

FAST INSIGHT 7

Impact investing to reduce modern slavery and human trafficking

About FAST



Finance Against Slavery and Trafficking (FAST) is a global public-private partnership mobilizing the financial sector to fight modern slavery and human trafficking. The [FAST Blueprint](#) (September 2019) sets out five Goals and thirty Actions for financial sector actors to address modern slavery and human trafficking. This Insight focuses on current innovations in impact investing, in line with [FAST Goal 5](#).

While [Insight 2](#) focuses on how investors can engage to reduce modern slavery, this Insight focuses on how impact investors are increasingly looking to base investment decisions around the impact that capital allocation will have on modern slavery.

There is a growing interest in the financial materiality of modern slavery

- A growing array of researchers and investors are beginning to explore how modern slavery risks correlate to financial materiality. Understanding this correlation will allow investors to factor modern slavery risks into investment decisions of all kinds.
- Some investors and asset managers, such as [Arabesque](#), are taking a quantitative approach to identify correlates of performance in ESG data, including data relating to modern slavery risks.
- The Sustainability Accounting Standards Board (SASB) has created evidence-based financially material ESG disclosure standards for corporate filings for 77 industries. SASB is currently updating its disclosure standard on human capital management. Working with researchers based at Columbia University, SASB is exploring the financial materiality of labour exploitation and, partly on this basis, recently chose to include workers in supply chains (and not only employees) in its new Human Capital Management Preliminary Framework.

More Information

- SASB, [Human Capital Management Preliminary Framework](#) (2021).

Some investors are deploying capital to address modern slavery risks in supply chains

- The International Finance Corporation's Global Trade Supplier Finance (GTSF) Program uses social performance contracting in supply chain finance to drive improvements in labour management practices. The GTSF provides working capital financing to factories that sell goods to international buyers and provides preferential pricing to factories demonstrating compliance with widely respected labour standards and purchasing brands' internal codes of conduct. GTSF discounts invoices once they are approved by the buyer. IFC provides this financing directly to suppliers via web-based supplier finance platforms or indirectly through financial institutions, helping to address a huge shortfall in access to finance for small and medium sized enterprises. Since the Program launch in 2012, the GTSF program has disbursed about USD 3 billion to close to 1,000 suppliers across 14 countries. The average invoice size financed was approximately USD 13,000.
- Another example of social finance innovation in supply chains is provided by a collaboration between the Global Fund to End Modern Slavery, Norad, Kois and partners in the Indian construction sector. This initiative targets microcontractors and small labour brokers in the Indian construction sector. Around 240 microcontractors have been reached to date (May 2021). Microcontractors are given training and access to low-cost working capital and work orders, conditional on the adoption of specified workforce management practices. Industry actors are also engaged in developing demand for supply of labour to these standards. The expectation is that these arrangements will deliver not only commercial returns but productivity gains that make the growth of this market sustainable.
- Some donors are also piloting initiatives that introduce outcome-based contracting into rehabilitation programming for modern slavery survivors - with returns determined by placement outcomes.

Others are bringing a modern slavery risk lens into portfolio design and management

- Humanity United, UBS Optimus Foundation and Freedom Fund launched Moving the Market, an initiative to shift investor considerations to include social impacts across asset classes. Through a pooled fund, the initiative aims to "move the market" by supporting projects that support investor demand for socially responsible investing, and advance approaches to account for social impacts in investment decision-making.
- At the retail investor level, new managers such as OpenInvest and Motif Investing allow investors to optimize portfolio allocations based on their prioritization of a range of different ESG risks, including some related to modern slavery.
- Motif Investing, which ran from 2010 to 2020, pioneered thematic investing for retail investors, giving them access to an exchange traded fund-like custom experience with fractional shares. Motif offered an innovative 'Fair Labor' product for investors looking to focus on companies that promote fair wages, safe working conditions and job security. Motif wound down in 2020. Meanwhile, [OpenInvest](#) allows investors to customize passive portfolios based on 'causes', including 'Invest in Ethical Supply Chains'.

- Ergon Associates is partnering with development finance institutions and selected fund managers in order to pilot modern slavery risk identification and management approaches.
- The International Federation of Human Rights (FIDH) and La Banque Postale Asset Management (LBPAM) are developing a corporate performance tool to assist assessment of modern slavery by fund managers. This methodology will be used to evaluate businesses across LBPAM funds, to inform specific and tailored engagement with companies to strengthen modern slavery responses.
- And [Ethic Inc.](#), which works with family offices, wealth advisors and foundation endowments, helps its clients deploy passive investments to promote decent work

More Information

- Humanity United, [Moving the Market Initiative Announces First Round of Grants](#) (April 2020).

And other investors are taking equity positions to drive growth in slavery-free businesses

- The [Working Capital Fund](#), initially incubated by Humanity United, is an early-stage venture fund that invests in scalable innovations to meet the growing corporate demand for more transparent and ethical supply chains. It invests in worker voice tools, ethical recruitment, risk assessment tools, traceability tools and disruptive technologies.
- Private equity funds, such as [Stardust](#) and [Tau](#), have taken equity positions in ventures seeking to reap a return on investment from upgrading supply chain and workforce management practices. Tau takes junior positions in apparel manufacturers, introducing effective labour management practices as part of a business development and growth strategy.

More Information

- Boundless Impact Investing, [Labor Lens Investing: The Business Case for Fair Labor Practices](#) (March 2018).



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