



**Managing Human  
Rights Risks:**  
a guide for investors  
on applying the Japanese  
Guidelines on Respecting  
Human Rights in  
Responsible Supply  
Chains with respect to  
modern slavery

July 2023

**First Sentier MUFG**  
Sustainable Investment Institute

# Managing Human Rights Risks: a guide for investors on applying the Japanese Guidelines on Respecting Human Rights in Responsible Supply Chains with respect to modern slavery

July 2023

## Contents

Key Messages	5
Understanding and managing human rights risks	7
What are the Japanese Guidelines on Respecting Human Rights in Responsible Supply Chains?	10
Managing Modern Slavery Risks	12
Practical recommendations for investor action: how to manage human rights and modern slavery risks in line with the expectations set out in the Due Diligence Guidelines	18
<b>Appendix A:</b> Practical Recommendations for Investor Engagement with Investee Companies	25
<b>Appendix B:</b> Key Resources	30

# About the Institute

The First Sentier MUFG Sustainable Investment Institute (the Institute) provides research on topics that can advance sustainable investing. As investors, both First Sentier Investors and MUFG recognise our collective responsibility to society and that investment decisions should be made with consideration to our communities both now and in the future.

The Institute commissions research on Environmental, Societal and Governance issues, looking in detail at a specific topic from different viewpoints. The Institute recognises that investors are now looking in far greater depth, and with far greater focus, at issues relating to sustainability and sustainable investing. These issues are often complex and require deep analysis to break down the contributing

factors. If as investors we can better understand these factors, we will be better placed to consider our investment decisions and use our influence to drive positive change for the benefit of the environment and society.

The Institute is jointly supported by First Sentier Investors (FSI) and Mitsubishi UFJ Trust and Banking Corporation, a consolidated subsidiary of MUFG. Representatives of both organisations will provide input to the activities of the Institute.

An Academic Advisory Board advises the Institute on sustainability

and sustainable investment research initiatives. The Academic Advisory Board comprises prominent leaders from academia, industry and nongovernmental organisations in the fields of Responsible Investment, climate science and related ESG endeavours. The Board will provide independent oversight to ensure that research output meets the highest standards of academic rigour.

## Acknowledgements

The Institute would like to thank the authors of this publication, Pillar Two.



### Contact

[Institute@Firstsentier.com](mailto:Institute@Firstsentier.com)

[www.firstsentier-mufg-sustainability.com](http://www.firstsentier-mufg-sustainability.com)

[www.mufg-firstsentier-sustainability.jp](http://www.mufg-firstsentier-sustainability.jp)



## About Pillar Two

Pillar Two is a specialist business and human rights advisory firm with extensive global experience supporting businesses and other organisations to identify, assess and develop effective responses to their human rights risks. This includes building businesses' capacity to meaningfully engage stakeholders, such as affected rights-holders, civil society organisations, workers' associations, governments, investors and business partners, around their human rights approaches, including preventing and addressing any involvement in modern slavery. Pillar Two takes a principled, integrated and practical approach founded on international frameworks, national laws and policies, evolving stakeholder expectations, and leading practice.

## About First Sentier Investors

First Sentier Investors (formerly First State Investments) is a global asset management group focused on providing high quality, long-term investment capabilities to clients. We bring together independent teams of active, specialist investors who share a common commitment to responsible investment and stewardship principles. These principles are integral to our overall business management and the culture of the firm.

All our investment teams – whether in-house or individually branded – operate with discrete investment autonomy, according to their investment philosophies.

<https://www.firstsentierinvestors.com>

## About MUFG

Mitsubishi UFJ Financial Group, Inc. (MUFG) is one of the world's leading financial groups. Headquartered in Tokyo and with over 360 years of history, MUFG has a global network with over 2,600 locations in more than 50 countries. The Group has over 180,000 employees and offers services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing. The Group aims to "be the world's most trusted financial group" through close collaboration among our operating companies and flexibly respond to all of the financial needs of our customers, serving society, and fostering shared and sustainable growth for a better world. MUFG's shares trade on the Tokyo, Nagoya, and New York stock exchanges.

<https://www.mufg.jp/english>

## About the Trust Bank

Mitsubishi UFJ Trust and Banking Corporation, as a core member of MUFG, provides its customers with a wide range of comprehensive financial solutions leveraging unique and highly professional functions as a leading trust bank. Such financial solutions include real estate, stock transfer agency, asset management and investor services, and inheritance related services, in addition to banking operations. We aim to realize our vision to be the trust bank that creates "a safe and affluent society" and "a bright future with our customers together". We support our customers and societies through their challenges with Trust, and thus we build on a new key concept: "Create a Better Tomorrow". First Sentier Investors was acquired by the Trust Bank in August 2019.

<https://www.tr.mufg.jp/english>

# Key messages

This Guidance Note aims to support businesses operating in, or with interests in Japan, to understand and apply the Japanese Government's [Guidelines on Respecting Human Rights in Responsible Supply Chains](#) (Due Diligence Guidelines). It has a particular focus on the role of investors, but can also be used by other businesses.

The Guidance Note explains why human rights are relevant to businesses. In order to make it practical and actionable, it focuses on modern slavery as an example of a human rights issue that can be addressed by investors and other businesses, in line with the expectations set out in the Due Diligence Guidelines and broader international standards.

The information in this Guidance Note can also be used by investors and other businesses outside of Japan to inform their modern slavery and broader human rights risk management.

The key messages below summarise the content of this Guidance Note.

- Human rights are the basic rights and freedoms every human being is entitled to without discrimination. They aim to ensure everyone is treated with equality, dignity and respect.
- All businesses, including investors, have a responsibility to respect human rights. This means that investors and other businesses should seek to avoid harming peoples' human rights and address any harm that does occur (such as modern slavery) in line with international standards.
- Businesses' responsibility to respect human rights is set out in the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#), which are the global standard for managing adverse

business impacts on human rights and are supported by governments worldwide, including the Government of Japan.

- Under the UNGPs, businesses are expected to: publicly commit to respect human rights; undertake human rights due diligence which helps them to know and show that they are respecting human rights; and have processes in place to enable remediation where appropriate.
- In September 2022, the Government of Japan published the Due Diligence Guidelines. These voluntary guidelines are based on the UNGPs and aim to support Japanese businesses (including investors) to meet their responsibility to respect human rights. The expectations for business action in the Due Diligence Guidelines apply to all internationally recognised human rights, including human rights relating to freedom from modern slavery.
- The Due Diligence Guidelines are not legally binding but the Government of Japan has indicated it may give preferential treatment through public procurement tenders to businesses that show they are working to respect human rights.
- The group of human rights relevant to the workplace are often called labour rights and aim to safeguard people from dangerous, unfair, harmful, or exploitative working conditions.
- The term 'modern slavery' is used to describe especially severe exploitive practices that can occur in the workplace, such as servitude, forced labour, debt

bondage, trafficking in persons and the worst forms of child labour. These practices all involve the use of coercion, threats or deception to take away a person's freedom so they can be exploited.

- The prevalence of modern slavery means that this issue is likely to affect the operations and value chains of many businesses around the world, including investors and their investee companies. Taking action to manage these modern slavery risks is an important part of businesses meeting their responsibility to respect human rights under the UNGPs. There are also a range of other legislative, financial, reputational and operational drivers for action.



---

**Human rights are the basic rights and freedoms every human being is entitled to without discrimination. They aim to ensure everyone is treated with equality, dignity and respect.**



## Introduction

Human rights are the basic rights and freedoms every human being is entitled to enjoy without discrimination. They aim to ensure everyone is treated with equality, dignity and respect. All businesses, including investors, have a responsibility to protect human rights in line with international standards and increasingly, regulation globally. Where investors and their investee companies fail to protect human rights, they face potential legal, reputational, financial and operational implications. These include the risk of incurring fines and penalties for failure to meet regulatory requirements, ongoing reputational damage and resulting loss of revenue and customers, supply chain disruption and project delays or cancellations.

In September 2022, the Government of Japan published [Guidelines on Respecting Human Rights in Responsible Supply Chains](#) (the Due Diligence Guidelines). These voluntary guidelines aim to support Japanese businesses (including investors) to meet their responsibility

to respect human rights. The expectations for business action in the Due Diligence Guidelines apply to all internationally recognised human rights, including human rights relating to freedom from modern slavery.

This Guidance Note aims to provide practical guidance on how investors and other businesses can apply the general expectations set out in the Due Diligence Guidelines, using modern slavery as a specific example. Modern slavery is part of the group of human rights relevant to the workplace which are often called labour rights. This term is used to describe especially severe exploitative practices that can occur in the workplace including servitude, forced labour, debt bondage, trafficking in persons and the worst forms of child labour. The prevalence of modern slavery means that this issue is likely to affect the operations and value chains of many businesses around the world, including investors and their investee companies.



## Understanding and managing human rights risks

### What are human rights?

Human rights are the basic rights and freedoms every human being is entitled to enjoy without discrimination. They aim to ensure everyone is treated with equality, dignity and respect.

Human rights are relevant to all areas of life. This includes human rights to enjoy culture, to access safe and fair work and to enjoy a clean, healthy and sustainable environment.

Importantly, human rights are universal and so apply to everyone, everywhere. This means peoples' human rights cannot be limited because of factors such as their

ethnicity, gender, sexuality, age or where they live.

The international community has identified and agreed key human rights. These human rights are called 'internationally recognised human rights' and are set out in international documents and treaties. This includes the [Universal Declaration of Human Rights](#), the [International Covenant on Civil and Political Rights \(ICCPR\)](#) and the [International Covenant on Economic, Social and Cultural Rights \(ICESCR\)](#). Together, these documents are often called the International Bill of Rights.

Although everyone's human rights are equally important, some groups may be especially vulnerable to, or at risk of, adverse human rights impacts. This includes children, people living with disabilities, Indigenous peoples and women and girls. To help protect these groups, the international community has recognised that they enjoy specific human rights. For example, children have the right to be protected from work that is dangerous or might harm their health or education.



### Key Term Explained: What are 'Adverse Human Rights Impacts'?

The term 'adverse human rights impacts' is used to describe situations where a person's human rights are harmed. For example, a person's human right to freedom from discrimination could be adversely impacted if they are not hired for a job because of their gender. The term 'adverse human rights impacts' is used in the UNGPs, which are the authoritative global standard for managing business impacts on human rights. The Japanese Due Diligence Guidelines also use the term 'adverse impact'.

## Why are human rights relevant to investors and other business?

Governments are responsible for protecting people in their countries from adverse human rights impacts. Many governments (including the Government of Japan) have agreed to follow international human rights treaties, such as the ICCPR and ICESCR.

Although governments are responsible for protecting human rights, businesses (including investors) still have an important role to play. Through their activities and business relationships, businesses

can positively and negatively impact many human rights.

For example, a pharmaceutical company could positively impact peoples' right to health by developing new treatments for diseases. Conversely, the pharmaceutical company could negatively impact peoples' human right to water and sanitation if it runs a factory that pollutes a river used by the local community.

All businesses, including investors, have a responsibility to respect all

internationally recognised human rights. This means that investors and other businesses should seek to avoid adversely impacting peoples' human rights. It also means they should address any harm that does occur, such as modern slavery, in line with international standards. Importantly, the responsibility to respect human rights applies not only to a business' operations, but also its upstream and downstream value chain, including its investments.



### Key Term Explained: What are 'Value Chains'?

The term 'value chain' is used to describe a business' upstream supply chains (the suppliers it procures goods and services from) and its downstream customers and end users (the organisations and people who buy and use its products and services).

For example, a textile company's upstream value chain would include the harvesting of the cotton used to make its clothes, the subcontracted factories where the clothes are manufactured, and the transport services used to deliver the clothes to the company's shops. The fashion company's downstream value chain would include its customers, as well as organisations involved in recycling or sending used clothes disposed of by customers to landfill.

This responsibility to respect human rights is set out in a document called the [UN Guiding Principles on Business and Human Rights](#) (UNGPs). Created in 2011, the UNGPs are the authoritative global standard for managing business impacts on human rights. The UNGPs are not legally binding but are supported by governments around the world, including the Government of Japan.

These governments, as well as other stakeholders and business partners such as customers, civil society and investors increasingly expect businesses to meet the UNGPs' expectations. The expectations in the UNGPs are also being translated into legislative obligations.

The UNGPs identify three key steps businesses (including investors) should take to meet their

responsibility to respect human rights, including human rights relating to freedom from modern slavery. These three steps also form the basis of the Japanese Due Diligence Guidelines. More information about these steps is set out later in this Guidance Note.







Every investor and business is exposed to potential human rights risks through their operations and value chains. Taking action to manage these risks is an important part of businesses meeting their responsibility to respect human rights in line with the expectations set out in the UNGPs and Japanese Due Diligence Guidelines.

There are also a range of additional drivers that make it important for investors and other businesses to take meaningful action to manage their human rights risks.

### **Legislative drivers for action**

Increasingly, governments around the world are developing laws to help ensure businesses (including investors) meet their responsibility to respect human rights, in line with the expectations set out in the UNGPs. Businesses that fail to comply with these laws may be exposed to financial and other penalties, as well as reputational damage.

### **Reputational drivers for action**

In addition to the financial and operations risks outlined below, failing to take action to manage human rights risks may result in short or longer-term reputational damage for investors and other businesses. Conversely, taking meaningful action to manage risks may strengthen entities' reputations and access to business opportunities. For example, third party benchmarks may evaluate and publicly rank companies based on the quality of their reporting under legislation such as the Australian and UK Modern Slavery Acts.

### **Financial drivers for action**

Businesses that implement strong human rights risk management approaches may be able to avoid potential loss of revenue and customers, decreases in value and financial metrics, or other sanctions that could be imposed if they are found to be involved in human rights impacts through their operations or value chains. For investors, this also means that taking action to address human rights risks associated with their investment portfolio may help to protect the sustainability and longevity of investee companies' financial returns.

#### **Real life example: Financial risks**

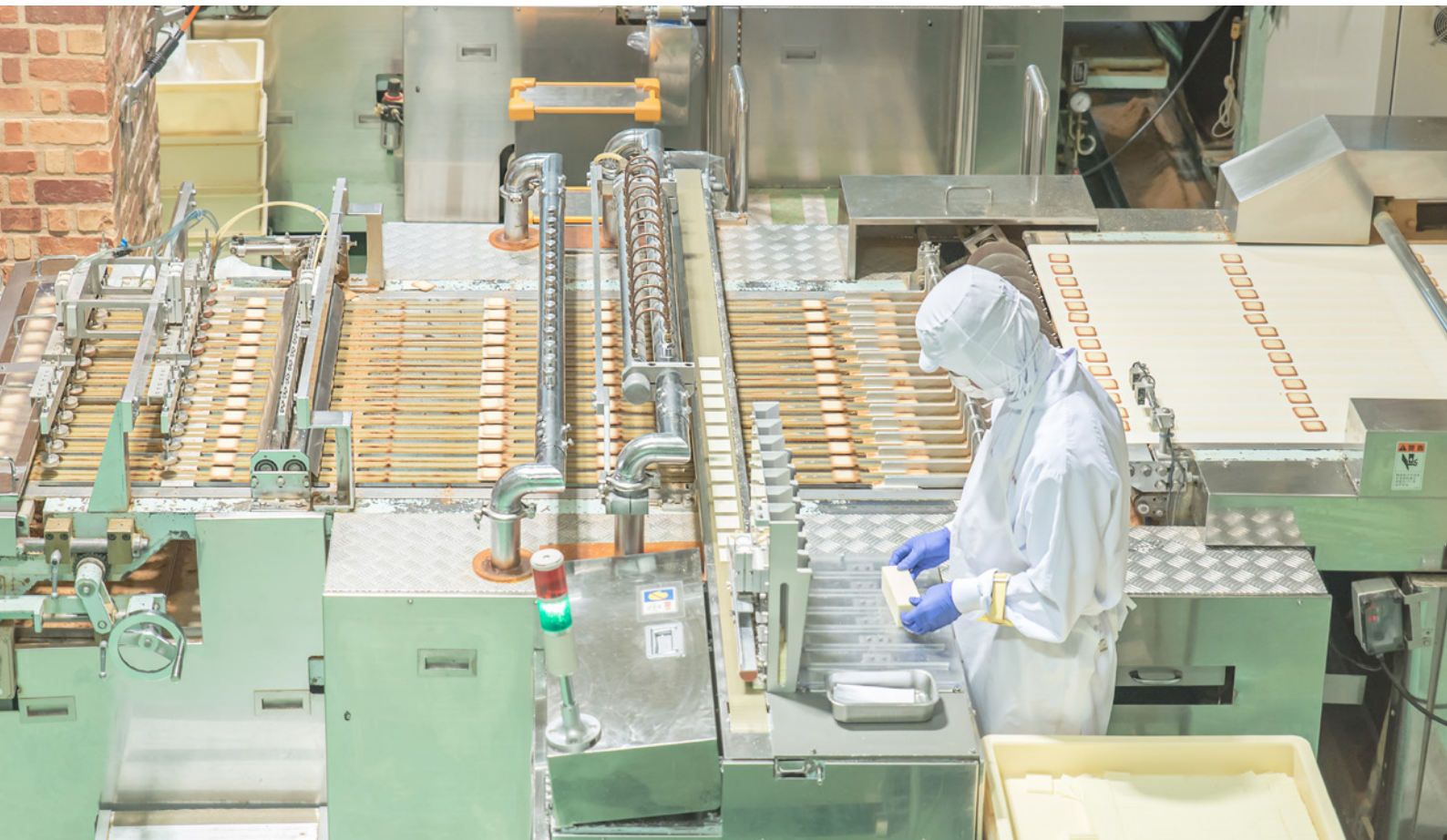
In 2021, an international glove producer's share price reportedly dropped by over 35% when a shipment of its products was banned from entering the United States market due to the alleged use of forced labour. Media also reported its revenue fell by over 25% in the next quarter. The ban also reportedly affected the company's plan to proceed with a dual listing in a third country. The import ban was subsequently lifted by the United States Government after it determined identified indicators of forced labour had been addressed by the company.

### **Operational drivers for action**

Addressing human rights risks can help prevent operational risks, such as project delays or cancellations and contribute to a more stable operating environment. Importantly, businesses that do not take meaningful action to manage these risks may also be at risk of litigation by third parties. These litigation processes can be expensive, disruptive and may take years to resolve (even if the parties bringing the case are ultimately unsuccessful).

#### **Real-life example: Litigation risks**

In 2019, an NGO filed a class action lawsuit against a number of global technology companies relating to alleged exploitation in their global supply chains. The lawsuit was filed in the US and related to the alleged use of child labour in cobalt supply chains in West Africa. Importantly, the lawsuit essentially alleged the technology companies had not done sufficient due diligence on their raw materials suppliers. The lawsuit was dismissed in 2021 and an appeal was subsequently filed in 2022. The lawsuit has attracted ongoing media publicity.



## What Are The Japanese Due Diligence Guidelines?

The Government of Japan published the [Guidelines on Respecting Human Rights in Responsible Supply Chains](#) on 13 September 2022. These Due Diligence Guidelines are based on the UNGPs and aim to support Japanese businesses

(including investors) to meet their responsibility to respect human rights. The visual below explains the key elements of the Due Diligence Guidelines.

Going forward, it is important that investors and investee companies

covered by the Due Diligence Guidelines take steps to strengthen their human rights risk management, including taking action to manage modern slavery risks.



### The need for the Due Diligence Guidelines

The development of the Guidelines on Respecting Human Rights in Responsible Supply Chains followed the launch of Japan's National Action Plan on Business and Human Rights in October 2020.

A [Government survey](#) of over 2,700 companies listed on the Tokyo Stock Exchange subsequently found that 1 in 5 companies had no human rights guidelines or safeguards in place. Japanese companies who responded cited a lack of adequate guidance on how to carry out effective due diligence as the key barrier to implementation of the UNGPs in their response to the survey. These findings reportedly helped inform the decision of the Government of Japan to develop guidance for businesses.

These results also aligned with additional survey findings by third party studies. According to a June 2021 [Nikkei Asia](#) poll, only 12% of Japanese companies actively screened for human rights risks in their operations, despite nearly 80% of companies viewing human rights violations as a growing risk to their business.

A separate [survey](#) by the Japan Bank for International Cooperation reported that about 50% of Japanese companies had human rights policies or were discussing implementing them in the future, but only 11% were taking active measures at the time to address human rights risks.

## Due Diligence Guidelines at a glance: 4 key questions investors and other businesses need to know

### What types of human rights are covered by the Due Diligence Guidelines?

The Due Diligence Guidelines cover all internationally recognised human rights.

### What types of businesses are covered by the Due Diligence Guidelines?

All businesses with operations in Japan (not just those incorporated in Japan) should follow the Due Diligence Guidelines. The Due Diligence Guidelines are applicable to businesses of all sizes and sectors, which could include investors<sup>I</sup>.

### What do the Due Diligence Guidelines expect investors and other businesses to do?

The Due Diligence Guidelines expect businesses (including investors) to undertake human rights due diligence to address actual and potential adverse human rights impacts connected with their own activities and business relationships. The Guidelines indicate this includes adverse human rights impacts across businesses' value chains, whether inside or outside Japan<sup>II</sup>.

Under the UNGPs, 'business relationships' has a wide definition and has been interpreted to also include investors' relationships with their investee companies. Given the Due Diligence Guidelines use this phrase from the UNGPs, Japanese investors should consider how human rights risks could occur across their own corporate supply chains, as well as their investee companies' operations and value chains.

### Are the Due Diligence Guidelines legally binding?

Although not legally binding, businesses are expected to follow the Due Diligence Guidelines. The Government of Japan has indicated it expects businesses to meet the expectations for responsible business conduct set out in the Guidelines and may provide businesses that can demonstrate steps to respect human rights with preferential access to public sector procurement opportunities. Other stakeholders, including civil society, business partners, investor peers and customers are also likely to expect businesses to understand and apply the Due Diligence Guidelines.

Importantly, the Due Diligence Guidelines also highlight that new and emerging laws internationally require businesses to respect human rights. While these laws may not apply directly to Japanese businesses, foreign business covered by such legislation are now more likely to ask Japanese suppliers, and in some cases customers, to strengthen their human rights risk management.

I. Although the Due Diligence Guidelines do not explicitly state that they apply to investors, the document makes it clear that they are intended to cover 'all business enterprises' irrespective of size, sector and other factors. More broadly, investors are also expected to meet the expectations set out in the UNGPs, on which the Due Diligence Guidelines are based.

II. The Due Diligence Guidelines use the term 'supply chain' rather than value chain and define supply chain as including activities both upstream (such as sourcing of raw materials) and downstream (such as the sale, consumption and disposal of products and services).

# Managing Modern Slavery Risks

## Understanding modern slavery

Modern slavery is a key human rights issue. Due to its prevalence and scale, it is likely to be relevant to many investors and other businesses, who should take steps to manage potential modern slavery risks. For this reason, the following section provides detailed guidance on managing modern slavery risks in line with the UNGPs and Japanese Due Diligence Guidelines. This approach can also be used as a model by businesses to inform their actions to manage other human rights risks.

### What is modern slavery and why is it a human rights issue?

There are a wide range of internationally recognised human rights relevant to work. This group of human rights are often called labour rights and aim to safeguard people from dangerous, unfair, harmful, or exploitative working conditions. For example, labour rights include the rights to a safe and healthy working environment, to freedom of association and collective bargaining, and freedom from discrimination in the workplace.

All forms of human rights harm in the workplace are serious and should never be tolerated by governments or businesses. However, some adverse human rights impacts in the workplace can cause especially severe harm to people because they involve using coercion, threats or deception to take away a person's freedom so they can be exploited. This includes exploitive practices such as servitude, forced labour, debt bondage, trafficking in persons and the worst forms of child labour<sup>III</sup>. Collectively, these exploitive practices are called 'modern slavery'.

## Modern Slavery

Modern slavery includes a range of exploitive practices. These exploitive practices have different legal meanings but involve similar conduct. The examples below illustrate the different ways modern slavery can occur in businesses' operations and value chains.

### Slavery

When a person is treated as though they are owned by another person.

Workers in South East Asia travel from the country to a major city in another country to work in a garment factory. When they begin work, they are unable to leave the factory compound and are not paid. The factory owner employs security staff to ensure the workers cannot escape. After several years, the factory owner 'sells' the workers to another factory.

### Forced Labour

When coercion is used to make a person work against their will.

A cleaning company recruits new workers from overseas and confiscates their passports when they arrive. The workers are significantly underpaid and are physically abused when they try to leave.

### Debt Bondage

When a debt is used to force a person to work.

A construction company employs migrant workers as labourers on its sites. The workers are required to repay a large recruitment fee with excessive interest rates, which takes most of their income. When they complain, they are falsely told they will be jailed for migration fraud if they seek assistance from the authorities.

### Trafficking in persons

When force, fraud, coercion or deception are used to recruit, move or receive a person so they can be exploited through other forms of modern slavery.

Agricultural workers hire a guide to help them illegally cross the border to another country where they plan to find work. The guide takes the workers across the border, confiscates their passports and tells them he knows where they can find work. Instead, he takes the workers to a farm where the workers are exploited.

### Worst Forms of Child Labour

Includes situations when a child is made to do hazardous work which is harmful to their health, safety, or morals.

Children are used to mine minerals, which involves serious risks to their safety. The minerals are used in electronics components manufactured by a technology company.

III. While this guidance note is focused on modern slavery practices that occur in the workplace, modern slavery can also occur outside of the workplace, including in private homes. For example, some stakeholders such as Walk Free and the Australian Government include forced marriage in the definition of modern slavery.



## How prevalent is modern slavery and where does it happen?

Modern slavery is a complex issue and affects tens of millions of people worldwide. Importantly, modern slavery can occur in both developed and developing countries and in a wide range of sectors.

The exact prevalence of modern slavery is difficult to estimate. However, the [Global Estimates of Modern Slavery](#) (Global Estimates) produced by Walk Free (a modern slavery focused civil society organisation), the International Labour Organization (ILO) and International Organization for Migration (IOM), estimate that approximately 50 million people were in situations of modern slavery in 2021. This is an increase of more than 18% since 2016<sup>IV</sup> (the last year assessed by the Global Estimates).

Many modern slavery victims are never identified and only a small proportion of offenders are prosecuted. For example, although estimates suggest there are 50 million people in modern slavery, global law enforcement data analysed in the US Government's annual [Trafficking in Persons Report 2022](#) showed that in 2021 only 90,354 victims were identified and less than 11,000 offenders prosecuted. As a result of the challenges in identifying victims and prosecuting offenders, it can be difficult to develop accurate data about the prevalence of modern slavery in specific sectors or countries. This means the true number of victims may be higher than estimates suggest.

Modern slavery can be found in every country, regardless of its

wealth or development level.

The Global Estimates indicate that over half (52 per cent) of all forced labour can be found in upper-middle income or high-income countries. By region, Asia and the Pacific is estimated to have the highest number of people in forced labour<sup>V</sup> (15 million victims), followed by Europe and Central Asia (4.1 million victims). However, when measured as a proportion of the population, the Arab States are estimated to have the highest prevalence of forced labour (5.3 in every thousand people).

The causes of modern slavery can be complex and there are a range of factors that can contribute to victims' vulnerability.

The concept of 'human security' developed by the United Nations Development Programme highlights that peoples' vulnerability to issues such as modern slavery can be affected by multiple interconnected factors across seven key areas of insecurity: economic; political; food; community; personal; health; and environment.

These factors can create conditions in which individuals and communities are more vulnerable to exploitation and abuse, including modern slavery.

Modern slavery is relevant to all investors and other businesses because it can occur in their operations and their value chains, including in investors' portfolios. The Global Estimates indicate that 86 per cent of all forced labour occurs in the private economy, which includes businesses' operations and value chains.

IV. When measured as a proportion of the population.

V. The Global Estimates measure modern slavery using a typology based on forced marriage and forced labour and do not distinguish between forced labour and other modern slavery practices that can occur in the workplace.

## Spotlight on Japan

Walk Free's 2023 [Global Slavery Index](#), which estimates the number of modern slavery victims per country, estimates there were approximately 144,000 modern slavery victims in Japan in 2021. Although the prevalence of modern slavery in Japan is comparatively lower than some other countries, there are reports of modern slavery occurring in a range of sectors within Japan. For example, Walk Free has reported that migrant workers on Japanese fishing vessels may be exploited and that migrants employed in other sectors such as manufacturing, agriculture and domestic work may also be vulnerable to exploitation. Walk Free has also identified modern slavery risks relating to the exploitation of foreign students.

The US Government has also said in its 2022 Trafficking in Persons Report that it considers that the

Government of Japan does not fully meet minimum US standards for action to eliminate trafficking in persons (a form of modern slavery) but is making significant efforts to do so. Over 2021, the Trafficking in Persons Report indicates the Government of Japan investigated 44 trafficking cases, identified 47 suspected victims and prosecuted 37 alleged offenders. The Trafficking in Persons Report also suggested that 'traffickers subject male and female migrant workers, mainly from Asia, to conditions of labor trafficking' and students are 'at risk for trafficking in the unskilled labor sector'.

In January 2023, the Japanese and United States Governments launched a Task Force on the Promotion of Human Rights and International Labor Standards in Supply Chains. Among other priorities, the taskforce will seek to 'promote best practices for human

rights and internally recognized labor rights due diligence'.

Certain products [imported into Japan](#) and potentially used by businesses to support their operations may also be made using modern slavery overseas. In 2023, Walk Free identified that US\$53.1 billion of at risk products were imported into Japan. These included electronics, garments, fish, solar panels and textiles.

Modern slavery risks may also be present in the downstream value chains of Japanese businesses, including where products produced by Japanese businesses (such as electronic components) could be further processed by customers using exploited labour. Shipping and other logistics services used by customers to transport these products could also involve modern slavery risks.



## Real Life Examples

The following anonymised examples are based on public information about reported modern slavery or other exploitation in companies' operations and value chains.



### Construction

A criminal group in the UK reportedly exploited up to 500 foreign workers over almost 10 years. The criminal group posed as a construction subcontractor and used exploited workers on major commercial and residential sites across London and the UK. Over 30 companies reportedly unknowingly paid the criminal group to provide construction services. Three key offenders from the criminal group were convicted of modern slavery offences after an extensive investigation.



### Mining sector

A Western mining company allegedly benefited from forced labour during the construction of a mine in Africa by a subcontractor. A lawsuit brought against the company claimed military conscripts were forced to work on the construction project and were subjected to torture and other mistreatment. The company denied the claims and the lawsuit was settled out of court.



### Fishing

In 2014 and 2015, over one thousand trafficking victims exploited in the fishing industry were identified on islands near Indonesia. The IOM reported that some victims were made to work up to 22 hours a day for little or no pay. Media reporting suggested the seafood caught by the trafficking victims was sold through global supply chains, including to major grocery stores. In 2016, five fishing boat captains and three crew were jailed for involvement in the exploitation. Many more offenders were reportedly never identified or prosecuted.



### Agriculture

In 2021, United States authorities announced the indictment of over 20 defendants for human trafficking and other charges relating to the alleged trafficking of workers from Mexico and Central America into the United States to be exploited in the agriculture industry. Victims were reportedly: required to work for little or no pay; threatened with deportation and violence; and, in some cases, sexually assaulted. As at December 2022, the matter was before the Courts.



### Fashion

In 2022, 130 workers in Myanmar commenced a lawsuit in the UK against a major global supermarket and merchandise retailer alleging that they had been exploited in a clothing factory used by the company. Media reporting on the lawsuit outlined claims from workers of significant underpayment, excessive working hours, confiscation of workers' identity documents, and poor accommodation for workers.

---

# How could investors and other businesses be involved in modern slavery?

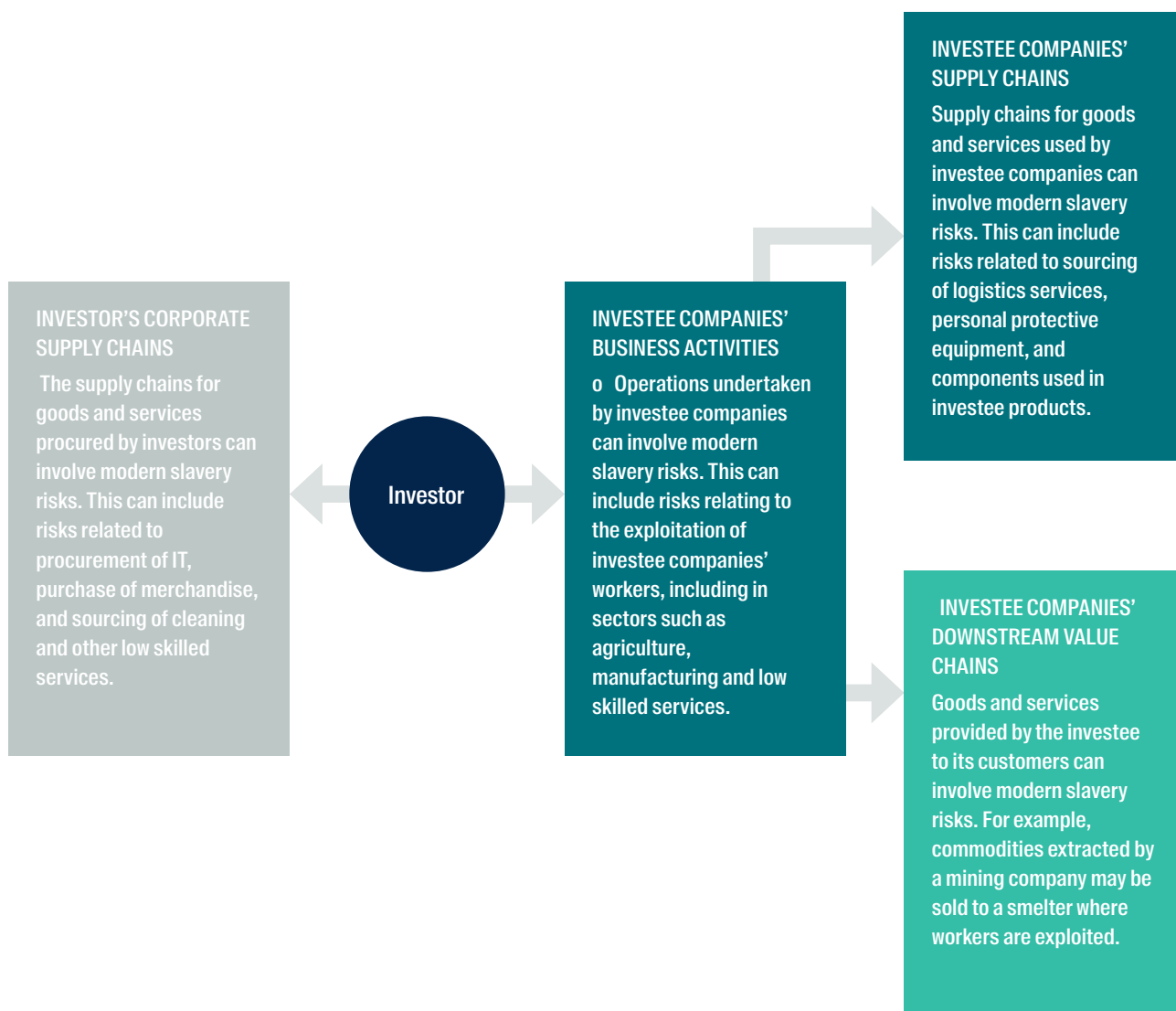
Investors and other businesses could be involved in modern slavery and other adverse human rights impacts in a range of ways. The 'continuum of involvement' set out in the UNGPs and used in the Japanese Due Diligence Guidelines provides a framework for investors and other businesses to understand their risks of involvement in adverse human rights impacts such as modern slavery.

## Example: how modern slavery can occur in investors' operations and value chains

The widespread nature of modern slavery means that this issue is likely to affect the operations and value chains of many businesses around the world, including investors and their investee companies.

In order to meet their responsibility to respect human rights, it is important

that all businesses understand how modern slavery could occur in their operations and value chains (including investors' investment portfolios). The visual below explains where modern slavery risks could occur in an investor's operations and value chains.





## Applying the UNGPs continuum of involvement

The UNGPs explain that businesses can be involved in adverse human rights impacts through a continuum of involvement: by causing; contributing to; or being directly linked to the impact. These concepts are explained in the visual below using modern slavery as an example.

Businesses' level of involvement affects the way that they are expected to respond to any impacts they identify, including in relation to providing for or cooperating in remediating harm, such as through providing compensation, or a guarantee of non-repetition.

Investors and other businesses should use this continuum of involvement to inform their human rights due diligence, including as part of work to implement the Japanese Due Diligence Guidelines.

APPLYING THE UNGPS' CONTINUUM OF INVOLVEMENT ©		
CAUSING THE IMPACT	CONTRIBUTING TO THE IMPACT	DIRECTLY LINKED TO THE IMPACT
Investors and other businesses can cause modern slavery and other human rights impacts where their actions directly result in modern slavery practices occurring.	Investors and other businesses can contribute to modern slavery and other human rights impacts where their actions or omissions significantly facilitate, enable or incentivise modern slavery practices occurring.	Investors and other businesses can be directly linked to modern slavery where they are connected to modern slavery practices through their products, services or operations (such as a sub-supplier using modern slavery in the manufacturing of components for the company).
<p><b>Investee company:</b> A manufacturing company knowingly exploits migrant workers in its factories.</p> <p><b>Investor:</b> A global investor knowingly exploits lower skilled workers overseas engaged to perform business processing functions.</p>	<p><b>Investee company:</b> A textiles company requires a material supplier to reduce costs to a level that can only be met by exploiting workers and does nothing to mitigate the situation.</p> <p><b>Investor:</b> An investor that has a seat on an investee company board is aware the investee company is involved in modern slavery practices in its manufacturing facilities. The investor decides not to take any action to report the exploitation or work with the investee company to change its practices.</p>	<p><b>Investee company:</b> An infrastructure company orders solar panels from a wholesaler. These panels were made by a sub-supplier using materials manufactured through modern slavery deeper in the supply chain.</p> <p><b>Investor:</b> An investor's portfolio includes a company which identifies one of its suppliers is engaging in modern slavery, despite the company taking steps to work with suppliers to address modern slavery risks.</p>
Expectations for action		
The UNGPs set out specific expectations for how a business (including an investor) should respond if it identifies it is causing, contributing to, or is directly linked to an adverse human rights impact, such as modern slavery. These expectations are reflected in the Japanese Due Diligence Guidelines.		
<ul style="list-style-type: none"> <li>• Stop or prevent the impact</li> <li>• Provide for or cooperate in remediation</li> </ul>	<ul style="list-style-type: none"> <li>• Stop or prevent contribution</li> <li>• Use leverage to mitigate any remaining impact, as far as possible</li> <li>• Provide for or cooperate in remediation</li> <li>• Decide whether to stay in the business relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Build or use leverage to prevent and mitigate the impact</li> <li>• Be able to show ongoing efforts to mitigate the impact</li> <li>• Potentially take a role in remediation</li> <li>• Decide whether to stay in the business relationship</li> </ul>

## Practical Recommendations for Investor Action: How to Manage Human Rights Risks in Line With the Expectations Set Out in The Due Diligence Guidelines

The Japanese Due Diligence Guidelines set out general expectations for businesses (including investors) to respect all internationally recognised human rights. In line with the UNGPs, these general expectations address three key areas: adoption of a human rights policy; undertaking human rights due diligence; and remediation.



Modern slavery is an example of a human rights issue that investors and other businesses should take steps to manage in line with the Due Diligence Guidelines. The table below outlines how investors and other business can apply the general expectations set out in the Due Diligence Guidelines, using modern slavery as a specific example.

Importantly, this provides a model for how investors and other businesses could address other human rights issues. Further guidance for investors seeking to engage with investee companies on modern slavery, and other human rights risks, can be found in Appendix A.



ADOPTION OF A HUMAN RIGHTS POLICY <sup>vi</sup>		
What do the Due Diligence Guidelines say?	How can investors apply this specific expectation to their modern slavery risk management?	What practical actions can investors take?
<ul style="list-style-type: none"> <li>Businesses should adopt a policy committing to respect human rights.<sup>1</sup></li> <li>Human Rights Policies should be: approved at the most senior level of the business; informed by appropriate expertise; effectively communicated; and embedded into operational policies such as procurement guidelines.<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Actions taken by investors to manage modern slavery risks should be integrated with broader work across the business to manage other human rights risks.</li> <li>Developing and implementing a Human Rights Policy can provide a framework for investors to coordinate their approach to managing modern slavery risks with other steps they may be taking in relation to broader human rights risks.</li> <li>The Due Diligence Guidelines also suggest that Human Rights Policies reflect key human rights risks for the business,<sup>3</sup> which could include modern slavery.</li> </ul>	<ol style="list-style-type: none"> <li><b>Portfolio and corporate supply chain:</b> Commit to respect human rights by developing a public Human Rights Policy.</li> <li><b>Portfolio:</b> Update ESG and responsible investment policies to ensure they address relevant human rights risks, such as modern slavery (this should include references to any Human Rights Policy).</li> <li><b>Corporate supply chain:</b> Set clear expectations for corporate suppliers (such as facilities management providers including cleaning and ICT suppliers) to respect human rights, including managing modern slavery risks, including through contract clauses and Supplier Codes of Conduct.</li> </ol>

## HUMAN RIGHTS DUE DILIGENCE

What do the Due Diligence Guidelines say?	How can investors apply this specific expectation to their modern slavery risk management?	What practical actions can investors take?
<b>Identifying and assessing human rights impacts</b>		
<ul style="list-style-type: none"> <li>• Businesses should identify and assess any actual or potential adverse human rights impacts in which they may be involved through their own activities or business relationships.<sup>4</sup></li> <li>• This process should be ongoing and take into account vulnerable or at risk stakeholders.<sup>5</sup></li> <li>• Businesses should prioritise action to address the most severe adverse impacts.<sup>6</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Modern slavery is an example of a human rights impact that should be assessed on an ongoing basis by investors and their investee companies.</li> <li>• Modern slavery risk assessments should be informed by engagement with affected stakeholders, paying particular attention to vulnerable or at risk stakeholders, such as migrant workers; or by encouraging investee companies and suppliers to engage with these parties.</li> </ul>	<ul style="list-style-type: none"> <li> <b>1. Portfolio:</b> Ensure modern slavery risks are integrated into any broader ESG risk assessment and due diligence processes (such as screening tools).</li> <li> <b>2. Portfolio:</b> Mandate consideration of modern slavery risks at investment decision-making stage (such as by an investment committee).</li> <li>  <b>3. Portfolio and corporate supply chain:</b> Engage with potentially affected stakeholders or their representatives (such as workers' representatives) to help understand modern slavery risks for investee companies' and investors' corporate supply chains. This engagement should pay particular attention to vulnerable or at risk stakeholders, such as migrant workers.</li> </ul>
<b>Preventing or mitigating adverse impacts</b>		
<ul style="list-style-type: none"> <li>• Businesses should avoid <u>causing or contributing</u> to adverse human rights impacts through their business activities (which could include impacts in their own operations, investments and value chains).<sup>7</sup></li> <li>• In addition, businesses should take steps to prevent and mitigate adverse human rights impacts that are <u>directly linked</u> to their operations, products or services by a business relationship, including by using their leverage (their ability to influence the actions of a third party that may be causing or contributing to adverse human rights impacts).<sup>8</sup></li> <li>• Businesses should generally only disengage from entities causing or contributing to adverse human rights impacts as a last resort (including divesting from investee companies). Rather than disengaging, businesses should first seek to address the adverse human rights impacts, including by using or building their leverage.<sup>9</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Investors should consider how they might cause, contribute or be directly linked to modern slavery through their operations, products or services (including their investment portfolios and their own corporate supply chains) and take appropriate steps to manage these risks.</li> <li>• Investors should also encourage their investee companies and their own suppliers to assess their involvement in modern slavery risks in line with the UNGPs' continuum of involvement and take meaningful action to manage these risks.</li> </ul>	<ul style="list-style-type: none"> <li>  <b>4. Portfolio and corporate supply chain:</b> Designate a selected senior leader as responsible for overseeing the organisation's response to modern slavery and establish a cross-functional working group to help coordinate the response. Integrate the response to modern slavery into existing governance structures or develop additional governance structures as required.</li> <li>  <b>5. Portfolio and corporate supply chain:</b> Provide training about modern slavery risks to relevant investment teams, as well as any teams responsible for responsible investment or ESG issues, and internal procurement teams. This should include developing a plan for ongoing training where appropriate.</li> <li> <b>6. Portfolio:</b> Work with any external investment managers to ensure they are aware of, and taking steps to manage, modern slavery risks.</li> <li> <b>7. Portfolio:</b> Incorporate modern slavery issues into stewardship activities, including engagement with specific investee companies.</li> </ul>

Preventing or mitigating adverse impacts (continued)







- 
**8. Portfolio:** Update proxy voting guidance to address modern slavery and how to respond to shareholder resolutions on this issue.
- 
**9. Portfolio and corporate supply chain:** Develop an escalation framework for situations where an issue has been identified (this could be linked to the response plan suggested in the remediation section).
- 
- 
**10. Portfolio:** Update divestment policies or guidance to address responsible divestment and modern slavery. This should include information about steps to take to engage with investee companies prior to any divestment decisions, as well as guidance around identifying and managing any modern slavery and broader human rights risks associated with divestment.
- 
**11. Portfolio:** Explore opportunities for collective action with other investors to build leverage, including through collaborative sector initiatives.
- 
**12. Corporate supply chain:** Establish modern slavery checks in the supplier onboarding process, such as checking whether suppliers have modern slavery policies.

Tracking effectiveness




- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Businesses should track whether they have been effective in their human rights risk management and focus on continuous improvement.<sup>10</sup></li> </ul> | <ul style="list-style-type: none"> <li>• Investors that take action to manage modern slavery risks should consider how they track the effectiveness of these actions.</li> <li>• Investors should also encourage their investee companies and their own suppliers to put processes in place to track the effectiveness of their modern slavery risk management.</li> <li>• External stakeholders are generally likely to recognise that securing an effective response will be a continuing exercise. In this context, external stakeholders are likely to expect to see that the business has robust ways to track effectiveness and is improving over time, not that the business can say with certainty straight away that its response is effective.</li> </ul> | <ul style="list-style-type: none"> <li>  <b>13. Portfolio and corporate supply chain:</b> Develop key metrics to help track the effectiveness of key actions taken to manage modern slavery risks (for both investment and internal procurement teams). Where possible, this should include metrics focused on outcomes (such as increases in awareness after training) as well as outputs (the number of people trained).         </li> <li>  </li> <li>  <b>14. Portfolio and corporate supply chain:</b> Where possible, seek feedback from external stakeholders, including civil society, collaborative sector groups, and potentially affected groups or their representatives. Engagement with potentially affected stakeholders and their representatives could include workers and their trade unions, as well as communities that may be affected by businesses' activities (such as the local community near a new factory or mine site operated by an investee company).         </li> <li>  </li> </ul> |
|--|---|--|



### Communicating actions

- Businesses should be able to explain to internal and external stakeholders how they are meeting their responsibility to respect human rights.<sup>11</sup>
  - Stakeholders may expect investors to publicly communicate their actions to address modern slavery risks.
  - Investors should also encourage their investee companies and their own suppliers to communicate their own actions to manage modern slavery risks.
- 
**15. Portfolio and corporate supply chain:** Explain actions to manage modern slavery risks relating to investee companies and investors' own corporate supply chains in public reporting, such as any responsible investment, ESG reports, modern slavery statements, or in general ESG sections of the investor's website. It is important to be transparent, including about lessons learned and ongoing challenges.vii
   

  - 
**16. Portfolio:** Communicate with clients about how modern slavery risks relating to investee companies are managed.
   

  - 
**17. Portfolio and corporate supply chain:** Explore opportunities to communicate with potentially affected stakeholders and their representatives, such as through a forum with civil society organisations.
   


## APPROPRIATE REMEDIATION

What do the Due Diligence Guidelines say? <sup>viii</sup>	How can investors and other businesses apply this specific expectation to their modern slavery risk management?
<ul style="list-style-type: none"> <li>• Businesses should provide for, or cooperate in, remediating adverse human rights impacts they have caused or contributed to.<sup>12</sup></li> <li>• Businesses may take a role in remediating adverse human rights impacts they are directly linked to through their operations, products or services.<sup>13</sup></li> <li>• Businesses should also utilise their leverage (their ability to influence the actions of the third party that may be causing or contributing to human rights impacts) to prevent or mitigate human rights impacts they are directly linked to through their operations, products or services. If the business lacks leverage, they should seek to build their leverage, such as through collaboration with other businesses.<sup>14</sup></li> <li>• Businesses should establish an effective grievance mechanism in accordance with the UNGPs.<sup>15</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Investors should take steps to help ensure they would be able to respond to and, where appropriate, remediate or cooperate in the remediation of modern slavery, in line with the expectations set out in the Due Diligence Guidelines.</li> <li>• Investors should also encourage their investee companies and their own suppliers to put processes in place to appropriately respond to and remediate modern slavery.</li> </ul> <div style="margin-top: 20px;">  <p><b>18. Portfolio and corporate supply chain:</b> Develop an internal response plan for how to respond to modern slavery incidents or allegations relating to investee companies or suppliers (including any reports made through the reporting tool recommended below). The cross functional working group suggested above could be responsible for managing any incidents or allegations under the response plan.</p> </div> <div style="margin-top: 20px;">  <p><b>19. Portfolio and corporate supply chain:</b> Set expectations for how investee companies and suppliers should manage modern slavery complaints relating to their operations and value chains. This could include encouraging investee companies and suppliers to develop and maintain trusted and accessible grievance mechanisms set up in line with the Due Diligence Guidelines (and the UNGPs more broadly) to enable the reporting of modern slavery and other labour rights concerns by their workers and other stakeholders, such as suppliers' workers.</p> </div> <div style="margin-top: 20px;">  <p><b>20. Corporate supply chain:</b> Explore developing a reporting tool operated by the investor that suppliers' workers (and potentially the investor's own workers if another mechanism is not available) could use to report concerns relating to modern slavery and opportunities to help ensure the tool is trusted and accessible.</p> </div>

vi In some cases, the terminology used in the Japanese Due Diligence Guidelines and reflected in this table may vary slightly from the UNGPs. However, the two documents are closely aligned.

vii For example, this could involve including information about key actions taken, extent of engagement with investee companies and high level information on any instances of modern slavery identified in their operations or value chains.

viii The Due Diligence Guidelines refers to businesses providing for or cooperating in remediation "where it has become clear that a business enterprise caused or contributed to adverse human rights impacts." The UNGPs, on which the Guidelines are based, state that businesses should provide for or cooperate in remediating adverse human rights impacts where they "identify" they have caused or contributed to the impact (Guiding Principle 22).

1. The Government of Japan (2022) Guidelines on Respecting Human Rights in Responsible Supply Chains.

2. Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises (2011) UN Guiding Principles on Business and Human Rights.

3. The Asahi Shimbun (2022) Japan prodding firms to monitor human rights in supply chains.

4. See for example Article 32 of the UN Convention on the Rights of the Child, adopted 20 November 1989.

5. Walk Free, International Labour Organization and the International Organization for Migration (2022) Global Estimates of Modern Slavery: Forced Labour and Forced Marriage (p. 2).

6. United States Department of State (2022) Trafficking in Persons Report (p. 62).

7. Walk Free, International Labour Organization and the International Organization for Migration (2022) Global Estimates of Modern Slavery: Forced Labour and Forced Marriage (p. 18).

8. Ibid (p. 18).

9. Ibid (p. 18).

10. United Nations Development Programme (1994) Human Development Report 1994 – New Dimensions of Human Security.

11. Ibid (p. 3).

12. Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises (2011) UN Guiding Principles on Business and Human Rights.

13. The Government of Japan (2022) Guidelines on Respecting Human Rights in Responsible Supply Chains (p. 15).

14. Ibid (p. 15).

15. Ibid (p. 15).

16. Ibid (pp. 17-18).

17. Ibid (p. 20).

18. Ibid (p. 13).

19. Ibid (p. 23).

20. Ibid (p. 25).

21. Ibid (pp. 25-26).

22. Ibid (p. 30).

23. Ibid (p. 31).

24. Ibid (p. 33).

25. Ibid (p. 33).

26. Ibid (p. 33).

27. Ibid (p. 34).

## Hypothetical Example: How an Investor can Take Action to Manage its Modern Slavery Risks

Investment Firm A is a global investor with operations and investee companies in Japan. Firm A is working to implement the Due Diligence Guidelines and identifies modern slavery as a key human rights impact that could occur in its corporate supply chains and investment portfolio.

Firm A establishes a cross-functional working group to oversee its modern slavery risk management. The working group includes representatives from its responsible investment team, key investment teams responsible for various asset classes, its legal team and its procurement team.



The working group develops a modern slavery action plan and decides to focus on a number of key steps. These include:

**Drafting a Human Rights Policy to publicly set out Firm A's commitment to respect human rights.**

**Developing a Supplier Code of Conduct to set clear expectations around modern slavery for Firm A's suppliers, including its higher risk cleaning and merchandise providers.**

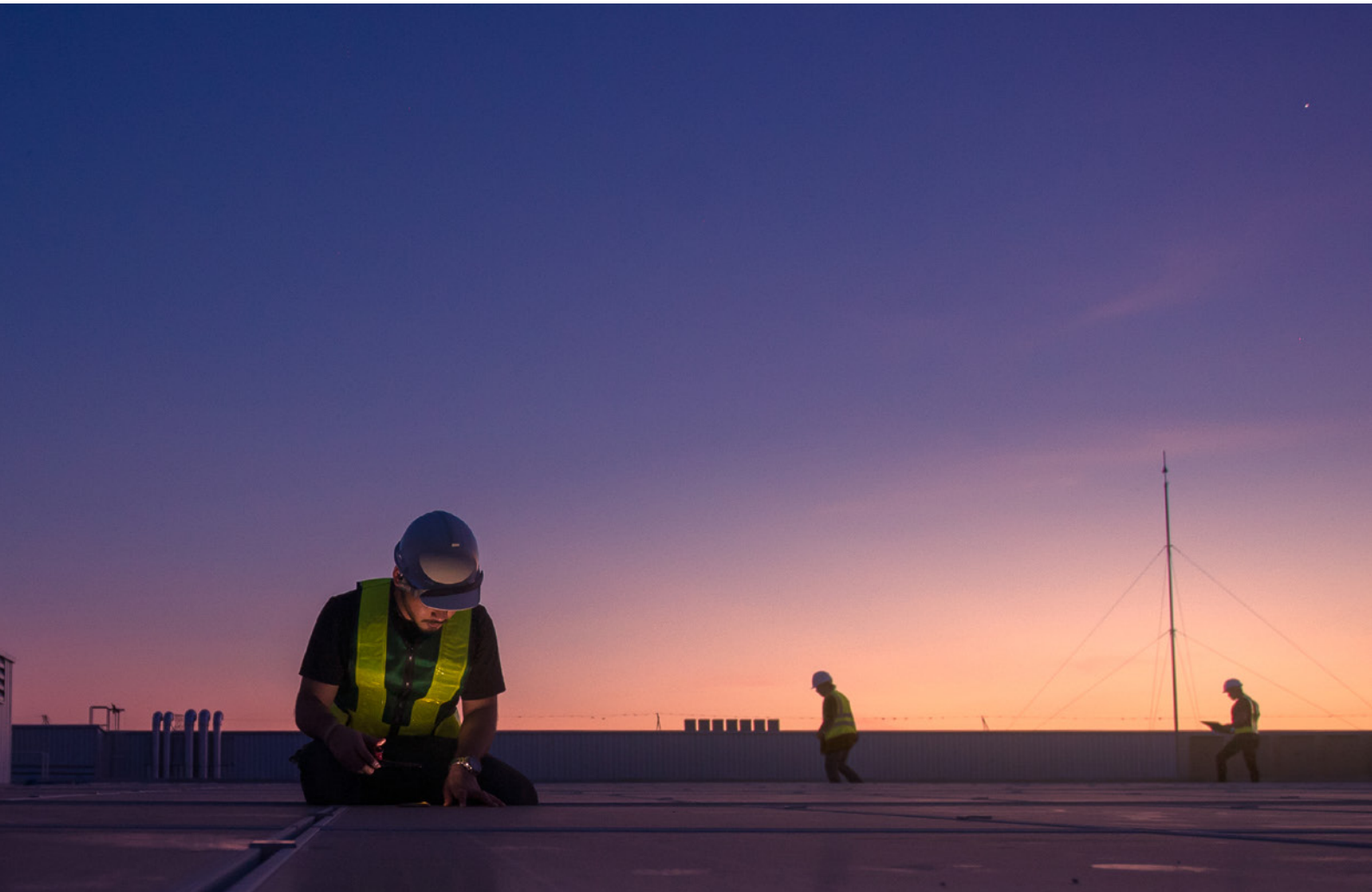
**Engaging an external business and human rights expert to deliver tailored modern slavery training to key staff from procurement and investment teams.**

**Undertaking a modern slavery risk assessment of its investment portfolio to identify asset classes and types of investee companies which may involve higher modern slavery risks.**

**Engaging with selected investee companies as part of existing stewardship activities to encourage them to strengthen their own modern slavery responses.**

**Including modern slavery checks in existing ESG due diligence tools used to guide potential investment decisions.**

The working group also makes plans to join a multi-stakeholder group focused on modern slavery to help it collaborate with other stakeholders and to review whether its current whistleblower mechanism is suitable to receive and manage any potential modern slavery complaints



## Conclusion

Human rights issues present a complex challenge for investors, with material risks if not properly addressed. Investors, business and Governments all have important roles to play in order to make meaningful progress in addressing these issues. Some steps investors can take to manage human rights risks include:

- Developing a human rights policy and/or integrating human rights into broader ESG or responsible investment policies.
- Integrating ongoing human rights risk assessments into broader ESG risk assessments and due diligence processes. This could include engagement with potentially impacted stakeholders to better understand the risks.
- Provide training to relevant teams across the business.
- Incorporate human rights issues into stewardship activities. This should include an escalation and remediation process where incidents are identified.
- Develop key metrics to help track the effectiveness of actions taken to manage human rights risks. Where possible, this should include metrics focused on outcomes (such as increases in awareness after training) as well as outputs (the number of people trained).





Appendix A:  
**Practical Recommendations  
for Investor Engagement with  
Investee Companies**

It is important investors engage with investee companies about their human rights risk management, including the risk of modern slavery. Asking investee companies questions about modern slavery can help investors to better understand how they may be exposed to modern slavery risks through their portfolios and can also drive action by investee companies to strengthen their responses.

This engagement can occur as part of pre-acquisition due diligence, as well as through ongoing stewardship activities. The nature and extent of engagement may vary based on the asset type and the investor's leverage. For example, an investor which owns an infrastructure asset and holds a position on the asset's board will be able to engage differently to an investor with a large number of passive investments in listed equities.

The questions below focus on modern slavery but could be adapted to address other human rights issues.

## Four Key Questions to Ask Investee Companies

The four questions below can provide a starting point for understanding whether an investee company's modern slavery risk management approach is fit for purpose.

?

Has your business identified any instances of modern slavery in your operations or value chains in the last two years?

?

If yes, how have you responded, including any steps to provide for, or cooperate in, remediation?

?

If no, do you think your business has the right policies and processes in place to identify modern slavery?

?

What do you think are the most and least well-developed parts of your business' current modern slavery risk management approach and how does your business plan to further strengthen its modern slavery risk management over the next 12 months?

It is important to expand on these initial questions with additional inquiries in order to fully understand the investee company's modern slavery response and whether it is taking meaningful action to manage its modern slavery risks. Some or all of the supplementary questions below can be used to inform more detailed engagement with investee companies as appropriate. These supplementary questions are aligned with the expectations for businesses to respect human rights set out in the UNGPs and focus on key aspects of modern slavery risk management.

## Supplementary Questions

Use the questions below to engage with investee companies in more detail about specific aspects of their modern slavery risk management. The themes for the questions below align with the core expectations for business action to respect human rights set out in the UNGPs.

THEME	QUESTIONS
Policy Commitment	<ul style="list-style-type: none"> <li>• Has your business developed a Human Rights Policy setting out a commitment to respect human rights? Why / why not?               <ul style="list-style-type: none"> <li>• How is any Human Rights Policy communicated internally within the business and to external stakeholders?</li> <li>• Does the Human Rights Policy specifically address modern slavery or broader labour rights issues? Why / why not?</li> </ul> </li> <li>• How is responsibility for managing modern slavery risks assigned within your business, including at the senior leadership level?               <ul style="list-style-type: none"> <li>• Is there a process for regularly reporting to the Board and senior management about the implementation of the business' modern slavery risk management?</li> </ul> </li> <li>• How does your business ensure that responsibility for managing modern slavery risks is effectively communicated and understood at all levels of the organisation?</li> </ul>
Identifying and assessing impacts	<ul style="list-style-type: none"> <li>• What are the key modern slavery risk areas that could be present in your operations and value chain (including in any business relationships such as joint ventures)?               <ul style="list-style-type: none"> <li>• Are there particular sectors and geographies used in your supply chain that you consider may be higher risk for modern slavery?</li> <li>• Are there any modern slavery risks associated with your customers and how they use the products and services you provide?</li> </ul> </li> <li>• What level of visibility do you have over your supply chains (including beyond direct / Tier One suppliers) and how are you working to improve this (such as by mapping key areas of supply chains)?</li> <li>• What steps has your business taken to identify, verify and understand these risk areas?               <ul style="list-style-type: none"> <li>• What indicators, risk factors and other evidence does your business use to inform risk assessments?</li> <li>• How often are risk assessment processes undertaken or refreshed?</li> <li>• How does your business involve workers and other rightsholders who could be impacted by modern slavery (or their representatives such as unions) in its risk assessment process? If not, are there plans to do so?</li> <li>• Does your business draw on other external expertise to inform its risk assessments, such as civil society or human rights experts?</li> </ul> </li> <li>• Have there been any significant changes to your modern slavery risk profile over the past two years? These could be changes due to factors such as entering new markets or establishing new joint ventures, as well as the impact of external factors such as COVID-19.</li> </ul>

THEME	QUESTIONS
Integrating findings	<ul style="list-style-type: none"> <li>• Is your business taking any steps to address modern slavery risks in your operations? Why / why not?</li> <li>• Does your business address modern slavery in its Supplier Code of Conduct, Ethical Sourcing Policy or similar document? <ul style="list-style-type: none"> <li>• How are these policies communicated internally and externally (such as through training), including to suppliers where relevant?</li> <li>• What happens if there is a breach of these policies?</li> </ul> </li> <li>• Does your business include modern slavery requirements in contract clauses and tender processes? <ul style="list-style-type: none"> <li>• How does your business ensure that these modern slavery requirements are consistently enforced across all relevant contracts and tenders?</li> </ul> </li> <li>• Does your business include modern slavery as part of supplier-specific due diligence processes, including supplier onboarding or audits? <ul style="list-style-type: none"> <li>• Do these due diligence processes include checks relating to unauthorised subcontracting by suppliers?</li> </ul> </li> <li>• How are suppliers selected for audits and what audit providers are used (and do these providers have human rights expertise)?</li> <li>• Does your business prohibit the payment of recruitment fees<sup>12</sup> by its workers and workers in its supply chain? If not, why not?</li> <li>• If your business or key suppliers use labour hire firms<sup>13</sup>, do you take any steps to ensure labour hire workers are not exploited?</li> <li>• Does your business deliver training about modern slavery to key staff (such as procurement teams)? <ul style="list-style-type: none"> <li>• How was this training developed and what does the content include?</li> <li>• Has your business' Board and senior management been provided with any training about modern slavery?</li> </ul> </li> <li>• How does your business ensure that modern slavery considerations are integrated into ongoing supplier management processes, such as contract management and performance evaluations? <ul style="list-style-type: none"> <li>• Does your business consider whether any delivery and pricing requirements it sets for suppliers could increase the risks that suppliers may exploit their workers?</li> </ul> </li> <li>• Does your business collaborate with any business peers in the same or different sectors on modern slavery or engage with any multistakeholder groups? If not, do you have plans to do so?</li> </ul>
Tracking performance	<ul style="list-style-type: none"> <li>• How does your business monitor the effectiveness of its modern slavery risk management actions, including through any relevant KPIs? <ul style="list-style-type: none"> <li>• What kind of performance metrics are used and how were they developed?</li> </ul> </li> <li>• Have you received any feedback from suppliers, workers or their representatives, other business partners, civil society, government, third party benchmarks or other stakeholders about your modern slavery risk management?</li> <li>• Have you updated or changed your approach based on any key learnings to date?</li> </ul>
Communicating actions	<ul style="list-style-type: none"> <li>• How does your business communicate the actions it is taking to manage modern slavery risks, such as through sustainability reporting or modern slavery statements?</li> <li>• Does your business engage with external stakeholders (e.g., investors, customers, suppliers, civil society organisations) on its modern slavery risk management efforts, including to explain your approach and seek feedback?</li> </ul>

THEME	QUESTIONS
Remediation	<ul style="list-style-type: none"> <li>• How would your business respond to a credible report or allegation of modern slavery relating to your operations and supply chains? <ul style="list-style-type: none"> <li>• What steps would you take to determine if remediation was required in line with the UNGPs, including to identify whether your business may have caused, contributed to, or be directly linked to any modern slavery harm?</li> </ul> </li> <li>• Does your business have a grievance mechanism or other tool to allow workers and other stakeholders in your operations and supply chains to raise human rights concerns, including in relation to modern slavery? <ul style="list-style-type: none"> <li>• How well do you think any grievance mechanism is working? Why?</li> <li>• Has your business taken any steps to help ensure any grievance mechanism is trusted by and accessible to workers and other stakeholders?</li> <li>• Does your business set any expectations for suppliers to establish their own grievance mechanisms or promote your business' grievance mechanism?</li> </ul> </li> <li>• Does your business undertake any 'worker voice' activities to help understand the experiences and needs of workers in your operations and supply chains (such as an anonymous survey of factory workers or an app that workers can use to safely voice concerns)?</li> </ul>



## Appendix B: Key Resources

The resources below provide additional information about human rights frameworks, modern slavery, and the role of investors. These resources have not been endorsed by the First Sentier MUFG Sustainable Investment Institute and should not be considered as an exhaustive list.

RESOURCES ON HUMAN RIGHTS FRAMEWORKS AND STANDARDS		
Title	Author	Overview
<a href="#">The UN Guiding Principles on Business and Human Rights (UNGPs)</a>	Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises	The authoritative global standard for managing business impacts on human rights. The Japanese Due Diligence Guidelines and many responsible business laws draw on the UNGPs.
<a href="#">The Corporate Responsibility to Respect Human Rights: An Interpretive Guide</a>	Office of the UN High Commissioner for Human Rights	Provides further guidance on the application of the UNGPs.
<a href="#">OECD Due Diligence Guidance for Responsible Business Conduct</a>	OECD	Provides practical support to enterprises on the implementation of the OECD Guidelines for Multinational Enterprises by providing plain language explanations of its due diligence recommendations and associated provisions.
RESOURCES FOR INVESTORS		
<a href="#">Investor Toolkit: Human Rights with a Focus on Supply Chains</a>	Responsible Investment Association Australasia	Aims to help investors engage constructively with businesses on human rights issues, such as modern slavery.
<a href="#">Investor Toolkit on Human Rights</a> A Japanese version is available <a href="#">here</a> .	Investor Alliance for Human Rights	Sets out detailed practical information for investors to support them to respect human rights.
<a href="#">From Poor Working Conditions to Forced Labour – What’s Hidden in Your Portfolio</a>	Principles for Responsible Investment	Provides a tool to engage food and beverage companies about labour rights (but is also relevant to other sectors).
<a href="#">Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises</a>	OECD	Aims to help investors implement the due diligence recommendations of the OECD Guidelines for Multinational Enterprises.
<a href="#">UNEP FI Human Rights Guidance Tool for the Financial Sector</a>	UNEP Finance Initiative	Signposts information on human rights risks for financial institutions, including human rights issues by sector and topic.
<a href="#">Finance Against Slavery and Trafficking Blueprint for Action</a>	Finance Against Slavery and Trafficking	Aims to provide a framework for the financial sector to demonstrate their commitment to action on modern slavery.
RESOURCES ON MODERN SLAVERY		
Title	Author	Overview
<a href="#">Global Estimates of Modern Slavery: Forced Labour and Forced Marriage 2022</a>	Walk Free, International Labour Organization and the International Organization for Migration	Provides an estimate of the number of modern slavery victims globally and related statistics.
<a href="#">The Global Slavery Index</a>	Walk Free	Provides detailed information on modern slavery (based on 2016 data), including definitions, statistics, and trends, as well as country-specific reports and analysis. The Index also includes information about modern slavery risks relating to goods imported into G20 countries. Note this tool is likely to be updated in 2023.
<a href="#">Forced Labour Commodity Atlas</a>	Verité	Outlines potential links between key commodities and modern slavery, such as cocoa, cotton and palm oil.

<a href="#"><u>The Business &amp; Human Rights Resource Centre</u></a>	The Business & Human Rights Resource Centre	Provides a database of information and resources on human rights issues in the business sector, such as modern slavery, including business responses to allegations.
<a href="#"><u>Modern Slavery Benchmarking Tool</u></a>	Stock Exchange of Thailand, Walk Free & Finance Against Slavery and Trafficking	Aims to help businesses assess and address modern slavery risks in their operations and supply chains. It scores the company's current performance and provides recommendations for improvement.
<a href="#"><u>The Corporate Human Rights Benchmark</u></a>	World Benchmarking Alliance	Provides annual assessments of large global companies' human rights performance across key sectors such as food and agriculture, apparel, extractives, ICT and automotive manufacturing. The fifth iteration of the benchmark in 2022 covered 127 companies in the food and agricultural products, ICT and automotive manufacturing sectors.
<a href="#"><u>The KnowTheChain Benchmark</u></a>	Humanity United, the Business & Human Rights Resource Centre, Sustainalytics, and Verité	Evaluates and ranks the efforts of over 180 companies in the information and communication technology, apparel, and food and beverage sectors to address modern slavery. Multiple benchmarks may be produced each year.
<a href="#"><u>Trafficking in Persons Report</u></a>	The United States Government	Annual report produced by the United States Government which evaluates the efforts taken by governments around the world to address trafficking in persons.
<a href="#"><u>List of Goods Produced by Child Labor or Forced Labor</u></a>	The United States Government	Annual report identifying goods identified by the United States Government as having been produced using child labour or forced labour in countries around the world. The list is compiled based on information from government agencies, research organisations, and other sources.
<a href="#"><u>Responsible Sourcing Tool</u></a>	Verité and the United States Department of State's Office to Monitor and Combat Trafficking in Persons	Aims to help companies assess and address modern slavery risks in their operations and supply chains, including through a risk visualisation tool.
<a href="#"><u>Guidance on Due Diligence for EU Businesses to Address the Risk of Forced Labour in Their Operations and Supply Chains</u></a>	European Union	Seeks to assist businesses to take appropriate measures to address the risk of forced labour in their operations and supply chains, in line with international standards.
<a href="#"><u>Implementing Effective Modern Slavery Grievance Mechanisms: A Guidance Note for Business</u></a>	UN Global Compact Network Australia	Offers practical guidance to businesses about designing and implementing effective business-led grievance mechanisms to manage modern slavery complaints relating to their operations and supply chains. A related case study guide has also been developed.
<a href="#"><u>Official Guidance for Reporting Entities under the Australian Modern Slavery Act</u></a>	Australian Government	Provides detailed guidance about complying with the Australian Modern Slavery Act. Key aspects of the guidance are relevant to all businesses working to manage modern slavery risks (not just those covered by the Australian law). For example, the guidance includes detailed information about assessing and addressing modern slavery risks.



## Important information

This material is for general information purposes only. It does not constitute investment or financial advice and does not take into account any specific investment objectives, financial situation or needs. This is not an offer to provide asset management services, is not a recommendation or an offer or solicitation to buy, hold or sell any security or to execute any agreement for portfolio management or investment advisory services and this material has not been prepared in connection with any such offer. Before making any investment decision you should consider, with the assistance of a financial advisor, your individual investment needs, objectives and financial situation.

We have taken reasonable care to ensure that this material is accurate, current, and complete and fit for its intended purpose and audience as at the date of publication. No assurance is given or liability accepted regarding the accuracy, validity or completeness of this material and we do not undertake to update it in future if circumstances change.

To the extent this material contains any expression of opinion or forward-looking statements, such opinions and statements are based on assumptions, matters and sources believed to be true and reliable at the time of publication only. This material reflects the views of the individual writers only. Those views may change, may not prove to be valid and may not reflect the views of everyone at First Sentier Investors.

About First Sentier Investors

References to 'we', 'us' or 'our' are references to First Sentier Investors, a global asset management business which is ultimately owned by Mitsubishi UFJ Financial Group. Certain of our investment teams operate under the trading names FSSA Investment Managers, Stewart Investors, Igneo Infrastructure Partners and Realindex Investments, all of which are part of the First Sentier Investors group.

We communicate and conduct business through different legal entities in different locations. This material is communicated in:

- **Australia and New Zealand** by First Sentier Investors (Australia) IM Limited, authorised and regulated in Australia by the Australian Securities and Investments Commission (AFSL 289017; ABN 89 114 194311)
- **European Economic Area** by First Sentier Investors (Ireland) Limited, authorised and regulated in Ireland by the Central Bank of Ireland (CBI reg no. C182306; reg office 70 Sir John Rogerson's Quay, Dublin 2, Ireland; reg company no. 629188)
- **Hong Kong** by First Sentier Investors (Hong Kong) Limited and has not been reviewed by the Securities & Futures Commission in Hong Kong
- **Singapore** by First Sentier Investors (Singapore) (reg company no. 196900420D) and has not been reviewed by the Monetary Authority of Singapore. First Sentier Investors (registration number 53236800B) is a business division of First Sentier Investors (Singapore).
- **Japan** by First Sentier Investors (Japan) Limited, authorised and regulated by the Financial Service Agency (Director of Kanto Local Finance Bureau (Registered Financial Institutions) No.2611)
- **United Kingdom** by First Sentier Investors (UK) Funds Limited, authorised and regulated by the Financial Conduct Authority (reg. no. 2294743; reg office Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB)
- **United States** by First Sentier Investors (US) LLC, authorised and regulated by the Securities Exchange Commission (RIA 801-93167)
- **Other jurisdictions**, where this document may lawfully be issued, by First Sentier Investors

International IM Limited, authorised and regulated in the UK by the Financial Conduct Authority (registration number 122512; registered office 23 St. Andrew Square, Edinburgh, EH2 1BB number SC079063).

To the extent permitted by law, MUFG and its subsidiaries are not liable for any loss or damage as a result of reliance on any statement or information contained in this document. Neither MUFG nor any of its subsidiaries guarantee the performance of any investment products referred to in this document or the repayment of capital. Any investments referred to are not deposits or other liabilities of MUFG or its subsidiaries, and are subject to investment risk, including loss of income and capital invested.

© First Sentier Investors Group

