

KnowTheChain Investor Statement

Investor Expectations on Addressing Forced Labor in Global Supply Chains

As investors representing US xx billion in assets under management and with a duty to act in the best interests of our beneficiaries, we believe that environmental, social and governance issues can affect long-term performance and financial returns for portfolio companies.

Forced labor is ubiquitous in today's complex and opaque supply chains. The International Labour Organization (ILO) estimates that 24.9 million people around the world are in situations of forced labor, generating \$150 billion in illegal profits in the private economy. Vulnerable groups such as migrant workers are particularly affected. However, human rights organizations, governments, and the media are increasingly identifying and documenting such exploitative working conditions. Legislation requiring companies to report on actions taken to address forced labor is gaining momentum, with countries such as Australia following the example of the California Transparency in Supply Chains Act and the UK Modern Slavery Act. Leading companies are assessing forced labor risks across supply chain tiers, engaging with suppliers' workers, and helping suppliers to build capacity and address incidents of forced labor where they occur. By supporting decent work in their supply chains, leading companies are able to identify early warning signs, improve stakeholder relationships, and secure a stronger license to operate in communities and countries.

As investors we promote responsible business conduct as outlined in the OECD guidelines and support the United Nations' Sustainable Development Goal 8.7 to eradicate forced labor:

- We believe that investee companies that do not address forced labor risks may be exposed to negative financial, legal, and reputational impacts.
- We welcome analytical tools such as the KnowTheChain benchmarks which rank companies' efforts to address forced labor in their supply chains and support the benchmarks' aim of driving stronger action to end forced labor in high-risk industries.
- We commit to integrating corporate disclosure as well as third-party analysis on companies' efforts to address forced labor in our investment analysis, voting and/or engagement practices as appropriate.

In order to protect long-term value, and in line with the ILO's core labor standards and the UN Guiding Principles on Business and Human Rights, we encourage our investee companies to undertake rigorous human rights due diligence, and in particular to:

- Assess and address forced labor risks, by implementing policies and practices in the following areas: Commitment and Governance, Traceability and Risk Assessment, Purchasing Practices, Recruitment, Worker Voice, Monitoring, and Remedy.¹
- Collaborate with labor and human rights organizations, multi-stakeholder initiatives, governments, peers, and other relevant stakeholders to address systemic risks and identify sector-wide solutions.
- Disclose efforts to prevent and address forced labor across global supply chains, based on good human rights reporting practices such as those set out in the UN Guiding Principles Reporting Framework and recognized in the Corporate Human Rights Benchmark.

¹ The indicators of [KnowTheChain's benchmark](#) methodology provide an overview of steps companies should take to address forced labor in their supply chains. Further, KnowTheChain's benchmark reports provide examples of leading practices by sector.