative
HR	Human resources
IFC	International Finance Corporation
ILO	International Labour Organization
IOM	International Organization for Migration
ITUC	International Trade Union Confederation
KPI	Key performance indicator
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
OHS	Occupational health and safety
PS2	Performance Standard 2 (in relation to IFC)
UNGPs	UN Guiding Principles on Business and Human Rights

Glossary

Key terms as defined for the purpose of this note are presented in this section.

Audit	Also called a workplace assessment. Refers to a workplace/site-level assessment of working conditions.
Business partner	Clients/portfolio companies that receive loans/investments; contractors and suppliers that provide services or goods to companies.
Child labour	Defined as work that deprives children of their childhood, potential and dignity, and that is harmful to physical and mental development (ILO[1]) (see Box 1 in Section 1.1).
Company	Private sector companies, including recipients of an investment from an investor. Also refers here to projects (eg project finance provided to special purpose vehicles).
Contextual factors	High-level factors which can suggest there is a greater risk of modern slavery occurring in a particular worksite or type of worksite.
Contractor	A business partner contracted to carry out a service for a company.
Debt bondage	A situation in which workers are bound in debt to a person or institution resulting from inherited debt, wage advances or loans to cover recruitment or transport costs or from daily living or emergency expenses, such as medical costs (ILO[2]) (see Section 1.1.1).
Deceptive recruitment	Failure to deliver what has been promised to the worker, either verbally or in writing. Victims of forced labour are often recruited with promises of decent, well-paid jobs (ILO[3]) (see Section 1.1.1).
Expert	An individual or organisation with expertise on the issue of modern slavery in a particular sector or geography.
Grievance	An allegation, issue or problem that a person or people have related to their or someone else's treatment or experience at work. This can cover a broad range of concerns, from a complaint about the quality of food provided in the canteen, to serious and potentially illegal actions such as modern slavery.
Human trafficking	The recruitment, transportation, transfer, harbouring or receipt of people, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power, a position of vulnerability or the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation (see Section 1.1).
Indicators of modern slavery	Indicators of forced labour as defined by the International Labour Organization (ILO) to support the identification of instances of modern slavery. Indicators are divided into two categories: those of involuntariness and those of penalty (or menace of penalty). Separate to contextual factors, which may also help identify high-risk situations (see 'Contextual factors').
Investor	Financial actor who provides finance to a private company or other investors. This includes banks, funds, private equity firms and others.
Issue	Identified instances of infringements on workers' rights, including instances of modern slavery.
Migrant worker	Any person who is moving or has moved across an international border or within a state away from their habitual place of residence to work or seek work, no matter (1) their legal status, (2) whether the movement is voluntary or involuntary, (3) the causes for the movement, or (4) length of stay.
Mitigation	All actions taken to prevent identified risks negatively impacting workers.
Modern slavery	An umbrella term used to cover slavery, servitude, forced or compulsory labour, and human trafficking (see Section 1.1).
Portfolio company	Also referred to as 'investees' or 'clients': a company that receives an investment from an investor.

Refugees	People who have been forcibly displaced from their homes to escape war, persecution or natural disasters. Refugees are highly vulnerable to exploitation, including by modern slavery in regions to which they have fled.
Remediation	The process of providing a remedy for a harm. Remedy can take various forms, including apologies, restitution, rehabilitation, financial and non-financial compensation, as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.
Risk	The potential for workers' rights to be negatively impacted because of the activities of companies and their business partners.
Sending country	The country in which a foreign migrant worker is a citizen.
Subcontractor	A person or commercial entity contracted to carry out a service by a contractor.
Supplier	Any business that directly or indirectly provides material goods to a company.
Supply chain	Consistent with DFI standards, such as IFC Performance Standard 2 (PS2), the chain of suppliers providing materials, components, goods or products for use in the activities of companies. This includes suppliers of raw materials and pieces or components for assembly/production.
Victim	A person who has been subject to extreme forms of exploitation and abuse associated with forced labour, trafficking or modern slavery as defined in Section 1.2.
Worker	A person carrying out activities on, or related to, the activities of a company or their business partners. This includes people employed directly or through third parties such as contractors, subcontractors, labour agencies and suppliers. Includes people in high and low-skilled positions.
Worksite	All parts in the boundaries of a project's physical location or where work is taking place. Also called a site.

Executive summary

An estimated 40.3 million people, most of whom are women, are living in situations of modern slavery in the world today. Among those affected, approximately 16 million people work in the private sector. There is now much greater awareness of the number of people who are working in conditions of modern slavery, as well as increased scrutiny from civil society and legislative action by governments. As a result, there is growing recognition among private sector actors that they have a responsibility to address modern slavery risks in their operations and business relationships.

This Good Practice Note (GPN) provides the private sector with guidance on identifying, mitigating and remedying modern slavery risks. It serves as a comprehensive resource for two main audiences: investors and companies. The investor audience includes banks, private equity firms and other financial actors that provide finance to private companies in emerging markets. For companies, this GPN provides guidance on potential actions to take across a range of sectors where there may be risks of modern slavery. The GPN further offers Development Finance Institutions (DFIs) with guidance on modern slavery risks associated with their portfolio companies.

The GPN does not create new standards. Instead, it aims to provide practical support on how to better identify issues and integrate actions to address modern slavery into existing environmental and social management systems. For standards on modern slavery, readers should refer to existing conventions of the International Labour Organization, national laws, company and investor standards, and other existing instruments, many of which are referenced in this note.

Ultimately, good practice in managing the risks associated with modern slavery is grounded in the expectations of the UN Guiding Principles on Business and Human Rights (UNGPs). As such, this GPN follows the UNGP framework by focusing on developing and implementing policies, undertaking thorough risk assessments, addressing identified risks, and monitoring these efforts. It also provides practical guidance on how to remediate cases of modern slavery when these are found.

The GPN is divided into six sections that reflect phases of activity for private sector actors in addressing modern slavery risks or occurrences.

Understanding modern slavery

The first important step is to gain a better understanding of the highly contextual nature of modern slavery, how the term relates to international norms, its root causes and the business case for addressing modern slavery risks. Key issues to understand include how modern slavery is defined by international norms, and how it relates to the concept of child labour.

This section also discusses the relationship between modern slavery and other exploitative labour practices and how different workplace 'indicators' can be used to identify risks and instances of modern slavery that may otherwise be hard to detect.

It gives an overview of some of the key drivers and root causes of modern slavery, discussing the vulnerabilities faced by women and migrant workers along with the higher likelihood of risks in fragile and conflict-affected states and the particularities of modern slavery in countries where there is state-imposed forced labour.

In terms of the business case, important reasons why the private sector should address modern slavery are presented, including reputational, regulatory, operational and commercial drivers.

Relevant standards and safeguards

There is a range of legal and voluntary standards on modern slavery that will influence investors and companies. Understanding the scope of national legal frameworks is vital. Most jurisdictions criminalise practices related to modern slavery and some also put obligations on the private sector to report what it is doing to address modern slavery risks.

There are also voluntary standards and principles that address modern slavery, to which many investors and companies are expected to adhere. DFI safeguards also set out requirements on modern slavery, placing varied obligations on companies for different categories of workers, from directly employed staff to contractor and supply chain workforces.

To translate these standards into practice, companies and investors should develop coherent policies and internal processes to address modern slavery risks across their own activities and those of their business partners. To prevent making workers even more vulnerable to exploitation following a sudden contract termination, the GPN cautions against policies that require business relationships to be ended immediately if modern slavery is identified.

Assessing the risk of modern slavery

Identifying instances of modern slavery is difficult for any company and investor, especially in areas of their business relationships which are further from core operations. Still, where investors and companies have a good grasp of the concept of modern slavery and have reviewed relevant standards and safeguards, there are practical approaches that allow them to identify where there are modern slavery risks.

The first step is to review business activities and identify the presence of associated contextual risk factors. These can be split into three categories: country and sector context, workforce demographics, and the characteristics of risk management processes or controls. Where multiple modern slavery risk factors are present, implying greater risk to workers, further investigations will be necessary and more vigorous measures may need to be developed in response.

Companies can also map their supply chains to get a clear understanding of their business footprint and to see whether there is overlap with areas that have been identified as risky through the assessment of contextual risk factors. This mapping and the risk assessment process allow a company to target its resources on areas of the supply chain that are most likely to have modern slavery issues.

If a particular worksite is deemed to be high risk, or is located in a region where there are known issues, companies and investors can make focused assessments to investigate, verify, and validate such risk. While these have limitations, particularly in relation to hidden issues like modern slavery, there are suggested approaches and good practices that can help. These include ensuring adequate planning, knowing how to speak with vulnerable workforces, and focusing on all aspects of employment conditions and pathways to enter or exit employment.

Mitigating modern slavery risks

Where risks of modern slavery are identified in the operations of investees, contractors or suppliers – or in their own operations – companies and investors should put in place appropriate mitigation measures.

Key to this is using leverage to influence the practices of business partners and positively impact potentially affected workers. If leverage is limited, there are actions that can be taken collaboratively or early on in engagements with business partners to improve influence and leverage.

Depending on the stage of an investment, project or business relationship, there are controls and activities that can be carried out to prevent issues from occurring. Ideally controls should include ensuring that pre-contractual due diligence takes place to identify weaknesses in the systems of business partners and to apply targeted contractual requirements to implement safeguards, training, grievance management systems and monitoring processes.

Remediation

When modern slavery is identified, investors and companies should explore the appropriate process for helping affected workers. It is important that this puts an end to modern slavery and reduces or reverses the harms experienced by affected people.

Crucial here are grievance mechanisms designed and implemented according to international standards. An effective grievance mechanism can bring about meaningful remediation.

Ultimately the role that a company or investor takes in the remediation process should be based on whether they have caused, contributed to or are linked to the issue. The company or investor will need to consider whether the incident can be resolved by the employer or whether government authorities or other experts need to be involved. Careful consideration is needed to ensure that affected workers are not further harmed during the process.

Monitoring and reporting on actions and change

Modern slavery-related interventions should be monitored and in some cases are subject to reporting or disclosure. Monitoring and internal reporting should be carried out continually to ensure that key issues are not going undetected and that commitments are being met.

Investors and companies may be contractually required to carry out proactive disclosures of their modern slavery risks and actions, and in other cases disclosures might be legally mandated. These obligations can help track compliance and inform risk assessment and identification efforts.

Risks and actions must be effectively monitored to ensure key issues are resolved. Means of doing this include engaging with expert external stakeholders that have a good understanding of what is happening in a given country and sector or on a specific worksite. Technology-based worker-reporting tools can also increase the visibility of workplaces where investors and companies lack oversight.

Ultimately, tracking the performance and effectiveness of modern slavery-related actions is important. This can be done by developing context-specific key performance indicators, so investors and companies fully understand what they are measuring and what different outcomes mean.

1. Understanding modern slavery

Key outcomes:	Understand the highly contextual nature of modern slavery, how the term modern slavery relates to international norms, its root causes, and the business case for addressing it.

1.1 Background

In recent years, the issue of modern slavery has come increasingly under the spotlight including among investors and private sector companies. This has been driven by a greater understanding of the scale and scope of the issue, policy debates including national modern slavery legislation,[a] the inclusion of a target to end modern slavery in the UN Sustainable Development Goals, and heightened scrutiny from media and civil society. The private sector is also more aware of the business implications of failing to manage modern slavery risks, as well as the positive effects around reduced business risk, continuity of operations, access to markets and increased worker productivity.

According to recent estimates, there are roughly 40.3 million victims of modern slavery around the world, of whom 24.9 million people are estimated to be in conditions of forced labour, including 16 million people in the private sector. Modern slavery disproportionately impacts women who are thought to make up 71% of all modern slavery victims.[4] For more on the definition of modern slavery and its relationship with forced labour see Section 1.2.

The private sector is under increasing pressure to respect human rights by identifying and mitigating the negative impacts of its activities. It is expected to do this by following the approach set out in the UN Guiding Principles on Business and Human Rights (UNGPs). The focus on modern slavery takes place against this backdrop.

Ultimately, despite increasing focus on this issue, there remains confusion as to what modern slavery is, how to identify it, and what actions and remedial steps should be taken once it has been identified. For many investors and companies, it is also difficult to determine who should respond. Investors and companies often perceive a tension between ensuring compliance versus progressively achieving better working conditions. Understanding and addressing modern slavery therefore requires nuanced approaches and an understanding of the context.

1.2 What is modern slavery?

Modern slavery is an umbrella term used to cover slavery, servitude, forced or compulsory labour and human trafficking, which are defined by several international standards.

Forced or compulsory labour is defined by the International Labour Organization (ILO) Forced Labour Convention, 1930 (No. 29) as 'all work or service which is exacted from any person under the **menace of any penalty** and for which the said person has **not offered himself voluntarily**' (Art. 2.1).

Human trafficking can lead to situations of forced labour and is defined under the Protocol to Prevent, Suppress and Punish Trafficking in Persons,[5] especially Women and Children (the Trafficking Protocol), which was adopted to go alongside the UN Convention against Transnational Organized Crime. According to the Trafficking Protocol, trafficking involves the 'recruitment, transportation, transfer, harbouring or receipt of persons, **by means of the threat or use of force or other forms of coercion … for the purpose of exploitation.**'

Slavery and servitude are referenced in various international instruments, separately and in conjunction with one another (eg the Universal Declaration of Human Rights, 1948, and the Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery, 1956). While neither term has a precise definition under international standards, they are underpinned by concepts of ownership and removal of free will.

a Most notably the UK Modern Slavery Act, which requires commercial organisations to report on the steps they are taking to address modern slavery risks. Similar legislation exists in France (*la Loi sur le devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre*) and Australia (the Modern Slavery Act). Beyond national frameworks, the international community has also taken the initiative, for instance through A Call to Action to End Forced Labour, Modern Slavery and Human Trafficking which has been endorsed by some states. For more information on relevant legal frameworks, see Section 2.1.

Of these, the concept of forced or compulsory labour is most relevant to this GPN. This is because it is the form of modern slavery which investors and companies are most likely to come across.

Box 1: Child labour and modern slavery

Work performed by children does not necessarily constitute modern slavery. Even where child labour is seen as harmful, and it is prohibited under most national legislation and all international standards on its own grounds, it cannot automatically be equated with modern slavery. Harmful child labour is that which is economically exploitative or likely to be hazardous, or which interferes with a child's education, is harmful to the child's health, physical, mental, spiritual, moral or social development. ILO Conventions on child labour (C138 and C182) are seen as 'core labour standards'.

Some forms of child labour, however, do constitute modern slavery. This includes some of the worst forms of child labour as defined by the ILO's Worst Forms of Child Labour Convention, 1999 (No. 182), which includes the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour; the use, procuring or offering of a child for prostitution; and the use, procuring or offering of a child for illicit activities.

Responding to instances of harmful child labour requires a different set of actions to responding to modern slavery. This GPN does not address harmful child labour but there are other resources and guidance materials helpful for investors and companies, including:

- ETI, Base Code Guidance: Child Labour[6]
- IFC, Good Practice Note: Addressing Child Labour in the Workplace and Supply Chain[7]
- ILO-IOE, Child Labour Guidance Tool for Business.[8]

1.3 Using indicators to identify modern slavery risks

An 'indicator-led' approach to identifying forced labour offers a useful framework for identifying instances of modern slavery that may otherwise be hidden or unclear. This approach uses indicators of 'penalty' **and** 'involuntariness', related to different stages of an employment relationship. Note that indicators are different to contextual risk factors, as set out in Section 3.1.

Indicators of forced labour are identified based on the ILO definition of forced labour which is in turn based on two questions:

- Has the worker been the subject of a threat or menace of **penalty**?
- Did the worker provide his or her consent to work freely and is he or she free to leave? The absence of these freedoms is the concept of **involuntariness**.

These questions should be asked to identify specific indicators of forced labour related to different stages of an employment relationship. These are:

- **Workers subjected to exploitative recruitment practices:** this covers forced and deceptive recruitment practices, for example a significant and deliberate failure to deliver on the terms and conditions of employment promised to the worker.
- **Work and life under duress:** this covers adverse working or living situations imposed on a person by the use of force, penalty or menace of penalty.
- **Impossibility of leaving an employer:** this addresses situations where leaving an employer entails an excessive penalty or risk.

To identify an instance of forced labour **at least one indicator of involuntariness** and **at least one indicator of penalty** must co-exist, and **at least one of these must be 'strong'**. For example, if a worker builds up debt during recruitment **AND** is then threatened with physical violence when trying to leave, then that person would be recognised as a victim of forced labour. Table 1 provides an overview of indicators across each stage of an employment relationship and is based on the ILO's 'Hard to see, harder to count' guidelines with some adaptations.[9]

Table 1: Indicators of involuntariness and penalty

Stages	Strength of indicator	Indicators of involuntariness	Indicators of penalty (or menace of penalty)
Impossibility of leaving employer	Strong	• Tradition, birth (birth/descent into 'slave' or bonded status) • Coercive recruitment (abduction, confinement during recruitment) • Sale of the worker • Recruitment linked to debt • Deception about the nature of the work (eg promise of work in a hotel, only to end up as a sex worker)	• Denunciation to authorities • Confiscation of identity papers or travel documents • Sexual or physical violence • Other forms of punishment • Removal of rights or privileges (including promotion) • Religious or political retribution • Withholding of assets (cash or other) • Threats against family members
	Medium	• Deceptive recruitment (around working conditions, content or legality of employment contract, housing and living conditions, legal documentation or acquisition of legal migrant status, job location or employer, wages/earnings) • Deceptive recruitment through promise of marriage	• Exclusion from future employment • Exclusion from community and social life • Financial penalties • Informing family, community or public about worker's current situation (blackmail)
Work and life under duress	Strong	• Forced overtime (beyond legal limits) • Forced to work on call (day and night) • Limited freedom of movement and communication • Degrading living conditions • Forced engagement in illicit activities • Induced addiction to illegal substances	• Denunciation to authorities • Confiscation of identity papers or travel documents • Confiscation of mobile phones • Further deterioration in working conditions • Isolation • Locked in workplace or living quarters • Sexual or physical violence • Other forms of punishment (eg deprivation of food, water, sleep) • Violence against worker in front of other workers • Removal of rights or privileges (including promotion) • Religious or political retribution • Constant surveillance • Withholding of assets (cash or other) • Withholding of wages • Threats against family members
	Medium	• Forced to work for employer's private home or family • Induced or inflated indebtedness (eg by falsification of accounts, inflated prices for goods/services purchased, reduced value of goods/services produced, excessive interest rate on loans) • Multiple dependencies on employer (eg the employer provides accommodation, food, travel and work) • Pre-existence of a dependency relationship with employer • Being under the influence of employer or people related to employer for non-work life	• Exclusion from future employment • Exclusion from community and social life • Extra work for breaching labour discipline • Financial penalties • Informing family, community or public about worker's current situation (blackmail)
Impossibility of leaving employer	Strong	• Reduced freedom to terminate labour contract after training or other benefit paid by employer • No freedom to resign in accordance with legal requirements • Forced to stay longer than agreed while waiting for wages • Forced to work for indeterminate period to repay outstanding debt or wage advance	• Denunciation to authorities • Confiscation of identity papers or travel documents Imposition of worse working conditions • Locked in work or living quarters • Sexual and or physical violence • Other forms of punishment (eg deprivation of food) • Removal of rights or benefits (including promotion) • Religious retribution • Constant surveillance • Violence imposed on workers in front of all workers • Withholding of assets (cash or other) • Withholding of wages • Threats against family members (violence or loss of land or jobs)
	Medium	NA	• Exclusion from future employment • Exclusion from community and social life • Extra work for breaching labour discipline • Financial penalties • Informing family, community or public about worker's current situation (blackmail)

Further reading:

Sedex, Guidance on Operational Practice and Indicators of Forced Labour: contains further guidance on understanding the indicators for assessing forced labour risk.[10]

1.4 A continuum of labour exploitation

Modern slavery lies at one extreme of a continuum of exploitation and there is often no clear boundary between modern slavery and other serious labour abuses.[11] Poor labour practices (including those in Table 1), that do not themselves constitute modern slavery, can push workers into conditions of modern slavery if combined with other indicators. For instance, delayed payment of wages, excessive working hours or verbal threats may not lead to modern slavery on their own, but the presence of multiple abuses together may reach the level of modern slavery. When addressing these underlying risks and issues it is crucial to understand whether or not they translate into a situation of modern slavery. And in such events both national labour law and investor standards require that the situation is resolved, and in certain cases referred to local regulators or police departments (see Sections 4 and 5 on Mitigation and Remediation).

It should also be noted that employers and workers themselves may not be aware that a situation of modern slavery exists. Workers can also move in and out of situations of modern slavery over a period of time since their degree of vulnerability can change.

Table 2 gives examples of points that may be involved in determining whether a situation is considered modern slavery, including cases of both state-imposed forced labour, and those arising from the actions of private actors. As discussed earlier, cases of modern slavery require a number of indicators to be present at the same time. Note that the 'Yes' examples include both indicators of involuntariness and penalty in line with those in Table 1.

Table 2: Modern slavery examples

Modern slavery	Yes	No
Work exacted by military	State military personnel force local farmers to tend military-owned fields and maintain local military infrastructure by limiting their freedom of movement **AND** through threats or instances of violence.	All men between the ages of 18 and 25 eligible for compulsory military conscription are required to serve in the military for a defined period of time.
Compulsory participation in public works	People living in a rural area are summoned by the public authority to build a road and are deceived about the conditions of work. **AND** those who fail to participate are liable to financial penalties or imprisonment.	Once a month, every household must send at least one family representative to participate in half a day of community work, which is focused on cleaning and tidying public spaces.
Prison labour	Prisoners are forced to make products for a company in the private sector **AND** are not paid the legal minimum wage.	Prison workers are hired to work on a private sector project on terms that are equivalent to non-prison workers. Work is paid, there are written contracts that set out these terms, and work is voluntary.
Debt bondage	A worker gets into debt to pay fees to secure a job. **AND** they are forced to sign contracts they do not understand and are paid very low sums by the employer who says most of their wages are needed to pay off debts and food and accommodation provided by the employer.	A migrant worker borrows a small sum from a money lender to secure a job and the loan terms are reasonable (eg it can be paid off by the worker within a few months of starting the job). The worker's family has not incurred long-term debt because of this loan.
Forced overtime	Factory workers are given no choice on whether they work overtime or not and are threatened with dismissal or violence if they refuse. **AND** the hours worked are in excess of those allowed by national law.	Workers in a factory are contractually required to work overtime up to the legal monthly limit to meet production targets.
Document retention	An employer confiscates important 'permission to work' documents belonging to migrant workers when they start work **AND** these workers are told that their documents will be returned after they complete the work that they are assigned.	All company employees are asked to give their passports to their manager when they start work. However, the worker freely provides consent to this as the passport is held for safekeeping by the employer and the worker is able to access their own documents at any time.

Box 2: Special focus on migrant workers and debt bondage

A common example of modern slavery is that of migrant workers in situations of 'debt bondage', where workers are forced to work to pay off a debt. The term 'migrant worker' refers to foreign nationals, initially recruited in their home country to work abroad, or internal migrants from elsewhere who have travelled for work. Situations of debt bondage may start when migrant workers are forced to continue working indefinitely to pay off a high 'recruitment fee'.

The vulnerability of migrant workers, particularly as a result of recruitment fees, has received considerable attention in recent years and there are many initiatives and efforts to address the issue in sectors such as construction, electronics and hospitality, where risks are higher.

A recruitment fee is defined by the ILO as 'any fees or costs incurred in the recruitment process in order for workers to secure employment or placement, regardless of the manner, timing or location of their imposition or collection'.[12] For more guidance on what constitutes an unfair cost or fee charged to workers, see Tool 2.

What are the risk factors?

Recruitment fees: Migrant workers may borrow money from unscrupulous money lenders to pay fees to secure employment (eg commissions paid to labour agents, cost of visas and travel) leading to debt. This may be compounded by exorbitant interest rates attached to the debt, as well as the presence of numerous intermediaries (eg local brokers, national recruitment agencies and international agencies) which can lead to ballooning fees. Preventing the payment of recruitment fees by workers is a key way of preventing forced labour and trafficking in operations and supply chains.

Deception: Labour brokers or recruitment agencies may not give workers written contracts or contracts in a language the worker understands. As such, they may be misled about the job they've applied for and the terms and conditions under which they'll be employed. Workers' contracts may also be substituted for terms that are less favourable when they start work.

Wages: Workers' wages may not be paid to them in full because of unlawful deductions, wage payments may be delayed or withheld by the employer, or workers' bank accounts may be controlled by their employer meaning they cannot access their full wages.

Document retention: Employers may retain their workers' personal documents such as passports or education certificates to stop them from leaving. This can essentially tie the worker to their employer. However, there are cases where this can be done legitimately for the purpose of safekeeping.

Worker accommodation: Where an employer provides accommodation to a migrant worker it may be because no other accommodation is available or viable. This makes the workers more reliant on the employer and can result in poor living conditions.

Taken together, these risks can result in workers finding themselves in situations of debt bondage, and unable to leave their employer, despite exploitative working conditions.

Poor labour practices that do not themselves constitute modern slavery can push workers into conditions of modern slavery if combined

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Further reading:

The Leadership Group for Responsible Recruitment is a collaboration between leading companies and organisations working to end fees being charged to workers, working to uphold the Employer Pays Principle.[13]

The Responsible Recruitment Toolkit gives companies a step-by-step approach to addressing the issue.[14]

Verité's Fair Hiring Toolkit gives guidance to brands, suppliers, governments and investors on addressing issues associated with recruitment fees.[15]

1.5 Understanding root causes and drivers

Where a risk or instance of modern slavery has been identified, investors and companies should take steps to understand the issues (including the root causes) and act to prevent or reduce these risks.

Many contextual factors contribute to modern slavery including: poverty and inequality, discrimination (including against women), conflict and humanitarian crises, criminality and corruption, and relentless cost pressures through supply chains. Tackling these complex issues needs governments, investors, businesses, civil society organisations, trade unions and international bodies to get involved. See Section 3.1 for further information on contextual factors that can increase risks.

To respond to an identified risk or issue, it is therefore important to understand the driver(s) that led to the situation. This should be considered when reviewing potential mitigation and remedial measures, as set out in the following sections.

1.5.1 Gender and modern slavery

Women make up a disproportionately high number of victims of modern slavery. Of the 16 million victims of forced labour in the private sector, 9.5 million are estimated to be women. The specific vulnerabilities to exploitation and abuse faced by women are often overlooked. For example, while alarming reports of fishermen working in conditions of modern slavery in South East Asia have rightly been widely reported for several years, far less attention has been paid to the abusive conditions faced by women working in the seafood-processing sector. However, a recent study by Oxfam[16] has shown that women in the sector are overwhelmingly concentrated in the worst jobs, work in poor conditions, and are far more likely to be food insecure than men as a result of low wages and debt. For instance, 68% of women working in Thai seafood processing were found to be severely food insecure compared with 47% of men.

A 2018 study commissioned by DFID[17] also found that many of the drivers of modern slavery are similar to the obstacles preventing economic empowerment of women (eg socially and economically marginalised, low skilled economic migrants, households suffering crises, humanitarian crisis-affected groups). It suggests that women's economic empowerment may help to prevent or reduce the risks of modern slavery.

It is important for investors and companies to analyse gender across a business's value chain to understand the different risks faced by men and women; understand the importance of providing regular employment for both; avoid outsourcing casual and temporary work where possible; and ensure that women and men can enjoy decent working conditions, including freedom of association, collective bargaining and effective grievance mechanisms. Investors and companies can collect more and better information about women in employment, including sex-disaggregated data, that can change the way they do business and track and report progress over time. An increasing number of studies are showing that gender equality and greater diversity in the workplace create more effective and successful companies.

> Of the 16 million victims of forced labour in the private sector, 9.5 million are estimated to be women

1.5.2 Fragile and conflict-affected states

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Investors and companies with activities in fragile and conflict-affected states face greater challenges in managing modern slavery risks. Key challenges that investors and companies face include:

- highly informal economies where business partners have underdeveloped management systems in place to manage risks – or none at all;
- heightened vulnerability of workers who may be displaced and/or desperate to secure any form of work;
- weak rule of law and limited capacity for state actors to implement and enforce social and labour regulations and legislation;
- hard-to-access/inaccessible worksites as a result of armed conflict or failing infrastructure, reducing oversight or scrutiny of practices; and
- limited in-country experts who can support thorough due diligence on the risk of modern slavery (often exacerbated by restrictions on international experts to travel to conflict-affected areas).

Additional attention should be paid to regions bordering fragile and conflict-affected states since people may have been displaced and may seek to emigrate to surrounding countries or regions for work. In many cases, groups that are already vulnerable such as women and children become even more vulnerable to human trafficking and forced labour.

Further reading:

UN Global Compact and& PRI, Guidance on responsible business in conflict-affected and high-risk areas: explores practical challenges faced by businesses operating in conflict-affected and high-risk areas accompanied by guidance on implementation.[18]

OECD, Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones: addresses risks and ethical dilemmas that companies are likely to face in weak governance zones.[19]

1.5.3 State-imposed forced labour

Investors and companies face unique challenges when investing in or sourcing from a country where there are risks of state-imposed forced labour. In a supply chain context an example might include forced prison labour, where prisoners are forced to produce goods or made to carry out services without receiving pay in accordance with legal minimums. This can be particularly hard to detect if a company's supplier is outsourcing or subcontracting work to a prison without the company's permission or knowledge.

There are also risks of state-imposed forced labour in centrally planned economies due to the state's ability to control and direct work, along with restrictions on both civil society and commercial parties from monitoring working conditions. The state may also control the market in goods produced by forced labour, further reducing transparency.

In both cases there is a need for greater collaboration and action, particularly as the involvement of the state may make unilateral action more difficult and put workers at heightened risk. See Tables 10 and 11 for mitigating actions that investors and companies can put in place.

Further reading:

ILO & Walk Free Foundation, Global Estimates of Modern Slavery: includes a chapter on state-imposed forced labour with special attention to the difficulties posed by forced prison labour.[20]

1.6 Why should investors and companies address modern slavery?

There are important and compelling reasons – from a moral and business perspective – why investors and companies should take steps to prevent, mitigate modern slavery risks, and remediate occurrences of modern slavery when it happens. These include underlying ethical values, reputation management, ensuring compliance with international conventions and laws, reducing business risk, securing access to markets, and increasing security of supply and business productivity.

Nobody should be forced to work under conditions of slavery, penalty or threat, or be subject to trafficking. This basic right is enshrined in international law and reflected in most national laws which bind investors and companies. For development and impact-focused investors, particularly DFIs, addressing the harms and root causes of modern slavery in the projects they finance is central to their social and developmental mandates. There is also a strong moral case for addressing modern slavery which resonates with consumers and external stakeholders.

As well as the critical interest in managing reputational risks and establishing credibility with customers, clients and the wider public, there is increased evidence of a strong business case for companies, investors and DFIs to give priority to social and labour rights. Businesses tend to be more successful[21] and have greater levels of productivity and innovation, more predictable supply of goods and services, better retention and motivation, and more robust due diligence and monitoring systems.[22]

1.6.1 Reputational drivers

Reputation is an intangible asset for any company, in relation to both its public image and the image it presents to business partners. Companies may suffer significant reputational damage if they are linked to cases of modern slavery which may in turn lead to a loss of investor, customer or consumer confidence. This can also lead to public scrutiny and media attention across a company's contracting or supply chain. When an investor's portfolio company has been implicated in a modern slavery case, this can have a similarly detrimental impact on both the company and the investor. Ethical practice and proper management of reputational risks are important to a company or investor's long-term value.

Examples:

- PureCircle, a producer of food and beverage sweeteners, had its imports detained after US customs officials issued a withhold release order following allegations that certain products were made by Chinese prison labour. Although a statement was released disputing the allegations, PureCircle's shares dropped by 10%. Companies using its products were compelled to make statements affirming that they had not received goods produced by forced labour. PureCircle was eventually removed from the withhold release order after its case was reviewed, but it had lost significant sales in the meantime.
- Under Brazilian law, the government publishes a 'dirty list' of companies which have been found to exploit workers under conditions comparable to slavery (see Section 2.1 on national legal frameworks). Following Cosan's addition to the list, the sugar and ethanol company faced significant criticism and had its business relationships with certain financiers and international buyers suspended.

1.6.2 Compliance and legal drivers

Nearly all countries have ratified the key ILO conventions on forced labour, most notably the Forced Labour Convention (C29) and the Abolition of Forced Labour Convention (C105). These instruments are in turn given force by national law, meaning that companies can face legal and financial repercussions depending on the nature of their involvement in a case of modern slavery. Civil lawsuits may also be brought by private parties in connection with modern slavery. Putting in place effective processes to identify and address risks will reduce the possibility of costly and lengthy legal proceedings.

Example:

While public prosecutions for offences related to modern slavery are relatively rare, many lawsuits have been initiated against companies due to alleged links to modern slavery. Recent lawsuits involving modern slavery have implicated Vinci (construction in Qatar), Nevsun (mining in Eritrea), Costco (fishing in Thailand), and Nestlé (cocoa in West Africa). Although not all have been successful, they are defended at significant cost and expose a company's policies and practices to considerable scrutiny, which highlights the need for appropriate risk management systems (see also reputational drivers).

1.6.3 Business and commercial drivers

Various business and commercial drivers might be relevant to an investor or company striving to address modern slavery issues.

Reducing business/credit risks: When modern slavery screening or due diligence identifies gaps in management systems – for instance, a human resources (HR) department's inability to determine what percentage of the workforce consists of migrants and how and from where they are recruited – this can suggest other deficiencies in a business's management or control systems. These gaps can in turn signal that a business partner represents a risk for commercial partners or a credit risk for lenders.

Where gaps in relevant systems have been identified (either in a portfolio company or potential supplier/contractor), improved modern slavery risk management can support and enhance existing management and control systems in other areas of a business. Existing monitoring, reporting or other systems can be broadened to accommodate a focus on modern slavery. Improvements can strengthen an investor or company's overall performance, thereby minimising business or credit risks.

Accessing markets: Failure to properly manage modern slavery risks can make it harder for companies to access markets or secure investment. In some cases, addressing modern slavery risks may become a condition for winning government contracts or **other commercial** trade. For instance, under US federal law, certain government contractors are required to show that measures have been put in place to address trafficking and forced labour risks. Some investors also require their portfolio companies to comply with defined standards as a condition of receiving capital, which can provide a further incentive to address modern slavery risks (see Section 2.3 DFI safeguards). Developing and implementing effective systems and practices to manage modern slavery risks can improve companies' access to markets and investment opportunities.

Increasing security of supply and productivity: Where workers are ethically recruited and treated with respect and dignity there is evidence that workforce productivity increases, retention and absenteeism rates improve, and there are fewer accidents.

Example:

The Better Work Programme, a joint initiative of the ILO and the IFC, has made progress in improving the competitiveness and working conditions of participating garment factories. Efforts to improve working conditions include eliminating abusive practices associated with forced labour risks and issues such as sexual harassment and abuse. Overall, these efforts have been linked to higher productivity levels, and factories where workers perceive the working conditions to be better were found to be more profitable than their competitors. Positive outcomes have been linked to reduced staff turnover and injury rates.

2. Relevant standards and safeguards

Key outcomes:	Understand how standards adopted by different institutions interact, as well as the role and 'how to' of developing effective policy frameworks.

2.1 National legal frameworks

National laws that address aspects of modern slavery, and which can be informed by international standards such as ILO conventions, are a natural starting point. Criminal and labour laws in most jurisdictions will address some aspects of modern slavery, including human trafficking and other forms of labour exploitation. Victims of modern slavery may also start private legal actions, exposing companies to lawsuits and civil liability.

Laws that mandate modern slavery disclosures are a relatively recent legal development. These laws typically require, among other things, companies of a certain size to report on measures which they have taken to identify and address modern slavery risks and instances. The UK's Modern Slavery Act 2015 is perhaps the most well known, however, similar legislation has been passed in other jurisdictions including France, Australia and the US state of California (see Section 6.1.2 on Mandatory reporting requirements). Importantly these laws include a requirement to report on supply chain risks, potentially extending reporting and transparency expectations to companies in emerging markets.

Beyond such disclosure legislation, the Brazilian government under Decree No. 540/2004 created a public register which identifies the names of individuals or businesses that are known to exploit labour under conditions analogous to slavery (the so-called 'dirty list'). Companies remain on the list for two years, cannot access credit from government or private banks, and are required to address the exploitation issues. Further, modern slavery has trade implications in some jurisdictions. For example, the US Trade Facilitation and Trade Enforcement Act and Countering America's Adversaries Through Sanctions Act prohibit the entry of goods into the US made using forced labour.

Further reading:

Labour Exploitation Accountability Hub: contains a limited number of country briefings which describe national laws relevant to severe labour exploitation, relevant policy initiatives, and issues in practice.[23]

United Nations Office on Drugs and Crime (UNODC) – Human Trafficking Knowledge Portal: includes a database of case law and legislation across multiple countries with a focus on human trafficking.[24]

ILO NORMLEX brings together information on national labour laws, country ratifications of ILO conventions, and comments made by supervisory bodies on countries' implementation of those conventions.[25]

U.S. Department of State – Human Rights Reports: provides country-level analysis of forced/compulsory labour issues in practice including relevant laws and enforcement gaps.[26]

Brazil's 'dirty list' (Cadastro de Empregadores que tenham submetido trabalhadores a condições análogas à de escravo) is a public register which names people and businesses which have been found to exploit labour under conditions analogous to slavery.[27]

2.2 Voluntary standards related to modern slavery

In addition to national laws that address modern slavery, many international institutions, non-governmental organisations (NGOs) and multi-stakeholder initiatives have developed voluntary standards, codes and principles which cover labour practices or human rights, and which address modern slavery. These instruments may set higher standards than those found in national law.

Table 3: Voluntary standards and principles related to modern slavery

Type	Organisation	Standard / Principle	Description
Multi-stakeholder initiatives	Ethical Trading Initiative (ETI)	Base Code[28]	ETI members must adhere to the Base Code, which prescribes minimum labour standards based on relevant ILO conventions. Under the Base Code members must ensure that employment is freely chosen, and relevant guidance is provided.
	Fair Labor Association (FLA)	Fair Labor Principles (sourcing or production) and FLA Workplace Code of Conduct[29]	Companies that are members of the FLA must commit to the Fair Labor Principles and Code of Conduct. Standards are aimed at achieving humane working conditions, and companies must ensure that no forced labour is used.
NGO/other	Institute for Human Rights and Business	Dhaka Principles for Migration with Dignity; Employer Pays Principle[30]	Provides key principles, as well as implementation guidance, aimed at employers and recruiters to ensure migration with dignity. Principles address, among other things, the prohibition of fees charged to migrant workers, document retention and timely payment of wages.
International organisations	International Organization for Migration (IOM)	International Recruitment Integrity System (IRIS) Standard[31]	Focuses on recruitment of migrant workers. Defines a benchmark for ethical recruitment and establishes a voluntary certification scheme for ethical labour recruiters.
	Organisation for Economic Co-operation and Development (OECD)	Guidelines for Multinational Enterprises[32]	Voluntary principles and standards which focus on the business conduct of multinational enterprises in areas including human rights and employment. Governments that adhere to the guidelines must establish a national contact point which can receive complaints (known as 'specific instances') in connection with alleged contraventions of the guidelines. Although participation in this process is voluntary, national contact points offer a platform for consensual and non-adversarial dispute resolution.
International standards and principles	The Equator Principles	The Equator Principles[33]	A risk management framework adopted by financial institutions to determine, asses and manage environmental and social risk in projects against IFC Performance Standards (PS). This includes PS2 requirements on forced labour (see Section 2.3). The aim is to provide a minimum standard of due diligence and monitoring to support responsible risk decision making.
	Global Reporting Initiative (GRI)	GRI Sustainability Reporting Standards[34]	The most widely adopted global standards for sustainability reporting. The GRI Standards offers a standardised framework for sustainability reporting in which companies are required to report their modern slavery management approach and impacts in operations and supply chains.
	Office of the High Commissioner for Human Rights (OHCHR)	The UN Guiding Principles on Business and Human Rights[35]	A set of principles for states and companies to prevent, address and remedy human rights abuses committed in business operations.
	Social Accountability International	SA8000[36]	A global standard for workplaces and organisations to meet to get certification. Sets clear definitions of forced or compulsory labour and human trafficking, sets out the requirements of certified organisations, explains the intent of the standard and gives guidance to organisations on how to implement the guidance effectively, including worker interview strategies to pick up on risks.

Further reading:

ETI, Base Code Guidance: Modern Slavery: gives practical guidance on implementing clause 1 of the Base Code which provides that 'employment is freely chosen'.[37]

IHRB, Institute for Human Rights and Business Dhaka Principles for Migration with Dignity: Implementation Guide: describes implementation steps for each of the 10 principles.[38]

2.3 DFI safeguards

DFIs and other financial sector actors that adhere to similar standards have specific requirements and internal safeguard policies and standards regarding the projects they finance that relate to modern slavery (typically by referencing forced labour and human trafficking) that are developed in line with international conventions and instruments, including those of the ILO and the UN.[b] For example, IFC Performance Standard 2 (PS2) – the labour standards followed by many DFIs and investors in relation to their lending to the private sector – includes requirements on forced labour and human trafficking in relation to different parts of a portfolio company's workforce.

Table 4 sets out how IFC PS2 sets modern slavery-related requirements for different categories of workers.

Table 4: DFI safeguards and modern slavery considered under IFC PS2 example

Type of worker	Explanation	Client responsibilities (IFC PS2)
Direct worker	Workers directly engaged by a portfolio company in its operations, commonly understood to be employees.	• Do not employ forced labour or trafficked persons. • Establish worker grievance mechanisms. • Uphold principles of non-discrimination and equal opportunity. • Do not discourage or restrict freedom of association and collective bargaining.
Contract worker	Workers who are engaged under contract to provide goods or services to the portfolio company, often via third parties such as agencies or contracting companies.	• Take commercially reasonable efforts to make sure the third parties who engage workers are reputable, legitimate enterprises and have appropriate management systems that will ensure there is no forced labour or employment of trafficked persons. • Establish policies and procedures for managing and monitoring the performance of such third-party employers on labour issues. • Use commercially reasonable efforts to incorporate these requirements in contracts with third-party employers. • Ensure that contracted workers have access to a grievance mechanism.
Supply chain worker	Direct and contract workers (as defined, with necessary modifications) who are engaged by companies providing goods to the portfolio company.	• Undertake a risk assessment to identify where there are high risks of forced labour in the primary supply chain. • If forced labour cases are identified, take steps to remedy them. • Monitor the primary supply chain to identify significant changes in risks. • Where remedy is not possible, shift the project's primary supply chain over time to reduce the risk of forced labour.

Undertaking the due diligence and monitoring activities required by DFI standards, as well as those set out in this document, can lead to identifying other forms of labour exploitation (such as non-payment of wages, discrimination) which might not rise to the level of modern slavery but should also be addressed and remedied. In this sense, due diligence and monitoring processes being undertaken in connection with modern slavery issues are often the same, or aligned with, processes that are set out in existing environmental and social management systems (ESMS), HR policies and other procedures which address broader labour issues.

b All DFIs including bilateral and multilateral institutions have either developed internal environmental and social safeguards or have aligned their internal procedures and E&S safeguarding requirements to E&S safeguards developed by other DFIs. Most of the European DFIs, for example, have chosen to align to the IFC Performance standards, while some multilaterals such as EBRD, European Investment Bank, the World Bank and African Development Bank have their own E&S safeguard policies and standards. All include labour standards guided by ILO conventions and are generally consistent in terms of requirements relating to modern slavery.

Further reading:

EBRD, Forced Labour Guidance Note: gives clients practical implementation guidelines on forced labour.[39]

IFC, Guidance Notes to Performance Standards on Environmental and Social Sustainability: offers guidance on all IFC performance standards, including PS2.[40]

IFC, Measure & Improve your Labor Standards Performance: Performance Standard 2 Handbook for Labor and Working Conditions: provides practical tips for implementing PS2.[41]

2.4 Developing effective policies

Having a coherent and robust organisational policy and strategy on modern slavery is important for investors and companies that are looking to improve modern slavery risk management. A coherent policy framework provides the opportunity to assert responsibility and commitment to address modern slavery and to set out the approach to identify, mitigate and remediate potential or actual modern slavery impacts resulting from own operations or the activities of third parties. Identifying roles and responsibilities for oversight and action is critical, as is providing resources for expertise and support. See Sections 4 & 5 for further information on mitigation and remediation, respectively.

An investor or company's expectations related to modern slavery do not have to be covered in a single specific policy on modern slavery. Instead, modern slavery may be covered in a range of policies and standards. These can include policies on HR, employee relations, human rights, grievances, ethics, contractor management, procurement, recruitment as well as a business code of conduct.

2.4.1 Reviewing policies

Ultimately, policies and standards need to be relevant to the context for which they are intended. Questions for investors and companies to consider when reviewing policy frameworks on modern slavery include:

- **What level of risk does modern slavery present to the business?**
- **Is modern slavery adequately covered in existing policies?**
- **Do policies cover all relevant business relationships (eg clients, suppliers, contractors and subcontractors, portfolio companies)?**
- **Has this been adequately communicated to staff, suppliers, subcontractors and other business partners?**
- **Have relevant staff received training on the policies?**
- **Are policies relevant to the investor/company's industry and geography?**
- **Have internal and external stakeholders been consulted during policy development?**
- **How often are policies reviewed? By whom?**
- **How are the policies governed and what are the oversight controls?**
- **Are policies and processes produced in relevant languages and in formats considered accessible to workers?**

Policies should respond to identified high-level risk issues. As higher risks of modern slavery are often associated with the use of third parties, policies should extend to these third parties' activities to improve risk management.

Key performance indicators (KPIs) are necessary to review the effectiveness of a policy's implementation. See Section 6.3 for more information.

Example:

Food and drink company Nestlé produces a detailed Responsible Sourcing Standard[42] that prescribes different standards for tier 1 suppliers, upstream intermediaries and primary producers. The standard is premised on progressive improvement and requirements are classified as urgent or important, and have time-bound deadlines to fulfil. Requirements include assurances that workers receive employment contracts in a language they understand, personal documents are not retained, and production targets do not require work above reasonable limits.

The standard also requires suppliers, intermediaries and farms to show the internal mechanisms they have in place to ensure improvement or fulfilment against the standards on request.

2.4.2 Alternatives to immediate termination of the business relationship

Some policies prohibit occurrences of modern slavery in own operations or in those of business partners, and specify that the relevant business relationship will be immediately terminated if an instance of modern slavery is identified.

These types of policies should be treated with caution. Although strong condemnation of modern slavery is appropriate, if an occurrence is identified in a business partner's activities, investors and companies should avoid responding by simply terminating the contract with that entity since this can make workers even more vulnerable to exploitation. Instead, immediate responses should involve an investigation including an assessment of the impacts on workers if a contract is terminated, as well as exploring the potential for escalation to relevant authorities or experts if necessary. See Section 5.4 for more information on escalating identified cases of modern slavery.

However, if the business partner consistently fails or refuses to change its practices to address modern slavery risks or remediate any occurrences then it is reasonable for any investor or company to end the relationship, although efforts should be made to try and mitigate negative impacts on workers.

There is no predefined timeframe in which a business partner should address the issues fully, so it is important that an investor or company satisfies itself that its business partner is continually improving at a reasonable rate. It is important to include time-bound corrective actions when violations occur so that progress and improvement can be tracked. Appropriate buy-in and incentives should also be identified and applied to drive change. Note that this takes time. A longer-term approach to investment returns, stronger focus on partnership, and sustained engagement involving evidence of progressive improvement, will ultimately address underlying causes and contribute to reducing vulnerability to modern slavery. This approach should be clearly communicated to the relevant third party. Failing to do so could result in identified issues being hidden in fear of a contract being terminated.

Example:

Apple's Supplier Code of Conduct[43] requires suppliers to establish management systems and prevent involuntary labour and human trafficking. Suppliers are required to have a sustainability representative responsible for managing social compliance and a process in place to identify and minimise human rights risks. When specific modern slavery risks are identified, the code prohibits suppliers from withholding workers' key documents. Workers cannot be required to pay recruitment fees to their employer (or its agent), and any fees which are found to have been paid must be reimbursed.

If a supplier performs poorly against the code, and cannot show steady improvement, a probation plan is put in place. This may eventually lead to reduced business allocation or in some cases termination of business.

In one case, Apple reported it discovered an immediate supplier's subcontractor was using bonded labour. The audit revealed the withholding of workers' passports, unacceptable dormitory rules and lower than standard meal allowances. Apple stated that although it attempted to work with the subcontractor to improve its practices, it was unwilling to change. As a result, Apple's supplier stopped sourcing from the subcontractor and took over some of its workforce.[44]

3. Assessing the risk of modern slavery

Key outcomes:	Understand how to identify general and specific modern slavery risks whether in portfolio companies, direct operations, suppliers or contractors, through the use of different information sources and targeted assessments.

3.1 Identifying contextual factors relevant to modern slavery

During the early stages of due diligence, it is essential that an investor or company undertakes a risk assessment to identify where risks of modern slavery are highest in its activities and supply chains. This sphere of influence will depend on the nature of the investor or company. The line between a situation that may or may not fall within the definition of modern slavery can be difficult to draw and is laden with subjectivity. One helpful initial step can be to focus on contextual factors of risk that can suggest where modern slavery risks are highest.

Understanding contextual factors is a useful starting point in the risk assessment process since it is less resource intensive than assessing all business partners, allowing resources to be prioritised appropriately.

Using a risk-based approach, an investor or company may seek to understand contextual risk factors which can subsequently inform a mapping of activities in relevant sectors or geographies requiring further assessment. Alternatively, an approach focused on business activities may begin with a detailed mapping of activities and suppliers which can be screened against contextual risks and prioritised accordingly. Ultimately, the approach taken will depend on the complexity of a company or investor's footprint as well as the availability of relevant information.

Through these processes, the company or investor should prioritise business partners that should be further scrutinised. When contacting business partners directly, a useful way to obtain further information is to use pre-screening questionnaires that are sent to business partners with which there is a direct contractual relationship (see Tool 1 for a template example).

Table 5 provides some sample contextual factors, as well as supplementary sources of information which might be used to identify high-level modern slavery risks (these sources are also contained in Tool 6). This focus on contextual factors is broken down into three steps: 1) an initial review of country and sector risks, 2) a review of workforce dynamics, and 3) an assessment of management controls. Taking this approach allows an investor or company to narrow and prioritise its focus for further due diligence (see Section 3.3 for more on this). For example, priority can be given to countries or sectors where modern slavery has been reported or where there are vulnerable worker groups in workplaces with weak management systems.

> Identifying modern slavery is often a difficult task for any investor or company.

Table 5: Contextual factors

Contextual factors to look for	Sources of information
1. Ask: Is there a high risk of modern slavery occurring in the country and/or sector?	
• Country and/or sector has high modern slavery risk. • Work is in or next to a fragile and conflict-affected region. • There are gaps in law and enforcement on modern slavery. • High levels of corruption in a country. • Specific groups lack basic protection under law and face discrimination and persecution.	• Verité's Commodity Atlas identifies high-risk sectors and countries associated with sourcing 43 different commodities.[45] • The Responsible Sourcing Tool allows for risks to be identified at a country and sector level.[46] • The US Department of Labor's List of Goods Produced by Child and Forced Labor, Comply Chain tool, Sweat and Toil app and the US Department of State's Trafficking in Persons Report.[47] • The Business and Human Rights Resource Centre can be used to search for risks in different countries and sectors. Allegations against specific companies can also be found.[48] • International Trade Union Confederation (ITUC)'s Global Rights Index ranks risks to workers' rights being violated in different countries and can help identify high-risk countries.[49] • IFC has developed a Global Map for Environmental and Social Risks focused in the Agro-Commodity Production GMAP tool which flags E&S risks by commodity and country including labour related risks.[50] • Background media/news research.
2. Ask: What type of workers are (likely to be) present on the worksite?	
The presence (especially in large numbers) of: • Internal/foreign migrant workers. • Refugees (a particularly vulnerable group). • Low skilled workers (eg in construction, catering, agriculture). • High numbers of informal workers. • Women (subject to higher likelihood of threat and coercion through use of sexual violence, bullying and so on). • Temporary/agency/contract/seasonal workers.	To get a better overview of types of workers on a particular worksite, information from the following sources can be reviewed: • Pre-screening questionnaires (see the STRT for a standard template that companies can use[51]). • Regular reporting from third-party/business partner. • Initial due diligence visit. • Monitoring visits to worksites. • Engagement with expert stakeholders including civil society and trade unions (see the Modern Slavery Map which provides a useful list of relevant stakeholders).[52]
3. Ask: Are there characteristics of the third-party's management systems or sites that may lead to risks?	
• Allegations of poor practices against a business partner. • Early stages of work on a site or of production in a supply chain (where there is less oversight of workplace practices). • Inadequate/poor management systems. • Lack of transparency. • Complex subcontracting/supply chains. • Abnormally low tender/contract cost with third party.	To get a better overview of management controls and capacities to manage risks on a particular worksite, information from the following sources can be reviewed: • Company bids/applications for work. • Project ESMS, HR policies and procedures. • Supply chain information. • Initial due diligence visit. • Monitoring visits to worksites.

Note that identifying contextual factors does not necessarily mean that there are definitely workers in conditions of modern slavery. Instead it suggests where further due diligence should be carried out. Where elevated risks are identified specialist (third-party) help can also be sought.

Example:

Engaging third parties to assist with risk assessments can take multiple forms. One online retailer works closely with Anti-Slavery International, which provides input into the brand's broader efforts to address modern slavery from the perspective of a 'critical friend.' Anti-Slavery provides feedback on risk assessments, offers advice on specific modern slavery issues and identifies potential local partners if collaboration is needed in a certain country.

Example:

The EBRD worked with a firm of forced labour experts to develop a tool that allows them to screen risks of modern slavery across their portfolio drawing on publicly available reports and data. It provides country-specific information using a traffic light system for indicating high, medium and low risks of forced labour but also risks that are intimately related to forced labour such as migrant labour, child labour and governance (eg corruption, transparency) indicators. The tool also provides information on high-risk commodities for each country.

Further reading:

The Walk Free Foundation has developed a risk screening tool to support companies to assess risks across their supply chains and a scorecard to help prioritise high-risk suppliers (see Tool 5).[53]

Stronger Together has developed a number of resources and tools to support businesses assess risks in their supply chains and operations, including the adequacy of management systems to address modern slavery.[54]

ETI's Human Rights Due Diligence Framework provides guidance on understanding and managing labour risks.[55]

ETI's Base Code Guidance: Modern Slavery addresses modern slavery due diligence including assessing risks of modern slavery.[56]

3.2 Mapping company supply chains

Most companies will know their immediate or first-tier suppliers; however, risks of modern slavery are often further down a supply chain since there is less visibility over working practices. To effectively conduct due diligence and understand where modern slavery risks reside, companies should aim to progressively improve their understanding and oversight of all tiers of their supply chains. As a first step, companies should undertake an assessment of supply chain models and governance structures (ie vertical integration or horizontal integration under contracts or by the market). Based on this assessment companies may be able to identify areas where they have higher leverage and where the capacity to influence practices is limited.

Where a company sits at the top of a supply chain, perhaps several tiers removed from the production of raw materials or ingredients, it will be harder to map all suppliers immediately. To address this, companies should, where practical, work systematically and progressively to build a complete picture of their supply chain. Note that supply chain mapping can be a resource and time-intensive process for individual companies and may not be possible to complete in its entirety. In most sectors, companies will share common suppliers, which should incentivise them to map supply chains collaboratively.

Example:

Clothing brand Patagonia only started auditing below its first tier once it was confident of its oversight over tier 1 suppliers. This additional mapping of lower tier sites led to an increase in monitoring of workplace conditions through supplier audits which revealed modern slavery risks, particularly the payment of recruitment fees in excess of those permitted by law in connection with foreign migrant workers in Taiwan.[57]

As a result, Patagonia developed a detailed Migrant Worker Employment Standard for its suppliers. Suppliers were expected to reimburse workers who had paid recruitment fees in excess of legal limits, and Patagonia collaborated with suppliers to understand how costs could be shared to make this financially feasible. It now publishes a list of its suppliers' and carries out work to map out supply chains to its farms.[58]

Figure 1: Company supply chain mapping process

1. Coordinate relevant business functions to map specific products / services following the entire life cycle of a good.

- Focus initial efforts on higher risk business functions / supply chains / geographies.
- Prioritise areas where most salient risks exist and establish ways to develop the leverage needed to mitigate these risks.

2. Ensure buy-in from key internal stake-holders (e.g. those responsible for managing supply chain relationships).

- Ensure they can communicate benefits to suppliers who may be reticent to share sensitive commercial information.
- Ensure that supply chain actors feel reassured that information is not being misused.

3. Engage first tier suppliers.

- Once a consensus is reached on focus areas and how to approach suppliers, send 'cascading invitations' down the supply chain.
- E.g. a company can ask its tier 1 to join the mapping process, who then asks tier two, and so on.

Examples:

Supply chain mapping examples which set out slightly different ways of presenting supply chain mapping information for different sectors:

- Detailed mapping, specific to the coffee supply chain: The sustainability Consortium, Coffee Supply Chain Diagram.[59]
- Simple mapping bringing in the labour supply chain: JRF, Forced labour's business models and supply chains.[60]
- Overview of the Thai shrimp supply chain.[61]
- Overview of actors in a cocoa supply chain, mapped according to priorities, which aligns with the text that we've included on how to map a supply chain: DOL, ILAB, Comply Chain.[62]

arindambanerjee / Shutterstock.com

Box 3: Mapping supply chains

In centrally planned economies where the state may mobilise its citizenry in a manner which raises modern slavery concerns, alternative approaches to supply chain mapping are needed. Detailed understanding of commodity supply chains can enable companies to avoid forced labour risk in their sourcing.

For example, when considering support for a cotton yarn manufacturing project in a country with a history of state-imposed forced labour in cotton production, IFC recognised regional variations in forced labour risk. It identified factors causing elevated risk and developed an index to differentiate forced labour risk in different regions of the country. Using this risk index allowed the client to avoid sourcing cotton from high-risk regions. Meanwhile, IFC developed several advisory programmes to support the country's efforts to reform the sector and end forced labour.

3.3 Workplace assessments

Where higher risks have been identified through an assessment of contextual factors, it is important to follow up with a more detailed workplace-level assessment. They may be used as part of initial due diligence or ongoing monitoring or 'auditing' of a site to provide assurance that it is complying with investor/company standards.

3.3.1 Challenges

While undoubtedly effective in identifying many issues on a worksite, modern slavery, by its nature, is often hidden and difficult to detect through traditional labour or social audits. Traditional audits often face time constraints, only offer a snapshot of workplace conditions, and can be manipulated. Additionally, vulnerable workers are unlikely to report concerns to a stranger for fear of subsequent retribution.

These limitations should be acknowledged and understood by those commissioning and carrying out workplace assessments so that they understand what evidence is being collected and what level of assurance is being provided. If risks are suspected, it may be useful to conduct interviews with workers off-site (eg in communities) or engage with a local NGO or trade union that has the trust of workers and can ask sensitive questions and verify the accuracy of information. See Table 6 for considerations on overcoming these challenges.

3.3.2 Who should carry out the assessment?

Where a site visit is carried out as part of routine due diligence and monitoring, it may be sufficient for a staff member to do this. However, where there are serious allegations or reports of modern slavery identified through pre-screening or other mechanisms, this should trigger the need for a more focused assessment, usually carried out by expert assessors. As an example, industry groups such as the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition) offer the Supplemental Validated Audit Process – a specialised assessment programme aiming to identify forced labour risks, carried out by expert trained auditors.

Box 4: Engaging experts and consultants to do workplace assessments

Consultants, and sometimes local NGOs and unions, can play a role during risk assessment. Expert advice might inform assessments of contextual factors (discussed in Section 3.1), for instance through focused country profiles which can explain local laws, relevant gaps against international standards, vulnerable groups, and known modern slavery issues. If labour and broader EHSS assessments are carried out by experts, it should be ensured that terms of reference have adequate weighting for labour and modern slavery issues.

It may be worth engaging local consultants to carry out workplace assessments as they have relevant language skills as well as local contextual knowledge. However, in many high-risk geographies, there may be a lack of local capacity or significant constraints on their ability to do the assessment properly. When selecting a consultant, whether local or international, to undertake an assessment of an identified 'high-risk' worksite they should demonstrate, at a minimum, knowledge of national labour laws, international standards and labour exploitation issues in the relevant country and sector. Given the sensitivity of modern slavery, they should also show an understanding of how to ensure that vulnerable workers and victims do not face retaliation.

The considerations in Table 6 should be taken into account when conducting broader workplace assessments that are sensitive to modern slavery risks, or assessments targeted at modern slavery risks. Visits can be performed by internal teams or commissioned experts. Those conducting workplace assessments should review this information when visiting sites to ensure they do not mistakenly cause further harm to the worker.

Table 6: Workplace assessment considerations

Consideration	Explanation
Contracts and agreements	Investors and companies should always ensure that they, or commissioned experts, **have the right to carry out a workplace assessment.** Setting this out in contracts with clients, portfolio companies, supply chain partners and so on is essential to ensuring sites can be accessed, documents can be shared, and workers/management can be interviewed. **This right should also extend to other third parties that are engaged in a business partners' work activities and supply chain** (to the extent possible). Companies operating under supply chain structures governed by the market without defined contracts may not have the right to carry out workplace assessments.
Selecting assessment teams	**Assessors should be appropriately trained** and briefed when investigating potential indicators of modern slavery and should be familiar with region-specific issues. Ideally **there should be two assessors carrying out the assessment,** and at least one team member should **speak the local language**. Where this is not possible skilled interpreters should be used, and it is recommended that they are independent (ie not part of assessed company personnel). The presence of two assessors allows the assessment team to have a **gender balance** if required, and enables worker interviews to flow better since one person can focus on building rapport while the other takes notes.
Selecting high-risk sites	**Not all workplaces require an assessment focused on modern slavery.** A prior risk assessment should inform where an investor or company allocates its resources. Lower risk sites may not require a workplace assessment, and simply requiring reporting may be enough (see Section 6.1 for guidance on reporting).
Planning	Ensure that a prior risk assessment has been carried out which gives assessors a **clear overview of the types of vulnerable workers who may be present** and some of the drivers of modern slavery risk in the geography/sector. **Areas of investigation and questions should be adjusted** to focus on these issues.
Covering the employment journey	Modern slavery **risks are not confined to a worksite.** It is important that assessors also focus on how workers are recruited and housed, alongside the manner in which they are employed.
Protecting workers	It is essential that a **'do-no-harm'** approach is taken in the first instance and safeguards are put in place to ensure that actions by an assessor or investigator **do not put vulnerable workers at greater risk,** nor compromise the ability to conduct further investigation by competent authorities if criminal abuse and exploitation is suspected.
Speaking with vulnerable groups	Assessors should aim to **speak with a range of workers on or off-site,** including those from vulnerable or marginalised groups as identified during pre-visit risk assessments. They should be permitted to **interview workers without supervisors present** to help protect anonymity and safeguard against retribution that may result from exposing poor and exploitative practice. Interviewing a larger sample of workers helps to reduce the risk of findings being attributed to certain people. Off-site interviews in the community or by trusted worker representatives may be more likely to elicit information about modern slavery risks or incidents. These should only be carried out by organisations or people with a track record of experience in this area and who have the trust of workers.
Triangulating information	For an assessment's findings to be considered valid, it is important that the team **speak with relevant management representatives, interview an adequate and representative sample of workers, and review company documentation.** For evidence to be deemed credible, **an assessment should be derived from multiple sources.** However, testimony from several workers or stakeholders is enough to indicate a risk so long as there has been no collusion.
Making unannounced assessments	Unannounced assessments are **more likely to identify poor labour conditions** and employment practices than assessments that are announced with dates agreed in advance. These are more commonly used as part of monitoring of a particularly high-risk site, rather than during initial due diligence. However, unannounced assessments **can damage relationships between the commissioning party and the worksite.** To effectively manage this and ensure that assessments proceed with the buy-in of site management, **the terms of the proposed assessment must be clearly established** in any existing contractual agreements, and cascaded through their contracts with any suppliers, subcontractors or other third parties.
Following up	There are also considerations about what happens to an assessment report once the visit has been conducted, who is alerted to concerns, and how quickly and effectively they are dealt with. **Where a case of modern slavery is identified or suspected,** the assessors should **escalate the finding to the commissioning party immediately** to ensure the process of follow up and victim safeguarding begins. Note that this response will rarely be within the mandate or competence of the assessor.

Further reading:

Tool 8 of a toolkit developed by the WalkFree Foundation gives sample questions to ask workers related to forced labour.[63]

Stronger Together has developed template questionnaires to ask supplier management and workers during a workplace assessment.[64]

For further details on what to consider when commissioning labour assessments related to modern slavery risks, see page 15 in SA8000 Guidance on conducting labour audits.[65]

See Tool 3 in this GPN for documents to review when carrying out a workplace assessment.

3.3.3 What to look for on-site

Table 7 gives an overview of the types of topics that assessors should cover when speaking with management and workers to better understand whether there are risks associated with modern slavery. Each topic is linked to a non-exhaustive list of indicators of modern slavery described in Table 1 in order to highlight the relevance of each inquiry.

Note that these questions may not be appropriate to ask workers or management directly and instead other questions may be used to get to the answers. Also, when interviewing vulnerable workers, and potential victims of modern slavery, skilled interviewing techniques may be needed, and efforts must be made to ensure that there is no retribution against workers for participating.

This list is not comprehensive and should be amended and added to where necessary and depending on the context.

Table 7: Questions to ask on-site

Topic	Explanation	Examples of relevant modern slavery indicators
Recruitment		
Are workers expected to pay any fees to secure work?	Where workers have been charged a fee to secure work, it is possible that they will have to take out loans, which could lead to situations of debt bondage. If the fee that the worker has been charged relates to any of those listed in Tool 2, then this should not be permitted.	• Recruitment linked to debt. • Forced to work for indeterminate period to repay outstanding debt or wage advance. • Induced or inflated indebtedness (eg through excessive interest rate on loans).
What information is provided to workers before they apply for and begin the job?	Where there are signs that workers have been deceived about the nature of their job during the hiring and recruitment process, there are heightened risks of modern slavery, especially where workers incur debt to secure the job. Deception could include: false promises about the nature of the work (including terms and conditions of employment, accommodation, transport) and changes made in the contract between recruitment and starting the job with terms less favourable to the worker.	• Deception about the nature of the work. • Deceptive recruitment (eg on working conditions, content or legality of employment contract, wages). • Deceptive recruitment through promise of marriage.
Free movement		
Are workers able to move freely?	If a worker's visa or other form of documentation ties them to their employer, then this could be a strong disincentive to leaving an abusive job. This issue is exacerbated if the worker is in a country that places restrictions on the mobility of migrant workers and could lead to threats of denunciation to authorities on the basis that the worker does not possess proper documentation. Similar concerns arise with the retention of documents such as educational certificates or work books.	• Confiscation of identity papers or travel documents. • Exclusion from future employment. • Denunciation to authorities.

Topic	Explanation	Examples of relevant modern slavery indicators
Under what conditions can a worker decide to leave their current job?	Where workers cannot leave work freely and voluntarily as a result of threat of penalty, including financial, there is a heightened risk of modern slavery. Employers requiring a financial deposit from a worker as a condition of taking leave also signals an elevated risk of modern slavery.	• Reduced freedom to terminate labour contract after training or other benefit paid by employer. • No freedom to resign in accordance with legal requirements. • Physical violence. • Other forms of punishment (eg deprivation of food). • Withholding of wages/assets (cash or other). • Threats against family members (violence or loss of land or jobs).
Are workers free to come and go from the worksite as they wish? What about accommodation?	Restrictions on freedom of movement may be necessary on security grounds or for worker (and host communities) health and safety. However, workers should not be physically confined to the workplace or their accommodation unnecessarily.	• Limited freedom of movement and communication. • Locked in work or living quarters. • Under constant surveillance.
Working conditions		
How much are workers paid? How regular is this?	Where workers don't receive adequate wages risks of modern slavery can be heightened. While national minimum wages are a convenient starting point, an understanding of adequacy is ultimately challenging. If efforts to supplement inadequate wages involve working more hours, working additional jobs for the same employer, or resorting to employer-subsidised accommodation, this increased dependency on an employer can contribute to added risks. Also, if workers are not paid at regular intervals, at least every month, in cash or via bank transfers, and where they are not given itemised payslips, risks are also higher.	• Forced to stay longer than agreed while waiting for wages due. • Forced to work for indeterminate period to repay outstanding debt or wage advance. • Multiple dependency on employer. • Forced to work for employer's private home or family. • Forced engagement in illicit activities.
What are overtime hours?	Forcing workers to carry out overtime in excess of that permitted by national law signals a higher risk of modern slavery. If this is not a one off and is carried out routinely, then risks are heightened.	• Forced overtime (beyond legal limits). • Forced to work on call (day and night).
Third-party workforce		
Does the company undertake any background checks on the bidding contractors/ suppliers?	If the tendering process does not check that a third party is licensed by the appropriate authorities in that country, or that it is operating in compliance with local laws, then third-party workers are likely to be more vulnerable to exploitative practices.	• Broad risk across multiple modern slavery indicators.
How does the company assess whether the bid price provides an adequate reflection of labour costs?	Business partners may use third parties such as contractors or labour agents to provide workers, but do not pay or pay comparatively little to the company for these workers. Where this is the case it is likely that lower-skilled workers will be charged fees by the intermediaries to secure work. Compare how much workers pay to secure a job with how much recruiters are paid by the employer for their services, and it can become apparent if the recruiter's fees are so low that abusive methods in hiring and recruiting workers are more likely.	• Induced or inflated indebtedness (eg through excessive interest rate on loans).

Topic	Explanation	Examples of relevant modern slavery indicators
Accommodation		
Are workers provided with accommodation by the employer?	Where workers live on a worksite or in accommodation provided by their employer and they are expected to pay for this, along with food and transport at a rate that is higher than the local market rate, then there are heightened risks of modern slavery. Where payment is taken from workers' pay, and if workers are not aware of the terms of this, a higher risk should be signalled.	• Multiple dependency on employer. • Forced to work for employer's private home or family. • Limited freedom of movement and communication. • Locked in work or living quarters. • Under constant surveillance.

Example:

While carrying out a routine monitoring visit to a company operating in the fishing industry in West Africa, a DFI team noticed that large parts of the client's core activities had been subcontracted to an Asian-owned company with foreign managers overseeing local workers in low skilled positions. Monitoring also identified that part of the workforce was accommodated by the foreign company with low visibility on working conditions or living standards of those workers. The company also had little to no oversight of the subcontractor company's HR practices. Taken together, these observations raised a number of red flags.

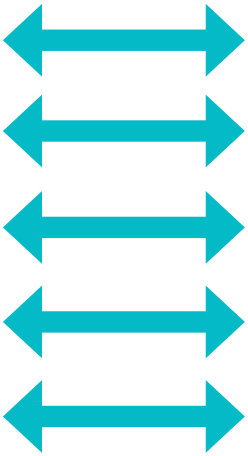
In response to these risks, the DFI commissioned a labour audit which covered the client's direct operations as well as subcontracted operations in order to minimise suspicion. While it was ultimately found that there was a low risk of modern slavery among the subcontracted workforce, steps were taken to ensure that the client's HR policies were reinforced, health and safety and accommodation conditions improved, and HR functions extended to include subcontracted local workers. Measures also ensured that these workers had access to support, grievance mechanisms and other standard operating procedures.

4. Mitigating modern slavery risks

Key outcomes:	**Understand where leverage to implement mitigation actions may lie, and mitigation approaches for use in different situations and relationships (eg company's relationship to different tiers of suppliers, or different financial products offered by an investor such as debt or equity).**

4.1 Identifying and using leverage

It is useful to consider different opportunities for exercising leverage to mitigate risks or address identified instances of modern slavery. The best time to increase leverage is early on in a commercial relationship. In the context of project finance this can be during project design or tendering processes, so that contract clauses set out clear expectations, responsibilities and responses. Other leverage points may include:



While setting qualification criteria for bidding processes.

During contract negotiation and formation.

When agreeing or renewing licenses and service agreements.

Through reporting requirements associated with implementing action plans.

When funds are disbursed.

Through forming environmental, social and governance (ESG) committees.

Through processes to investigate and address complaints.

Through board representation.

Through capacity building efforts.

Through identifying opportunities for collaboration with others involved in same or similar companies or sites and exerting collective leverage to effect longer-term change.

It is worth noting that investors may engage in commercial relations when company operations and suppliers are already engaged or project stages are well advanced, leading to less influence over existing contractual agreements.

Table 8: Questions to ask on-site

Companies that lack leverage	Investors that lack leverage
Where a company has low leverage over actors in its supply chain (eg no contractual relationship with the supply chain actor or has a small share of suppliers' overall business), **collaboration with other companies, business partners, NGOs, trade unions and government** should be sought to influence the situation. Unified frameworks or expectations can increase pressure and leverage and are an important tool. Multi-stakeholder initiatives, industry groups and other collaborations are key platforms. Organisations such as the Responsible Business Alliance have facilitated dialogue between industry, governments and civil society on how to address forced labour, and have coordinated efforts through specific task forces.	Investors face particular challenges depending on the nature of their investment as well as the broader investment context. Where leverage is limited, investors should **play a role in educating a portfolio company on modern slavery** and the risks of failing to take action, including the prospect of future support being denied (see Section 1.4). In some circumstances, **the issue may be identified too late in the process** to allow for pre-disbursement remediation. This situation can arise where a project being financed is already underway, and agreements with suppliers or contractors have already been concluded. Leverage points may be tied to the contractual provisions already in effect. For construction projects which may adhere to standard contract templates (such as the Fédération Internationale Des Ingénieurs-Conseils (International Federation of Consulting Engineers) 'Pink Book' – the form of contract used by multilateral banks for construction projects), boilerplate staffing and labour provisions can also offer an entry point. Raising modern slavery issues may also be done through other avenues, for instance through discussions on occupational safety and health (OHS) which offer both an entry point and a less contentious method of raising concerns (see Box 4). Another challenge faced by investors can be attributed to **contextual factors beyond their control** (and the control of their portfolio company). Investments may take place in countries where labour standards are low, or where political forces are hostile to certain labour interests. These situations are not easily solved, and demand close monitoring, functioning grievance mechanisms, clear remediation frameworks, partnerships with expert stakeholders and possibly dialogue with relevant parties with respect to labour policy and labour market governance.

Box 5: Occupational safety and health standards as a lever and entry point

Reference to OHS standards can be a useful and uncontentious entry point to address underlying modern slavery risk factors. For instance, concerns about locked accommodation, excessive working hours or abusive behaviour can be addressed through discussions on health and safety. These are particularly useful in situations where existing contractual arrangements don't specifically address modern slavery. These considerations are relevant to companies in relation to their suppliers and contractors, and to investors in relation to their portfolio companies.

Furthermore, reference to OHS can be anchored in voluntary international standards. For instance:

- **ISO 45001 Occupational Health and Safety Management Systems:** addresses procurement systems, including requirements to establish controls over procurement of products and services including outsourcing and engagement of contractors. This can serve to mitigate risk by extending risk management systems further into supply chains.
- **ISO 26000 Social Responsibility:** explores how organisations can operate in a socially responsible manner.
- **ISO 20400 Sustainable Procurement:** provides guidance to organisations on integrating sustainability in procurement. It states that purchasing decisions should seek to minimise negative impacts, and addresses the need for decent work for suppliers' employees.

Further reading:

Shift, Using Leverage in Business Relationships to Reduce Human Rights Risks is a helpful resource which explains the concept of leverage, including external and internal leverage.[66]

4.2 Principles of mitigating modern slavery risks

Where investors or companies identify risks of modern slavery (whether in their own or business partners' operations), mitigation measures should be put in place. Mitigation of modern slavery risks refers to proactive measures aimed at preventing identified risks from becoming an actual instance of modern slavery. As discussed in Section 4.1 on leverage, it is useful to address issues as early as possible, while focusing on robust management systems is important for ensuring oversight and adherence to relevant safeguards and controls. Importantly, the extent to which particular mitigation measures are developed and implemented should match the level of risk, as identified during risk assessments and initial due diligence.

When approaching risk mitigation and discussing modern slavery with business partners, it is important that expectations are clear since modern slavery issues and underlying contributing factors are complex and cannot be addressed overnight. Moreover, an awareness of cultural context is important when addressing such a sensitive issue. The practice of charging recruitment fees, for instance, can be culturally ingrained and in some cases a job that does not require payment of fees may be viewed as undesirable or suspicious.

Table 9: Key principles of mitigating modern slavery risks

Simple and direct requirements
Simple, direct requirements about what a business partner should do during discussions or through formal contracts can clarify requirements related to modern slavery and lead to better outcomes. General demands (eg "ensure there is no modern slavery") have less meaningful impact than **specific and tangible requests** (eg "adopt the 'Employer Pays Principle' for recruitment agents/brokers" or "provide training to managers on modern slavery risks"). Requirements should be based on a **prior risk assessment** so they address key issues, and accompanied by **implementation steps and defined outcomes.** Support and capacity building may be required.
Relationships and coordination
Relationship building is paramount, and it is crucial to ensure that appropriate people are engaged, both internally among colleagues and externally among business partners and wider stakeholders. For instance, when a company engages with its suppliers on modern slavery issues, this should not just be a conversation between the sustainability team member and the supplier. The company's **buyers, procurement and other commercially focused colleagues** should be involved to ensure there is **internal consistency** in what is being asked of the supplier, which increases the likelihood of getting their buy-in. This same logic applies to **companies engaging with their contractors** as to **investors with their clients and portfolio companies.**
Promote understanding
For **investors and companies** alike, it is valuable to understand the **workforce, commercial aspects and management systems** of business partners, especially when imposing measures or controls. Ideally, this should be done at an **early stage of engagement** so that all parties understand where potential issues may lie and what can realistically be done to address these issues. This should include conversations around **determining specific responsibilities, resource allocation and timelines.**

Box 6: The impact of business practices on modern slavery

Companies should understand the impact that their business practices can have on their supplier and contractor workforces. It is particularly important to consider how existing practices – such as aggressive price negotiation, inaccurate forecasting, late orders, short lead times, unfavourable payment terms in contracts and last-minute changes to orders – can put pressure on business partners and lead to negative impacts on working conditions which can contribute to modern slavery. These impacts may include forced overtime, greater use of precarious workers or delayed wage payments. This applies directly to how a company manages its suppliers but is also relevant to engaging contractors.

Useful resources

To help companies improve awareness of the issue and to guide organisational change, the ETI has developed a useful Guide to Buying Responsibly.[67]

4.3 Risk mitigation measures for investors

This section looks at potential mitigation measures investors can take in relation to the activities of portfolio companies at different stages of a commercial relationship (focusing on processes typically followed by DFIs).

4.3.1 Appraisal

Undertaking effective due diligence will provide an early understanding of potential risks and increase leverage to positively influence clients should an issue arise later. Equally, if significant risks are identified and there is limited leverage or appetite from clients to engage with the issue, this should be reflected in credit approval processes.

Practical steps for assessing modern slavery risks during environmental and social due diligence (E&SDD):

1. Review the findings of existing risk assessments or public information to identify both strengths and gaps in company practices and capacities. These may include:
    - investee's E&S policy and public statements on modern slavery (eg UK Modern Slavery Act);
    - sustainability or E&S reports (eg social audits);
    - approach to supply chains and contractors (eg statements made to regulators or international buyers/supply chains);
    - bidding contracts of contractors and suppliers to assess provisions associated with labour and working conditions/ standards; and
    - third parties' performance reports on labour and working practices. This should include engineering, procurement and construction contractors if construction is involved.
2. Consider using external specialists where risks of modern slavery are elevated. Specialists should:
    - be capable of undertaking additional due diligence and providing tailored guidance to manage specific risks based on prior relevant experience; and
    - consider any cultural or language barriers requiring further investigations or need for local experts/partnerships.
3. Work with co-investors to define minimum requirements and ensure a consistent set of expectations are being represented to the company. It is useful to consider:
    - whether co-investors' E&S requirements and expectations are broadly the same as yours; and
    - whether there is an opportunity to collaborate and increase leverage for better modern slavery risk management.
4. Engage with company management on deficiencies and opportunities identified during your due diligence.
    - Choose appropriate language when engaging with investees around modern slavery. For example, discuss the contextual factors or indicators (listed in Sections 3.1 and 1.1.1 respectively) using examples and potential management measures before referring to the umbrella term of modern slavery.
    - Discuss modern slavery risk oversight, existing controls and capacity to build a common understanding of expectations on modern slavery with management.
    - Agree on Action Plan items for enhancement of ESMS as necessary. Action items relating to modern slavery may most sensibly be included in a larger action plan covering other E&S items referred to as an Environmental and Social Action Plan (ESAP).

Further reading:

Section 3 provides guidance on scope, focus and potential for modern slavery in sectors and geographies to inform E&SDD assumptions.

The KnowTheChain benchmarking tool provides useful guidance on criteria against which a company's oversight and control of supply chain risks can be gauged, and can form the basis of an Action Plan.[68]

4.3.2 Investment agreements and controls

It is important that appropriate provisions are included in legal documents to ensure controls and leverage to manage modern slavery risks. Legal provisions may be related to risks identified during E&SDD or can focus on preventive measures to manage risks should these emerge during the investment period.

1. Practical steps to ensure appropriate control of modern slavery risks in legal agreements include:
    - Environmental and Social Action Plans (ESAPs), comprising the appropriate modern slavery risk management provisions, should be incorporated into legal documentation.
    - The ESAP should have associated KPIs, responsibilities and time-bound targets.
    - The urgency for the action needs to be reflected in the action plan as a function of seriousness of impact and breadth of other action plan items (eg certain action timelines may be associated with the beginning of construction, peak of workforce at site or harvest months).
    - Environmental and Social Management System. ESAP actions normally include a requirement for the company to develop an ESMS. In relation to modern slavery the ESMS should include provisions to manage risks associated with migrant workers, sexual harassment, bonded labour and discrimination where relevant. It should also ensure that worker consultation and grievance recourse mechanisms are in place.
2. Declarations and requirements for mandatory reporting on labour and working conditions should be incorporated into agreements. Legal terms should include standard provisions aimed at preventing and monitoring emerging risks, even if no risks have been identified during E&SDD. Standard declarations or monitoring provisions may relate to:
    - KPIs related to working conditions (eg total workforce, working hours, retention rates, gender split, workers grievances, breakdown of subcontractors) – see Section 6.3;
    - reporting of any serious events including breaches of national forced labour laws (see Section 6.1), health and safety, and security incidents affecting workers (eg fatalities, strikes);
    - defining reporting requirements for third parties (including construction contractors and supply chains). For example, a requirement that subcontractors are 'legitimate and reputable' which may take into consideration national licensing regimes, histories of poor performance and informal operators; and
    - declarations related to forced labour. Specific reference to ILO conventions or compliance with country laws and regulations or specific E&S standards may be appropriate. This may include specific requirements and statements, for example that no worker should pay a fee for a job.

Further reading:

CDC toolkit provides a typical DFI ESAP template.[69]

4.3.3 Capacity building, awareness and dialogue

Consideration should be given to capacity building needs. This may relate to building capacity to assess and manage risks across internal resources or can focus on raising awareness of risks and expected practices in a company's contractors and supply chains. Each situation will be context specific.

Practical steps for building capacity and awareness:

1. Identify capacity building needs and ongoing initiatives.
    - Ensure senior management buy in. Make sure there is recognition of the risks and consequences of modern slavery by the company's senior management (and board).
    - Map the key stakeholders and identify intervention points and leverage. Stakeholders to be trained may include both internal and external stakeholders, eg procurement or HR employees, local authorities and third parties (including relevant partners in supply chains).
    - Use feedback from worker surveys and grievance mechanisms to inform capacity building on modern slavery and link this to related employment and workplace issues (eg harassment, gender issues).
    - Leverage capacity building efforts being undertaken by others. Consider options for collaborative (sector/industry-wide) initiatives.
    - Leverage specialist advice and inputs (NGOs and others) that have technical and sector knowledge to help address the risks and support progressive improvements (eg through mentoring, training).
2. Ensure continuous engagement and dialogue.
    - Regular engagement and continuous support. Ongoing dialogue with clients can be an effective way to ensure continuing focus on risks and risk management over the investment period. It may be appropriate to support the development of ESG committees to embed change and monitor progress (mostly relevant to equity investments). Regular engagement can be linked to conversations about E&S performance, for example by organising feedback calls or visits.

Where modern slavery risks are linked to state-imposed activity, investors can seek to open ongoing dialogue with relevant government functions, ideally collaboratively, to progressively address the issue.

Further reading:

To seek senior management buy in, it is often useful to couch modern slavery in terms of the business case (Section 1.4). CDC's toolkit for fund managers provides guidance on conducting ESG due diligence, including on labour practices at different investment stages and across numerous sectors.[70]

Example:

The World Bank and ILO have been urging the Government of Uzbekistan to implement reforms to end forced labour during cotton harvests. Their interventions along with pressure from civil society and brands has seen a reported end to forced child labour in harvests and a marked reduction in the use of forced adult labour. Implementation is accompanied by third-party monitoring efforts being undertaken by the ILO.

4.3.4 Grievance management systems

Investors should ensure that all portfolio companies have an effective employee stakeholder consultation programme and grievance mechanisms which are available to both employees and contractors.

Practical considerations when implementing grievance mechanisms:

1. **Assess the grievance mechanism's effectiveness.** The existence of a grievance management procedure does not guarantee that the mechanism is effective. Consider whether grievances have been addressed, whether and how workers are accessing it, whether workers are protected, and whether staff/contractors are subject to forms of modern slavery.

2. **Ensure target users trust the system.** An effective grievance mechanism must provide an effective, trusted and independent mechanism for raising grievances, which gives workers the opportunity to raise issues in a confidential manner without fear of reprisal.

3. **Use proactive means to collect grievances.** Regular meetings with interested parties (eg worker organisations or trade unions) can provide a forum through which concerns can be raised. Where laws restrict unions, seek to establish alternative means through which workers can raise grievances such as multi-party social dialogue committees (with worker, management and key stakeholder representatives).

4. **Combine with other levels of grievance management** to allow escalation of unresolved grievances and access to remedy in case of failure of company-level grievance process. Workers can be informed about non-company mechanisms which can be used to raise concerns. Examples include the OECD national contact points and complaints mechanisms for DFI investments.

Further reading:

See Sections 5.3 and 5.4 for further information on responding to incidents of forced labour and developing and implementing effective workplace grievance mechanisms.

4.3.5 Monitoring and remedy

Risks of modern slavery in companies, their contractors or supply chains may become evident after an investment has already been made. In these situations, it is important to ensure appropriate controls in investment agreements are in place.

Practical considerations for ongoing monitoring and remedy:

1. Consider using external advisors or conducting labour audits where the risk of modern slavery is considered high.

2. Link frequency of monitoring to saliency of risk (eg higher frequency during construction period in greenfield investments).

3. Make sure monitoring leads to a timely response. Once an instance of modern slavery has been identified, effective remediation should quickly follow. Consider a budget allocation for adaptive measures following monitoring (eg resolving grievances raised). Protecting affected people and ensuring remedy is delivered is key and will likely require third-party intervention (eg NGO, mediators).

Further reading:

Guidance in CDC Toolkit – describes ESG in the investment cycle and provides guidance on the approach to monitoring and conducting site visits that would provide greater assurances that modern slavery is not present.[71]

4.3.6 Collaboration

Collaboration with multi-stakeholder initiatives, civil society or trade unions is recommended in situations where investor leverage and visibility are low as it can be an effective way of mitigating and managing risks.

Also, where modern slavery risks are widespread in a sector, industry, supply chain or geographical jurisdiction, multi-stakeholder initiatives can facilitate collaboration with other companies, industry bodies, national governments and stakeholders to tackle common problems, mitigates risk and improve practices in the longer term.

4.4 Risk mitigation measures for companies

60. This section looks at the types of activities that companies can take to mitigate risks associated with the activities of their contractors and suppliers, at different stages of a commercial relationship. While there is overlap in some activities for each set of business partners, some activities are different and hence are called out separately.

4.4.1 Pre-selection

In relation to both contractors and suppliers, companies can take early steps that help address risks that may arise later during the business relationship.

Companies need to ensure that the terms and conditions of their commercial relationships enable responsible behaviour and encourage respect for labour standards. The cost of labour and systems to ensure safe and decent working conditions should be factored into price, timescales and expectations for volume, quality and so on. This applies to both a company's contractors and suppliers.

Taking a proactive and managed approach means that where issues do arise, reference can be made to relevant documents and named responsible staff to deal with them. This should also increase a company's capacity to leverage change.

Contractor management	Supply chain
Actions: • Review past performance of bidding companies on labour requirements. • Require that bidders provide disaggregated labour cost information, allowing for an assessment of labour costs against minimum wage levels accommodation provision, costs of recruitment and so on. • Ensure all parties are aware of and agree on their obligations on labour practices.	**Actions:** • Build internal knowledge among colleagues and get buy in on managing supply chain risks. • Include performance targets in the job roles of buyers and technical staff. • Review purchasing practices to ensure that lead times and prices are sufficient for suppliers to fulfil an order, and that suppliers are paid on time. • Review past performance of suppliers on labour requirements.

Example:

The Action Collaboration Transformation Initiative involves the global trade union federation IndustriALL and a number of large brands and retailers, including ASOS, H&M, Inditex, Primark, Next and Pentland. It commits participating companies to "ensure that their purchasing practices facilitate the payment of a living wage". The companies have agreed to make certain pilot countries preferred sourcing destinations to see sustained progress over a period of time; eliminate unfair competition and prioritise suppliers that have industrial bargaining agreements with trade unions; include labour costs in pricing schedules; and commit to long-term partnerships with manufacturers that pay living wages to workers, among other actions.[72]

4.4.2 Contract controls

Including relevant provisions in contracts and legal documents is important for ensuring control and leverage over modern slavery risks. Legal provisions may be related to identified risks or preventive measures to manage general risks that might emerge through monitoring or reporting obligations.

Contractor management	Supply chain

Actions:
• Use the contracting process as an opportunity to address risks early on in engagements with contractors.
• Use risk assessment results and identified gaps in practices to inform areas that need to be addressed in contracts.
• Contract clauses could include:
  • a requirement that contractors commit to international standards or at the very least good industry practice with respect to labour standards;
  • clauses on specific identified risks;
  • a requirement that contractors cascade standards to their own business partners; and
  • the right to monitor company practices in the contract, reporting requirements and responsibilities.
	Actions:
	• Ensure supply chain governance documents (including codes of conduct and contracts) include specific language to deal with modern slavery. Where due diligence has picked up specific risks and identified actions, reflect this in supplier contracts. Use contract provisions to address generalised modern slavery risks, for example:
	  • mandatory reporting of any breaches of national laws, including forced labour laws;
	  • a requirement to provide a supply chain map in order to increase transparency; and
	  • the right to monitor company practices in the contract, reporting requirements and responsibilities.

Example:

Target Brands Inc. has a contractually based social compliance process with its suppliers which includes measures aimed at addressing potential labour risks such as the risk of forced labour. Under this process, suppliers must register all factories which convert raw materials into Target brand products and must agree to participate in unannounced compliance audits.[73]

4.4.3 Build capacity and awareness

This can include training of key personnel, contractors and suppliers on modern slavery risks, or working with management to improve HR practices such as recruitment processes, hours and wage-recording systems. These measures will ideally stem from a capacity assessment. When engaging in capacity building, consider:

- **Involving numerous functions in a company/business partner** so not just sustainability professionals receive training but also buyers, procurement teams and other commercial staff.
- **Engaging expertise for a deep-dive risk assessment,** especially in high-risk sectors and countries, as well as support from experts, NGOs and others to help address risks and support progressive improvements (eg through mentoring, training).
- **Ensuring continuous dialogue with contractors or suppliers to raise awareness and ensure actions are being embedded.** Discussions may be used to obtain buy-in from key stakeholders in a partner organisation and ensure that risk mitigation measures are fully integrated. **Specific channels of communication between companies and their business partners** can also be used to raise modern slavery issues at an early stage.
- **Building the capacities of vulnerable workers to understand and exercise their rights.** This can include ensuring they receive contracts in a language they understand and are formally inducted to their jobs with a clear explanation of their rights and channels through which they can raise grievances.

For further guidance, Vinciworks has developed an online training tool for procurement and supply chain professionals.

4.4.4 Grievance management systems

Establishing an effective and trusted independent mechanism for raising grievances gives a company the opportunity to identify issues and to develop mitigation measures in a proactive manner.

- **Working with representative worker organisations** such as trade unions can help ensure workers raise concerns/ grievances safely without fear of retribution, enable dialogue with employers, and lead to remediation and resolution at site level.

- **In jurisdictions where there are significant restrictions on trade union rights,** other platforms such as health and safety committees can be used as an alternative entry point.

See Section 5.3 for further guidance on grievance mechanisms.

Contractor management	Supply chain
Considerations: • For a contracted workforce, companies should ensure that they **review the effectiveness** of their contractors' grievance mechanisms. • Where these are deemed to be inadequate, **ensure that they make their own grievance mechanisms available to the workers of third-party contractors on their worksite.**	**Considerations:** • In a **supply** chain context, worker grievance mechanisms are harder for companies to implement. Ultimately the grievance is best resolved by the company that has the closest employment relationship with the worker, but if this avenue is inadequate, companies can work with their suppliers to build their capacities to handle grievances and/or extend their own grievance mechanism to their suppliers' staff.

Example:

Wilmar International – a leading global agribusiness group – has a Grievance Unit that is tasked with managing grievances raised by workers, but also those raised by third parties. The unit is tasked with monitoring media for news related to Wilmar and its suppliers to identify potential grievances which will then be investigated in the same manner that other grievances would be.

In 2017, a report published by Stichting Onderzoek Multinationale Ondernemingen (Centre for Research on Multinational Corporations) SOMO and CNV International made allegations of a number of labour issues on a Wilmar supplier site in Indonesia, which included allegations of potential forced labour. This allegation was received by the Grievance Unit, which then followed up with an immediate investigation that involved direct engagement with the national union, KSBSI, which identified the issues and raised the concerns. As a result of the meeting Wilmar accepted KSBSI's proposal to extend its network into Wilmar's refinery operations. Wilmar also conducted a field investigation of its own and provided a detailed response to the report's findings, including that the allegations related to overtime and wages which could have amounted to forced labour were inaccurate. On other issues, Wilmar has subsequently engaged with the national union to deliver trainings to workers on their rights in the workplace and has established a Collective Labour Agreement with the union.[74]

4.4.5 Collaboration

Companies should aim to collaborate with multi-stakeholder initiatives, trade unions or civil society, particularly in situations where leverage and visibility are low, as these are effective means of mitigating risks. Where modern slavery risks are endemic in a sector, industry, supply chain or geographical jurisdiction, collaborating with other companies, industry bodies, national governments and stakeholders helps tackle common problems, mitigate risks and improve practices in the longer term.

See Tool 4 in for an overview of regional and sectoral initiatives that can be engaged with on this issue.

Example:

Having identified risks of debt bondage incurred by Bangladeshi workers in their Mauritius factories, ETI member companies such as ASOS, Whistles and Princes Tuna have developed a working group and road map to deal with recruitment fees, remediation and improve overall working conditions for migrant workers.[75] Actions taken include advocacy with the Mauritian and Bangladeshi governments to sign a memorandum of understanding between host and sending country to protect migrant workers' rights; commitments established with factory owners and export associations to adopt the Employer Pays Principle; partnerships established with the ILO and IOM to align with international good practice; and collaboration with local and international trade unions, NGOs and the UK government.

4.4.6 Increase visibility and control

Maximising visibility and control over contractors or supply chains ensures greater oversight and knowledge of relevant risks. This can in turn encourage efficient use of resources and promote quicker responses to any problems that may arise.

Contractor management	Supply chain
Potential considerations: On sites where most workers are hired through third-party contractors or agencies, such as construction projects, management of on-site labour is often carried out by a third party who will have a direct role in various issues, including safety. Where a site is identified as higher risk for modern slavery, systems of working should be used to improve regular visibility and oversight of contractor workforces on a day-to-day basis.	**Potential considerations:** Companies demonstrating leading practice have made efforts to reduce the complexity of their supply chains. Although challenging in practice, this can include reducing the number of suppliers or focusing on trusted business partners. Building supplier capacity and requiring suppliers to report on actions taken, including the degree to which they monitor changing risk, is an important step which can move the identification and remediation of modern slavery forward. See Section 3.2 on supply chain mapping.

Examples:

- Hewlett Packard determined that hiring workers through labour brokers and agencies contributed to modern slavery risks, and as a result required its suppliers to employ foreign migrant workers directly.[76]
- After investigating numerous Indian stone quarries, Marshalls, a landscaping manufacturer, uncovered a number of problematic practices including bonded labour. Marshalls' approach has been to work in close partnership with a single Indian sandstone supplier to retain visibility and ensure that labour standards are met.[77]

5. Remediation

Key outcomes:	Understand remediation and who's responsible for it, and the importance of grievances and defined remediation processes.

5.1 What is remediation?

Where an occurrence of modern slavery has been identified – whether through due diligence, monitoring processes or otherwise – it is necessary to explore how to remedy the situation.

Remedy can take a variety of different forms, including apologies, restitution, rehabilitation, financial and non-financial compensation as well as actions that aim to prevent harm, for example, injunctions or guarantees of non-repetition or non-retribution.

In the context of this GPN, remediation is the process that ends a situation of modern slavery, and as far as possible should reduce or reverse the harms experienced by victims. Remediation should:

- As a priority, protect the victim from further harm or greater vulnerability to risk in the first instance;
- reflect the needs and wishes of the victim;
- be relevant to and achievable in the context;
- contribute to addressing the underlying root causes driving modern slavery;
- build on the strengths and capacities of external stakeholders;
- be delivered in accordance with national law and international labour and human rights standards; and
- incorporate means of preventing further abuses (see Section 4 on mitigation).

Example:

In response to the widespread charging of recruitment fees to foreign migrant workers, a 'universal payment' approach has been developed and is being implemented on construction projects under the control of the Supreme Committee for Delivery and Legacy in relation to the 2022 FIFA World Cup™ in Qatar. This approach places the burden of proof on subcontractors to demonstrate that they paid the fees for workers' recruitment, and where this is not possible, the subcontractor is required to pay its workers a flat rate as compensation for the fees they are presumed to have paid. In the short term, this provides a degree of compensation to all migrant workers, reducing their potential vulnerability to situations of debt bondage, and in the long-term influences subcontractors to improve their management of the recruitment process so that they won't have to compensate workers in the future.

5.2 Who is responsible for remediation?

The UNGPs define potential routes to support access to remedy in three broad categories:

- **state supported mechanisms** – for example judicial mechanisms such as national tribunals or courts;
- **non-judicial state mechanisms** – for example administrative and legal means such as labour tribunals and national contact points; and
- **mechanisms offered by non-state actors such as businesse**s (including investors and companies), trade unions and NGOs.

The UNGPs set out responsibility for remediation based on the degree of linkage to modern slavery events: where investors and companies **cause or contribute** to a negative impact (through their own activities), they will be responsible for remediation. In these cases, appropriate steps must first be taken to ensure that affected workers are protected, further harm is prevented and forms of remediation are put in place for the worker(s).

Where investors and companies are **directly linked** (via their own operations, products or services or by business relationships) they have a responsibility to seek to prevent the impact from re-occurring. Investors or companies may also choose to collaborate, support remediation and monitor the implementation of remedial measures taken by another party (see Section 6 for guidance on how to monitor business partner activities and actions). However, it should also be noted that even if an investor or company is not considered directly linked to an impact, this should not prevent it from taking an active role in the remediation process.

The concepts of 'cause', 'contribute' and 'directly linked' are defined under the UNGPs and distinction between each concept can be found in detail in the sources set out in Further reading. However, in practice, this can still be challenging and invariably involve context-specific considerations.

In almost all cases collaboration should be considered, especially when addressing the longer-term consequences and implications of modern slavery. Collaboration can involve government authorities or other public bodies in order to ensure access to justice, as well as private sector actors and civil society organisations if relevant. Collaborators can include independent trade unions, community organisations, faith-based organisations, expert NGOs or other organisations that have local networks with close proximity to high-risk modern slavery areas.

Cooperation is particularly important in situations where there is a lack of leverage over a business partner to resolve an issue. In some cases, the role of the investor or company may simply involve referring the case to a more qualified or better placed public authority or expert group. Thus, as part of the remediation process, different stakeholders should be engaged to identify different points of leverage, expertise and capacity to influence outcomes.

Example:

Having identified that migrant workers in Malaysian supplier factories were being charged recruitment fees during the recruitment process, IKEA partnered with the International Organization for Migration (IOM) to map its suppliers' labour supply chains in Nepal and Bangladesh. Extensive interviews with migrant workers were carried out to understand the process from their perspective, making it possible to track the path all the way down to their initial contact about their employment.[78]

Through these interviews IKEA was able to identify workers who had paid recruitment fees. In cooperation with its suppliers, IKEA developed a process for repaying workers and implemented measures to ensure that fees are not paid in the future. This process also revealed that the complexity of the recruitment process was itself an important source of risk. IKEA has worked with multi-stakeholder initiatives to change how recruitment processes operate, including through its involvement with the Leadership Group for Responsible Recruitment and its ambition to implement the Employer Pays Principle.

Further reading:

- For more guidance on understanding 'cause', 'contribute' and 'directly linked', see this Debevoise and Plimpton Discussion Paper on the definitions and implications for business.[79]

  For related guidance targeted at investors, see the OECD's publication on Responsible business conduct for institutional investors.[80]

  The Interpretative Guidance to the UNGPs gives an overview of understanding links to adverse human rights impact and what investors and companies should do. See Guiding Principle 13.[81]

- The Issara Institute has developed detailed guidance on developing and implementing remediation.[82]

5.3 Grievance mechanisms

Grievance mechanisms are a procedure through which a grievance can be raised, assessed, investigated and responded to. Importantly, in the context of modern slavery, it is also a framework through which affected workers can gain access to remedy for abuses which can give rise to modern slavery such as non-payment of wage, illegal recruitment fees and physical abuse.

What constitutes an effective grievance mechanism has been broadly defined under the UNGPs (see Further reading). Note that while worker grievance mechanism can be a useful tool to resolve workplace issues, they can often struggle to reach the most vulnerable groups of workers and victims of modern slavery. Therefore, it is important to consider their design carefully so that they are appropriate and understood by these groups of workers. In particularly high-risk contexts, it may be necessary to engage specialists.

It is important that there are a number of entry points through which workers can raise their grievance and access the mechanism. Examples include trade union representatives, company hotlines or whistleblowing lines, formal complaints to HR and raising concerns with supervisors. Where unions are not present other structures such as health and safety committees are a potential entry point for worker concerns.

While investors and companies should ensure that they have established adequate grievance mechanisms for all workers on their worksites, investors and companies should take steps to ensure that their business partners – whether they're clients, portfolio companies or suppliers – also have effective mechanisms in place. As such, the effectiveness of business partners' grievance mechanisms should be assessed early, since they can provide insight into the robustness of systems as well as the nature of worker–management relationships.

See Sections 4.3 and 4.4, respectively, for more information about investor grievance mechanisms and company grievance mechanisms for contractors and supply chains, and see the section below for further guidance on responding to grievances.

Example:

Hewlett Packard facilitates conversations between electronics companies operating in Mexico and a local NGO, Centro de Reflexión y Acción Laboral (CEREAL). Employers meet with CEREAL every two months to resolve issues raised by workers. This engagement has been highly successful, and the broader industry group has served as a platform for resolving disputes that could not be solved between CEREAL and individual companies.[83]

Further reading:

- Shift has developed guidance on developing and implementing grievances in line with the UNGPs.[84]
- This useful guidance note from the EBRD provides an overview of how to develop and implement an effective grievance mechanism for workers. It includes a template grievance procedure for handling complaints.[85]
- The Office of the Compliance Advisor/Ombudsman (CAO) has produced a Guide to Designing and Implementing Grievance Mechanisms for Development Projects.[86]
- Verité has developed useful guidance introducing grievance mechanisms to companies along with guidance to help companies evaluate the effectiveness of worker grievance mechanisms.[87]
- ETI and Ergon have developed guidance for companies on developing and implementing grievance mechanisms in line with the UNGPs which facilitate access to remedy (including a discussion on monitoring and assessing impacts and effectiveness).[88]
- CSR Europe has also developed a tool on assessing the effectiveness of company grievance mechanisms.[89]

5.4 Pathways to remediation

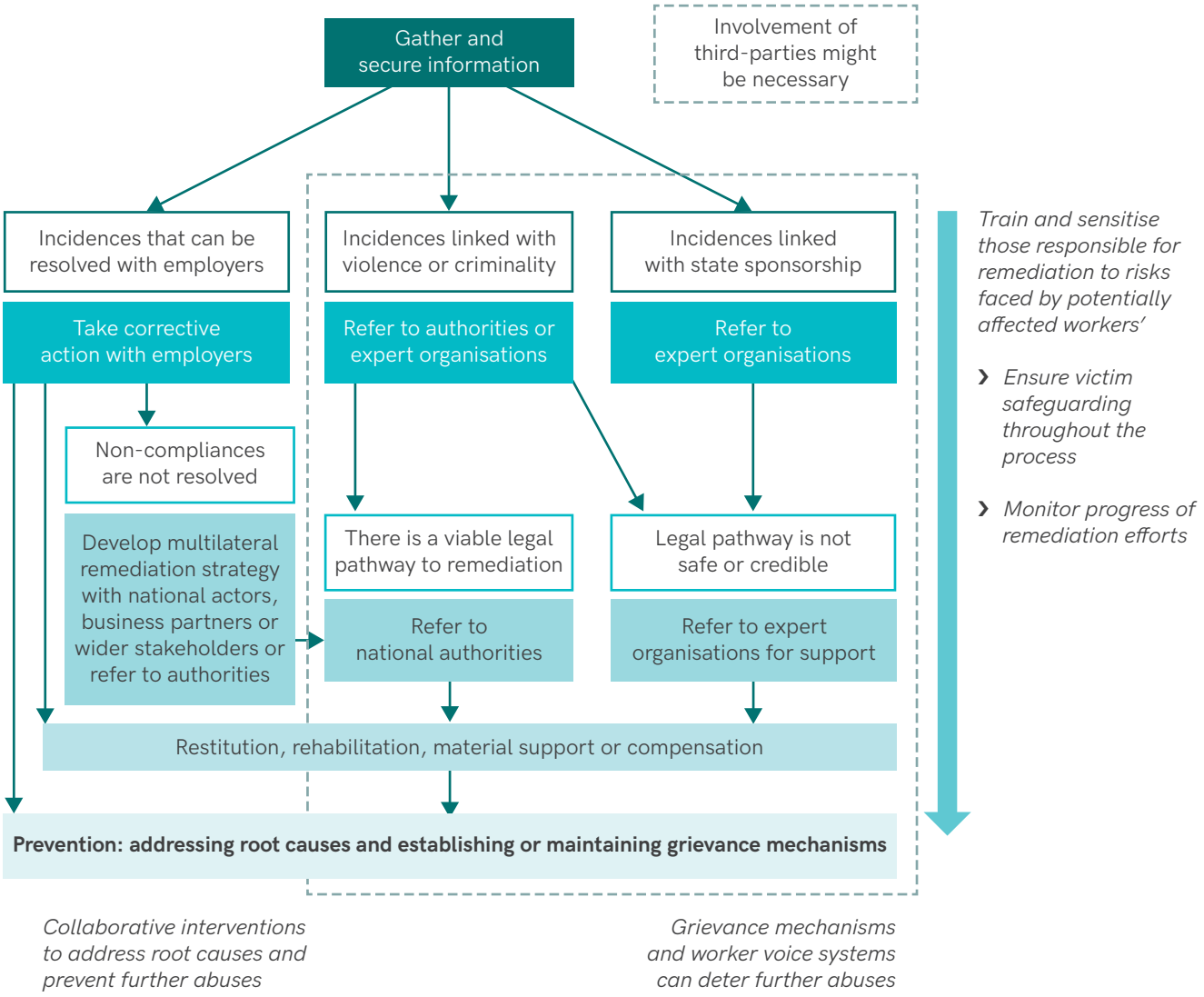
Where modern slavery is identified a customised response will almost certainly be required. A common underlying procedure which is consistent with the principles described in Section 5.1 should be in place to ensure that the response is adequate while maintaining flexibility. At a minimum, it is important that:

- adequate resources are in place/allocated to ensure that if an issue arises, it can be dealt with;
- proper controls are in place to ensure confidentiality;
- specific people are identified as responsible for responding and taking action;
- the procedure is adequately communicated both internally and externally to relevant personnel so that people are clear on what to do if an issue arises; and
- responses are time-bound and linked to clear reporting requirements.

When assessing remediation systems of business partners, questions may be asked to determine if processes align with these minimum requirements.

Figure 2 sets out the steps that a company can take, along with important considerations in the decision-making process to ensure that remediation is effective. As it shows, some situations can be led and implemented by private sector actors while others may require referral to outside parties including public authorities or expert organisations. Once a situation has been referred, it is important that an investor or company maintains its involvement, which, at a minimum, entails monitoring of processes and outcomes. A more detailed explanation of this diagram along with examples and practical tips are set out in Tool 5.

Figure 2: Sample remediation process



6. Monitoring and reporting on actions and change

Key outcomes:	Understand what monitoring seeks to achieve, sources of monitoring obligations, suggested disclosures and the value of stakeholder engagement and technology.

Monitoring fulfils a number of crucial functions as part of broader efforts to identify and address modern slavery risks. Ultimately, monitoring allows for assurance that modern slavery risks are not going undetected, that relevant commitments are being met and existing risks are managed, and that change is being tracked and reported against. Risk assessments (see Section 3) and the findings from previous monitoring should inform monitoring in terms of frequency, breadth and depth.

6.1 Reporting

While it is presented here as a standalone section, reporting should be carried out continually by an investor or company both on modern slavery and broader labour and OHS practices. Whether required by legislation, contractual requirements or some other impetus, it is important that investors and companies report thoroughly. Neither government nor civil society expects modern slavery to be solved immediately and would not expect company reports to reflect this idea. Instead, reporting should demonstrate process and action on addressing modern slavery in a progressive manner. When reporting is done well it offers investors and companies an opportunity to show leadership and effective corporate governance. Reporting can also help set expectations in an investor's portfolio or a company's supply chain.

6.1.1 Contractual obligations on reporting

Investors and companies may be required to carry out proactive disclosures of their issues and actions to address modern slavery risks. These reporting requirements can be contractual in the form of regular reports to business partners (such as annual monitoring reports, for example). Where there is a close working relationship with a business partner, reporting can be done in person, such as during regular monthly meetings.

The nature of the reporting or disclosures may depend on assessed risk as well as business realities. Serious incident reporting requirements, such as those required by many investors, are a way of ensuring prompt responses including root cause analyses and appropriate follow-up actions. These notification requirements may be connected to breaches of law or actual incidents of modern slavery.

Persons responsible for receiving and reviewing the reports should have sufficient knowledge and understanding of the underlying risks and issues associated with modern slavery, so that they are able to pick up on potential salient issues and follow up with business partners.

In addition to the indicators of forced labour and contextual risk factors (see Sections 1.1 and 3.1 respectively), when reviewing monitoring reports, investors and companies can look for the evidence set out in the bullets below to identify potential modern slavery risks, and might also require proactive disclosure on these issues from business partners:

- significant changes to policies or codes of conduct which are relevant to modern slavery;
- significant changes to how work is organised (eg new significant contractors/suppliers/groups of workers);
- lawsuits or breaches of national laws (including reference to any modern slavery or forced labour laws);
- grievances, trade union complaints or modern slavery allegations from NGOs or others
- actual incidents of modern slavery;
- engagement or onboarding of (sub)contractors;
- functioning of remediation processes (eg instances of remediation, timeliness or amount remunerated); and
- performance against any risk mitigation measures that might have been implemented.

6.1.2 Mandatory reporting requirements

Legislation such as the California Transparency in Supply Chains Act in the US, the UK Modern Slavery Act and French Devoir de Vigilance all require companies of a certain size to disclose what they are doing to address risks of modern slavery in operations or supply chains and in some cases develop specific plans or procedures. While this will not be directly relevant to many smaller companies in emerging markets or those without an operational footprint in these countries, many investors and companies with investments and supply chains that are in scope will be expected to report against what they are doing.

Box 7: UK Modern Slavery Act 2015

The UK's Modern Slavery Act 2015 addresses transparency in supply chains and requires commercial organisations meeting a certain turnover threshold to produce a public statement of the steps they have taken to ensure that slavery and human trafficking are not taking place in supply chains as well as their own operations.

A statement may include information on the organisation's structure, policies relevant to slavery and human trafficking, due diligence processes, risk mapping, effectiveness of relevant counter-measures, and training to staff on slavery and human trafficking.

Statements must be produced each financial year, published on the organisation's website and approved by the organisation's board of directors (or other levels of management depending on the entity).

Further reading:

See guidance from the CORE Coalition on what should be covered in a public statement on modern slavery. This can be used when writing a statement or reviewing one as part of due diligence.[90]

Shift has developed guidance for companies on what to do and what not to do when reporting publicly on human rights.[91]

The GRI Standards offer companies a standardised framework for sustainability reporting which can be used to report management approaches and impacts on modern slavery.

The Slavery and Human Trafficking Risk Template (STRT) is an open source data collection template that companies can use to improve their efforts to address modern slavery and improve their public disclosures. This can be sent out as a self-assessment to suppliers and business partners.[92]

6.2 Ongoing risk monitoring

Investors and companies can also ensure that they have other means of monitoring issues in higher risk sectors or scenarios on an ongoing basis. This can involve regular media screening or news alerts to reveal the presence of labour issues including modern slavery risks or occurrences. Effective grievance mechanisms, as described in Section 5.3, are also useful tools that investors and companies can use to monitor risks and issues. Other methods, including stakeholder engagement and use of technology, are discussed in the next sections.

6.2.1 Engaging stakeholders

Engagement with independent trade unions, civil society and/or public organisations who are aware of the pressures on vulnerable workers can help investors and companies monitor risks and issues and develop mitigating actions. It is important to note that effectively implementing actions to tackle modern slavery can take time and requires rigorous monitoring and greater transparency and accountability built into contracts and business relationships. These efforts are underpinned by collecting credible data and collaborating with stakeholders to mitigate and manage risks in the longer term.

The most effective approach to addressing modern slavery will require constructive multi-stakeholder engagement with government bodies responsible for monitoring compliance with labour laws, effective state and civil society institutions to protect and support victims of modern slavery and independent representative trade unions to represent workers – including those who are vulnerable to modern slavery. Such collaboration across industries and sectors is also important to improve labour standards and prevent and mitigate risks. Where some of these groups are absent or lack capacity or interest, investors and companies should seek to engage with those that are willing and available, which will be more effective than trying to tackle the issue alone.

Example:

The Issara Institute is an independent NGO based in South East Asia tackling modern slavery issues in the region by bringing together the private sector, civil society and government. As part of its work it has developed an Inclusive Labour Monitoring (ILM) method as an alternative to social audits.[93] Unlike standard audits, this approach allows for continuous monitoring of working conditions on supplier sites as workers can use multiple channels (eg in the community, on a 24-hour hotline and smartphone apps) to raise issues.

Issara then validates this information and shares anonymised findings with the supplier to develop action plans. For serious issues, strategic partners – such as brands at the top of the supply chain – will be alerted to the findings and propose remedies, and the supplier will be given free technical support to implement reforms. Workers are able to see these reforms being implemented and can provide feedback on their effectiveness, helping drive ongoing and continuous improvement of the Inclusive Labour Monitoring method.

6.2.2 Use of technology

Where appropriate, using worker-reporting technology can be an effective means of supporting the monitoring of conditions on a worksite. This could include deploying phone apps that workers on particular sites can access to raise concerns or provide feedback. LaborLink and Ulula provide just a couple of examples.

Many companies are beginning to consider how this technology can help improve monitoring of workplace conditions and provide workers with a voice in parts of the supply chain or operations where there is low visibility. In addition, social media is increasingly being viewed as a potential source of information, as well as a channel of communication for workers who may not be able to express their concerns in other ways.

While this undoubtedly has potential, the use of such technology is still relatively nascent and not widely tested. Phone-based applications may not be accessible to workers due to mobile data charges, language barriers or simply lacking the right technology. Privacy issues are also a major concern, and some workers may treat apps with suspicion as they might be viewed as monitoring tools.

The WEST Principles have been developed to guide investors, companies and developers by giving an overview of how these technology solutions should be developed and implemented.[94] The Tech Against Trafficking Initiative is looking into how new technology can support efforts to tackle modern slavery, including focusing on how mobile apps can be used, how existing data can be better understood to pick up on issues, and how supply chain transparency of labour standards can be improved.[95] Humanity United is also exploring the role that technology can play in addressing modern slavery risks.[96]

It is important to note that although aimed at enhancing 'worker voice', technology-based mechanisms should not be seen as equivalent to or replacing the role of legitimate trade unions which represent the interests of their members.

Example:

Engineering company CH2M has recently launched the pilot of a mobile worker app for migrant workers working on construction projects in the Gulf. The aim of the Worker Connect mobile app is to give workers the opportunity to provide confidential feedback on living and working conditions.[97] This also gives businesses a tool to stay better informed of worker concerns and a means of addressing or responding to issues raised by workers.

6.3 Key performance indicators

One way of tracking the implementation of actions is for an investor or company to develop KPIs to measure the effectiveness of actions taken to address modern slavery. In the process of developing KPIs it is important for an investor or company to be clear about what they are measuring, and what the figures mean. This should relate to what investors or companies are asking business partners to report against or what is being assessed as part of other ongoing monitoring and audits.

While KPIs should be context-specific, Table 12 sets out some useful example indicators which companies can consider and amend to fit their circumstances.

Note that it is useful to have a mix of qualitative and quantitative indicators, as this will reduce the chance of misinterpreting what the KPI data means. For example, while an increase in modern slavery-related grievances raised is an issue that should be dealt with, this may not be because negative impacts are suddenly getting worse. Instead an increase in the number of grievances raised can be an indicator of a better-implemented grievance mechanism. Hence using a range of indicators that can help interpret the significance of the data is useful.

Table 12: Example KPIs

KPI	Measure
Percentage of business partners (clients, portfolio companies, contractors or suppliers) audited in past year	%
Number of workers spoken to confidentially without a manager present during audits in the past year	Number
Number of identified non-compliances related to forced labour in audits	Number
Percentage of corrective actions related to forced labour successfully closed/remedied in agreed timeframe	%
Number of repeat non-compliances on forced labour from individual business partner in past year	Number
Number of reports received from business partners related to modern slavery in past month	Number
Percentage of identified modern slavery risks addressed through collaboration (eg with NGOs, civil society, trade unions and government) in past year	%
Number of business partners (eg clients, portfolio companies, contractors and suppliers) trained on modern slavery in past year	Number
Number of complaints of forced labour received through grievance mechanisms in the past month	%
Percentage of complaints resolved in allocated timeframe in the past year	%
Number of best practices shared and scaled more widely in the past year	Number
Percentage of workers who receive information about their employment rights in a language they understand	%
Percentage of workers who have paid a fee to secure employment in the past month	%
Percentage of workers who receive induction on workplace rights	%
Percentage of workers who are members of an independent democratic trade union	%
Identification of high-risk geographies and sectors for priority due diligence on modern slavery	Yes/No
Percentage of business partners that have a policy addressing modern slavery	%
Number of business partners that have cascaded requirements on modern slavery with their third parties	Number
Worker feedback on working conditions in staff surveys	Qualitative
Victim feedback on outcomes of actions and remedy	Qualitative
Independent stakeholder feedback on efficacy of strategy to address modern slavery	Qualitative

Example:

The Co-op Group, a UK cooperative, set itself a number of targets related to preventing modern slavery across its multiple business and supply chain areas as part of its statement made under the UK Modern Slavery Act's reporting requirements. The following year, it reported against what it had done in relation to each of these targets, setting out what activities had been carried out and whether it had achieved the target or not. The Co-op does not try to claim that it has solved everything but it allows Co-op to demonstrate to its members, customers and business that it is making efforts to improve its practices continually.[98]

Annexes and Tools

Tool 1: Pre-screening questionnaire

This can also be integrated into broader labour questionnaires.

Dear [Bidding company],

[DFI/investor/company] is a socially responsible business, committed to complying with national and international labour standards, and promoting decent work conditions across our [investments/projects/supply chains]. Our experience tells us that when workers a treated fairly and responsibly, overall business performance improves.

As such, we screen all potential business partners to ensure that they share our commitments and values before we agree to work together. This questionnaire is aimed at identifying your workforce structure and the current policies, systems and practices that you have in place to manage key labour issues.

Background questions	Response
Company name	
Location	
Your name	
Your title	
Email address	
Phone number	
Does your company have any management system certifications on labour (eg ISO 26000)?	

Workforce questions	Response
Total number of workers	Include breakdown of number of workers hired directly as well as indirectly through labour agencies and contractors/ subcontractors. Please include information about permanent/temporary/causal workers and company awareness of potential vulnerabilities affecting workers (language, ethnicity, remote residence or other).
Number of female workers	
Number of workers under the age of 18	
Number of migrant workers	Please include migrants from other countries and from other regions in your country of operation.
Workforce turnover	Latest annual and monthly turnover.
Is there an independent trade union representative on-site? If not, why not?	If yes, please name the trade union(s) and the number of members on-site.

Policy and practice questions	Response
Do you have policies that prohibit the use of forced labour in your operations and supply chains?	If yes, please provide evidence.
Who is responsible for managing forced labour issues? Is there a defined governance structure?	Please provide detail.
Do these standards apply to your own business partners?	
Do you have a collective bargaining agreement with your employees?	If yes, please provide evidence.
Has anyone in your company received training on how to manage modern slavery risks?	If yes, please provide evidence.
Do you provide workers with accommodation or meals (including whether contractors and subcontractors provide this to the extent known)?	If yes, please detail the costs and how it is paid for. Please also comment on the number of workers accommodated by the company project and standards of the accommodation provided.
What is the minimum standard that accommodation is expected to meet?	Please provide detail.
Do you have a worker grievance mechanism in place?	Where possible, please provide detail including: who can access it (direct workforce, contractors or subcontractors, external stakeholders), who is responsible for managing the grievances, how it is communicated to workers, and common complaints raised by workers.

Third-party labour practice questions	Response (if yes, please provide evidence as part of your response)
Do you use labour agencies to provide workers?	If yes, please note how many and their names.
How are labour agencies selected?	Please provide detail.
Do you use (sub)contractors to provide services on your site?	If yes, please note how many and their names.
How are (sub)contractors selected?	Please provide detail.
How do you ensure that third parties are complying with labour standards?	Please provide detail.

Supply chain questions	Response (if yes, please provide evidence as part of your response)
Have you mapped your supply chain?	Please describe and provide evidence.
Which of your suppliers do you see as highest risk from a social perspective?	
What requirements are included in supplier contracts related to modern slavery and/or labour standards?	Please describe and provide evidence.
Do you conduct or review supplier audits?	If yes, note down the standard they are audited against, who carries out the audit and their frequency.
Have you identified any instances of forced labour in your supply chain?	If yes, please describe the issue and your response.

Tool 2: Understanding recruitment fees

Workers who pay high fees to secure their employment are more vulnerable to debt bondage when they enter work. This tool sets out those fees that companies and intermediaries are not permitted to charge workers.

Note that any fee, charge or cost may be a recruitment fee regardless of whether the payment is in property or money; deducted from wages; paid back in wage or benefit concessions; paid back as a kickback, bribe, in-kind payment, free labour, tip or tribute; remitted in connection with recruitment; or collected by an employer or a third party including, but not limited to: labour providers providing recruitment and/or employment services; subsidiaries/affiliates of the employer; any agent or employee of such entities; and subcontractors, sub-agents and brokers at all tiers.

This list is taken from the Responsible Recruitment Toolkit.[99]

Fees that must be covered by the employer	Fees workers may reasonably incur themselves
Processing costs • Operating and administrative costs associated with the recruitment process. • Costs of advertising the position. • Legal fees, or fees for other recruiters and agents. • Any fees for interpreters.	**Job qualifications** • Costs to meet minimum qualifications to meet the job specification.
Pre-departure • Interview skills tests. • Fees for obtaining worker certification. • Any certifications beyond worker eligibility. • Medical exams/screening. • Transport to and from the interview at the assessment centre with the labour user. • Any other fees to access the job opportunity.	• Costs involved in attending the initial interview with the agency. • Where workers present themselves to the employer at the place of employment, the worker should not expect to be reimbursed.
Documentation • New passport/identification documents needed for employment. • Visas. • Work/residence permits. • Background, security checks, other checks or clearance documents.	• Costs associated with replacing a lost or damaged identity document, where the employee is at fault.
Transit • Transportation, lodging and subsistence from the workers' home to point of departure, airfare or other transport costs, and transport from receiving port to accommodation. • Border crossing fees. • Return costs. • Any costs associated with travel arrangements.	
Arrival • New hire orientation and job-skills training. • Medical screening. • Clearance documents needed for living in the country.	
During employment • Costs associated with paying the workers' salary (bank costs). • Visa extension or agency costs when contract is extended. • Deductions taking pay below the minimum wage. • Fees for guaranteed hours. • Fees for transport to and from the workplace which is a mandatory requirement of the job. • Fees for employer-provided accommodation and subsistence which are not optional. • Costs of equipment and tools used by the worker.	• Costs for employer-provided accommodation and subsistence where they are optional. • Costs for transport to and from the workplace (eg shuttle service) provided by the employer, as long as it is truly optional and priced fairly.
End of employment • No fees should be charged to the worker as a penalty for terminating their contract.	• If the worker has not provided their full notice period, the employer may choose not to cover the costs of return to their country, provided this is legal and there is an express clause in the workers' contract.

Tool 3: Documentation to ask for and review during an audit

Documentation type	Fees workers may reasonably incur themselves
Site information	Any relevant government license, certificates of operation and the like.
	Records of previous government labour inspections.
Worker documentation	Employment contracts/terms and conditions of employment.
	Personnel files (including employment application and disciplinary notices).
	Proof-of-age documentation (eg copies of identification cards, birth certificates and medical clearance).
	Records of issuance of employee benefits (eg annual leave, maternity leave).
Policies	Relevant policies on modern slavery.
	Internal operating policies and procedures (wages and hours, annual leave, disciplinary rules and other HR policies).
Workforce communication/engagement	Records/minutes of meetings with employee representatives and/or unions.
	Collective bargaining agreements.
	Records of employee grievances.
Payroll documents	Payroll records for the last three pay periods but up to one year may be requested for review. This should include records of all salary payments, including regular and overtime payments, as well as deductions from employees' salaries.
	Time records for the last three pay periods (for seasonal industries, this should include a peak period and a low season). These records should show daily start and stop times for workers during the pay period and should include regular and overtime work.
	Payment receipts for mandatory social insurance payments.
	Any government waivers or special permissions used to conduct work hours or pay schedules outside of the standard legal limits.
Procurement	Service contracts/agreements with business partners, focusing on clauses related to labour and modern slavery, responsibilities and monitoring and reporting requirements.

Tool 4: Stakeholder list

If a DFI, investor or company's efforts to address modern slavery demands stakeholder resources or collaboration, the following list can be a useful starting point, but it is by no means an exhaustive list. The decision to engage certain stakeholders or initiatives might be based on an organisation's profile, expertise or geographic coverage.

The list does not include trade unions or private consultancies with modern slavery expertise. Trade union collaboration will depend highly on the issue in question as well as national and sectoral contexts. Useful starting points may be to look for local unions affiliated to international trade union federations such as IndustriALL and the ITUC. If consultancies are engaged, it may sometimes be preferable to engage local consultants who have relevant language skills as well as subject matter expertise.

Broad-based initiatives and stakeholders	
Alliance 8.7	www.alliance87.org/
Anti-Slavery International	www.antislavery.org/
Corporate Responsibility in Eliminating Slavery and Trafficking (CREST)/International Organization for Migration (IOM)	https://vietnam.iom.int/en/iom%E2%80%99s-crest-programme
Ethical Trading Initiative (ETI)	www.ethicaltrade.org/
Fair Labor Association (FLA)	www.fairlabor.org/
Freedom Fund	https://freedomfund.org/
Humanity United	https://humanityunited.org/
InPacto Brazil	www.inpacto.org.br/en/inpacto-2/quem-somos/
Issara Institute	www.issarainstitute.org/
Liberty Asia	www.libertyasia.org/
Mekong Club	https://themekongclub.org/
Not for Sale	www.notforsalecampaign.org/
Stronger Together	www.stronger2gether.org/
Verité	https://www.verite.org/

Sectoral initiatives and stakeholders	
Better Brick Nepal (Construction)	www.betterbricknepal.org/
Better Work (Apparel)	https://betterwork.org/
Building Responsibly (Construction)	www.building-responsibly.org/
Consumer Goods Forum (CGF) (Consumer Goods)	www.theconsumergoodsforum.com/
Cotton Campaign (Agriculture)	www.cottoncampaign.org/
Equator Principles (EP) (Finance)	http://equator-principles.com/
European Bankers Alliance (Finance)	https://eu-ocs.com/tag/european-bankers-alliance/
International Tourism Partnership (ITP) (Tourism)	www.tourismpartnership.org/
ISEAL Alliance (Multiple sectoral initiatives)	www.isealalliance.org/
Responsible Minerals Initiative (Mining)	www.responsiblemineralsinitiative.org/
Responsible Business Alliance (Electronics)	www.responsiblebusiness.org/initiatives/trafficked-and-forced-labor/
Roundtable on Sustainable Palm Oil (RSPO) (Agriculture)	https://rspo.org/
Stop Slavery Hotel Industry Network (Hospitality)	www.stopslaverynetwork.org/
U.S. Bankers Alliance (Finance)	www.aba.com/Pages/default.aspx

Issues-based initiatives and stakeholders	
Social audits	
Business Social Compliance Initiative (BSCI)	www.bsci-intl.org/content/what-we-do-0
Fair Factories Clearinghouse (FFC)	www.fairfactories.org
Sedex	www.sedexglobal.com
Social Accountability International (SAI)	www.sa-intl.org
Recruitment	
Fair Recruitment Initiative/International Labour Organization (ILO)	www.ilo.org/global/topics/labour-migration/projects/WCMS_405819/lang--en/index.htm
International Recruitment Integrity System (IRIS)/ International Organization for Migration (IOM)	https://iris.iom.int
Leadership Group for Responsible Recruitment	www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment
No Fees Initiative	www.iccr.org/no-fees-initiative
Child labour	
Child Labour Platform	www.ilo.org/ipec/Action/CSR/clp/lang--en/index.htm
International Initiative to End Child Labor	http://endchildlabor.net
The Child Labor Coalition	http://stopchildlabor.org

Tool 5: Good practices on remediation process

This table provides good practice principles for each step of the remediation process, accompanied by relevant examples and resources. A crucial priority should be to ensure that victims do not face any retribution or further harm. This overarching concern must be considered at every step of the remediation process.

Step of remediation	Principles of good practice
Gathering and securing of information	Confidentiality, informed consent and personal security protection of potential victims should be assured during data collection.
Victim safeguarding	In some cases, action could be necessary to protect the immediate safety of victims, regardless of their wishes. This action should be led by or done in conjunction with national authorities or expert partners.
Corrective actions at workplace	If a situation can be resolved by a company (ie it is not linked to violence, criminality or state-sponsorship), a time-bound plan for correcting the processes that led to the violation should be established including actions that prevent further abuses (see 'Prevention' in this table). This could include long-term initiatives such as capacity-building programmes, or immediate steps such as returning confiscated passports or cancelling illegal debts. **Example:** After audits revealed possible instances of forced labour in Patagonia's Taiwanese material supply chain, it developed a Migrant Worker Employment Standard. Suppliers were expected to reimburse workers who had paid recruitment fees in excess of legal limits. Patagonia collaborated with suppliers to understand how costs could be shared to make this financially feasible.
Referral to authorities	Where violence or criminality are involved, the case should be referred to national authorities (where this is seen as viable). It should be understood whether referrals will put victims (and their families) at risk of further harm. Example: The Gangmasters and Labour Abuse Authority (GLAA) in the UK's mandate is to protect vulnerable and exploited workers. This is accomplished through a licensing regime as well as inspections and prosecutions. The GLAA can receive referrals and reports on suspected cases of modern slavery and has clear commitments to confidentiality and protecting sources of information.
Referral to independent worker representatives or experts	If it is not viable to refer to the authorities because of inadequate mechanisms or because they have caused or contributed to the case, or where a company's corrective actions would be inadequate, the case should be referred to workers' representatives and/or experts to act on their behalf. Before making the referral, it is important to assess third-party experts and organisations to understand their capacities and potential role. **Example:** In response to modern slavery risks in its Thai prawn supply chain, highlighted through a number of NGO and media campaigns, UK supermarket retailer Tesco partnered with the Issara Institute, which specialises in forced labour in the region. Tesco is one of many retail brands and food suppliers that have partnered with Issara to jointly improve leverage over lower-tier suppliers to influence change. In Tesco's case, through the Issara Institute, it ensured that migrant workers had access to the Issara Institute's multilingual helpline. Through the helpline, Tesco was able to remedy a number of cases.
Rehabilitation and material support	Rehabilitation should be tailored to the needs of the victim and could include stipends, housing support, legal assistance, medical care, psychological support or other assistance that the victim may not be able to access on their own. **Example:** Of the 15,000 people rescued from situations of forced labour in Brazil in the past 15 years, at least 600 ended up in similar situations a second time.
Restitution or compensation	Steps should be taken to either compensate the victim or restore their situation to before their ordeal took place, including if possible: • reimbursement of recruitment fees or illegal deposits; • compensation for lost wages or illegal wage deductions; • compensation for pain and suffering endured; and • assistance with repatriation, if desired.
Prevention	Proactive steps to address the root cause of the labour abuse(s) in question should be taken, including by: • establishing or reinforcing access to a viable means of resolving workplace grievances; • educating and informing vulnerable people; • educating and informing employers; • leveraging key actors to influence change; • protecting people, particularly migrant workers, from possible abusive and fraudulent practices; and • supporting due diligence by both the public and private sectors to prevent and respond to risks of forced labour.

Tool 6: Further modern slavery resources

Company and investor resources (general)	
CDC ESG Toolkit	A briefing note to help fund managers to address human rights issues relevant to their investments: http://toolkit.cdcgroup.com/e-and-s-briefing-notes/human-rights
EBRD Forced Labour Guidance Note	A guidance note to assist the EBRD's clients to meet Performance Requirement 2 on forced labour: www.ebrd.com/documents/admin/forced-labour.pdf
IFC ESMS Handbook	Guidance for DFI clients on how to develop and improve their systems to manage E&S risks, including modern slavery: www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general
Institute for Human Rights and Business, Investing the Rights Way	A guide for investors on applying the UNGP framework into their practices: www.ihrb.org/pdf/Investing-the-Rights-Way/Investing-the-Rights-Way.pdf
OECD Responsible Business Conduct for Institutional Investors	Guidance to support institutional investors implement due diligence to prevent and address adverse human and labour rights impacts: http://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf
PRI Managing ESG Risk in the Supply Chains of Private Companies	Guidance for direct investors and fund managers investing in private markets on improving their risk profiling of their portfolios and investing in companies that manage their supply chains effectively: www.unpri.org/download?ac=1894
Share Action Forced Labour Guidance	Guidance on risks and implication of forced labour in company operations and supply chains, highlighting the role for investor engagement: https://shareaction.org/wp-content/uploads/2016/06/ForcedLabour-InvestorBriefing.pdf
UNEP FI Human Rights Toolkit	Guidance for practitioners in the financial sector to identify and assess human rights risks and issues: www.unepfi.org/humanrightstoolkit/index.php
UN Guiding Principles (UNGP) Reporting Framework	Framework to guide companies in their human rights reporting, accompanied by supporting reports and resources: www.ungpreporting.org/

Supply chain resources	
ETI Human Rights Due Diligence Framework	Guidance for companies on how to improve identification, assessment, mitigation, remediation, monitoring and reporting on human rights issues in their supply chains: www.ethicaltrade.org/sites/default/files/shared_resources/eti_human_rights_due_diligence_framework.pdf
ETI Guidance on Modern Slavery	Guidance for companies on addressing modern slavery risks in their operations and supply chains: www.ethicaltrade.org/resources/base-code-guidance-modern-slavery
ETI Guide to Buying Responsibly	Guidance for companies on changing their purchasing practices to improve working conditions in their supply chains: www.ethicaltrade.org/resources/guide-to-buying-responsibly
ETI Vulnerable Workers Toolkit	Guidance for companies on identifying and addressing risks faced by vulnerable workers in agricultural supply chains: www.ethicaltrade.org/resources/addressing-worker-vulnerability-agricultural-and-food-supply-chains-vulnerable-workers
ILAB Comply Chain	Guidance for companies developing systems to address modern slavery risks: www.dol.gov/ilab/complychain/
Slavery and Trafficking Risk Template	Standard template which can be used to assist companies in identifying modern slavery risks in their supply chains: www.socialresponsibilityalliance.org/strt/

Recruitment fees and migrant workers resources	
Responsible Recruitment Toolkit	Guidance for companies to identify, mitigate, remediate and monitor issues associated with workers being charged recruitment fees: https://responsiblerecruitmenttoolkit.org/wp-content/uploads/Eliminating-Recruitment-and-Employment-Fees-Charged-to-Workers-in-Supply-Chains.pdf
Stronger Together	Tools and guidance for companies on identifying risks, engaging with suppliers and business partners, and interviewing workers: www.stronger2gether.org/resources
Verité Fair Hiring Toolkit	Guidance for brands, suppliers, governments and investors on protecting migrant workers from modern slavery risks: http://helpwanted.verite.org/helpwanted/toolkit

Sector and geography risk information	
Alliance 8.7 Global Estimates of Modern Slavery	Joint ILO and Walk Free Foundation Research into the prevalence of modern slavery globally: www.alliance87.org
Business and Human Rights Resource Centre	Site that aggregates news relevant to business and human rights: www.business-humanrights.org/en
Danish Institute for Human Rights	Country-level information in a limited number of countries on human rights issues that companies should be aware of: www.humanrights.dk/business/tools/human-rights-business-country-guide
ITUC Human Rights Index	Overview of countries where workers' rights are most at risk of being violated: www.ituc-csi.org/ituc-global-rights-index-2018
Responsible Sourcing Tool	Reports, supported by visualisations, which can be used to understand child labour and forced labour risks in specific commodities or sectors: www.responsiblesourcingtool.org/explorerisk
US Department of Labor List of Goods Produced by Child Labor and Forced Labor	The US Government maintains a list of goods, by country, it believes to have been produced by forced and child labour: www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods
US Department of Labor Sweat and Toil App	App providing comprehensive information on child and forced labour worldwide using reports produced by the US Department of Labor: www.dol.gov/general/apps/ilab
US Department of Labor Trafficking in Persons Report	The US Government updates a report tracking foreign government's anti-trafficking efforts which provides information on at-risk groups and sectors at country level: www.state.gov/j/tip/rls/tiprpt/
US Department of State Human Rights Reports	Annual country reports that provide an overview of the human rights situation in a number of countries: www.state.gov/j/drl/rls/hrrpt/
Verité	Report focusing on 43 important commodities which analyse forced labour and child labour associated with the commodity: www.responsiblesourcingtool.org/download/reports/JTIP_ExecutiveOrder_Report.pdf
Verité Knowledge Portal	Mapping of risks and issues related to modern slavery by country and sector: http://knowledge.verite.org/#/map
Verisk Maplecroft Modern Slavery Index	Study assessing the risks to business of exposure to modern slavery: www.maplecroft.com/portfolio/new-analysis/2017/08/10/20-eu-countries-see-rise-modern-slavery-risks-study/

Resources for identifying risks at site level	
GLAA Guidance on Spotting the Signs	Guidance to assist people spot the signs of exploited workers if they come into contact with them: www.gla.gov.uk/media/3178/spot-the-signs-glaa.pdf
SEE Formula	Designed for the hospitality sector, provides guidance on scrutinising and engaging with vulnerable staff and ensuring businesses have proper procedures to manage risks: www.staff-wanted.org/see-formula

Additional guidance and tools	
Shift forced labour guidance	Overview of how efforts to address forced labour interact with the Sustainable Development Goals along with good practice examples and case studies: https://wwwwww.shiftproject.org/sdgs/forced-labor/
Stop Slavery Hotel Industry Network	Guidance on addressing modern slavery risks for companies operating in the hotel industry: www.shivafoundation.org.uk/wp-content/uploads/2018/03/04_FrameworkForWorkingWithSuppliers.pdf
The Global Business of Forced Labour	Research on forced labour in Ghana's coca industry and India's tea industry based on extensive interviews and worker surveys: http://globalbusinessofforcedlabour.ac.uk/report

Annex 1: Stakeholders Engaged for this GPN

The drafting of this GPN has benefitted from valuable inputs and contributions from a wide range of interested third parties:

8 Miles

Actis

Acorn International, LLC

Asian Development Bank (ADB)

AECOM

Assent Compliance

Asian Infrastructure Investment Bank (AIIB)

ASOS

Barclays

Business and Human Rights Resource Centre

CA Rakesh Coundhary

Carl Nicholas of Mineesia Ltd

CDC Group Plc

Centre of Excellence in Responsible Business, Pakistan Business Council

Christiana Anyanwu

Citi

Coller Capital

Combined Vision Consulting Ltd

Control Risks

Davidzo Muchawaya

Delta Capital

Deutsche Investitions- und Entwicklungsgesellschaft (DEG)

ECOM Trading

Elena Pitigoi of Raiffeisen Bank Romania

Environmental Resources Management (ERM)

Envision Energy

EuroMena

European Bank for Reconstruction and Development (EBRD)

European Investment Bank (EIB)

Ferdie Lochner

Global Labor Justice

Global Reporting Initiative (GRI)

Hilton Worldwide

Institute for Human Rights and Business

Institution of Occupational Safety and Health (IOSH)

Inter-American Development Bank (IADB)

International Finance Corporation (IFC)

International Organisation for Migration (IOM)

International Trade Union Confederation (ITUC)

IPIECA

Jerico Espallardo Agitan

JP Morgan

Khalid Maqsood Khokhar

Li & Fung

MDT Environmental

Minal Vaz of Rabobank

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)

New Development Bank (NDB)

Olam

Olubukola Betty Olatoye

Overseas Private Investment Corporation (OPIC)

Oxfam

Paola Gutiérrez Velandía

Robin Willing of NIBC

Rolando Soncuya

Rosario Galvan

Shift

Standard Chartered

Statkraft

Stronger Together

Sustainability Concern

S. Sudarsan of Orient Green Power

Tesco

TFT Earth

Trade Union Congress (TUC) UK

UK Export Finance (UKEF)

University of Nottingham

University of Sheffield

USAID

US Department of Labor – Bureau of International Labor Affairs

US Department of State

Verité

Wael Abdel Ghany

World Bank

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