



Stewardship in Focus: Modern Slavery

Our approach

Seeking greater transparency on human rights issues and strengthening company governance and reporting, we identify high-risk companies and those linked to alleged or substantiated incidents for further review.

Why it matters

An estimated 50 million individuals are trapped in modern slavery, with 28 million of these victims in forced labor.¹ Due to global and complex supply chains, no business is immune. Companies face operational, regulatory, legal, and reputational risks as a result.

What we've done

Our stewardship team conducts targeted research and analysis, considering the severity of the impact and the company's connection to the issue. Through constructive dialogue, we determine how companies are addressing the issues identified.

What is Modern Slavery?

Modern slavery refers to situations of exploitation that an individual cannot refuse or leave because of threats, violence, coercion, or deception. It leads to economic exploitation and can manifest in various forms, such as forced labor, debt bondage and human trafficking. While forced labor is found globally and across diverse forms of employment, the majority of identified cases are concentrated in industry, services, agriculture, and domestic work.² This is particularly evident at the base of global supply chains where raw materials or product components are produced under jurisdictions with weak rule of law or where company's own operations or supply chains are exposed to geopolitical conflict.

Northern Trust Asset Management (NTAM) will seek to evaluate our investee companies' direct and indirect exposure to modern slavery risk, and, where appropriate, encourage the mitigation of risk, or remediation of harm, through our stewardship activity.

Why is Modern Slavery a Material Issue for Investors?

An estimated US\$652 billion in revenues may be linked to forced or child labor among at-risk companies³ and US\$236 billion is generated every year in illegal profits from forced labor.⁴ Furthermore, roughly 40% of the MSCI ACWI Index may be exposed to modern slavery somewhere in their value chain.⁵ Over the past ten years, regulatory focus on modern slavery and forced labor moved away from voluntary corporate reporting toward mandatory due diligence, stronger enforcement mechanisms, and cross-border applicability. Policymakers increasingly view modern slavery as a systemic supply-chain risk, requiring businesses to identify, prevent, and address harm across global value chains — not just within their own operations. As a result, the presence of modern slavery in a company's value chain can expose it to material legal, regulatory, operational, and reputational risks. Resulting fines and litigation may also have a negative downward pressure on shareholder value.

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1 Source: Global Commission on Modern Slavery & Human Trafficking. 2025. No country is immune: working together to end modern slavery & human trafficking. April 2025.

2 Source: CCLA. 2026. Modern Slavery Global Benchmark 2025. January 13, 2026.

3Source: Swynghedau, L. and A. Dron. "Human-Rights Risks in Portfolios: From Oversight to Due Diligence," MSCI Research & Insights Blog, December 9, 2025.

4 Source: International Labour Organization. 2024. Profits and poverty: the economics of forced labour. March 19, 2024.

5 Source: Swynghedau, L. and A. Dron. "Human-Rights Risks in Portfolios: From Oversight to Due Diligence," MSCI Research & Insights Blog, December 9, 2025.

Poor oversight of modern slavery risk can also result in material damage to a company's standing with business partners, customers, and communities, negatively impact the firm's ability to maintain operations in certain jurisdictions, or do business with key suppliers and customers. For example, U.S. Customs and Border Protection issues Withhold Release Orders (WROs) in response to instances where imported goods are suspected of being produced using forced labor, resulting in the goods being detained. A wide variety of companies have been impacted by WROs, including exporters of automobile tires manufactured in Serbia, work gloves manufactured in China, and agricultural products from Mexico.⁶

It is critical that companies recognize that, while their own operations may not be directly within the scope of the new laws, key players in their value chains upstream and downstream may be. A comprehensive human rights strategy that takes into account modern slavery risk is critical to avoid potential fines, reputational damage, and potential operational/value chain disruption.

What is NTAM's Approach to Modern Slavery

As risk-conscious investors, we recognize that human rights and modern slavery risks can materially affect a company's long-term financial performance. Poor management of these risks may lead to reputational damage, litigation, supply chain interruptions, labor unrest and consumer backlash, all of which may have significant short-and long-term financial consequences. We encourage companies to implement strong corporate governance and sustainability practices, as key drivers of long-term business success and shareholder returns. We seek to evaluate our investee companies' direct and indirect exposure to modern slavery risk, and where appropriate, encourage the mitigation of risk or remediation of harm through our stewardship activity. We recognize companies' exposure to human rights-related risks vary by industry and geographic location; therefore, how companies address human rights risks in their business model varies. NTAM's stewardship team assess a range of factors that can impact the long-term performance of portfolio companies in which we invest on behalf of our clients.

Northern Trust Corporation's Modern Slavery and Human Trafficking report, which describes the modern slavery risks and program of all direct and indirect subsidiaries of Northern Trust Corporation, can be accessed [here](#).

How Does NTAM Assess Modern Slavery Risk?

We apply screens from a third-party data provider to identify investee companies we believe pose a higher level of modern slavery risk. This process captures companies where inherent risk is considered high and management or disclosure of that risk appears weak, and is augmented with modern slavery-linked controversies data. This process generates a priority list which NTAM reviews as part of further due diligence and engagement. The screens assess:

- **Location risk:** a company's geographic context contributes to its vulnerability to modern slavery based on the strength of governance, rule of law, human rights protections, and social conditions in the places where it operates.
- **Supply-chain risk:** factors such as the industry's degree of outsourcing, the geographic distribution of suppliers, exposure to at-risk products, and dependence on high-risk raw materials within the supply chain.
- **Sectoral risk exposure:** the prevalence of modern slavery associated with the company's sector.
- **Management:** the alignment of the company's policies, disclosures, and practices with global norms and best practices on human rights (for example, the existence of robust human rights policies, supplier codes of conduct, audits, and other controls to address modern slavery risk).
- **Modern slavery incidents:** any significant recent or ongoing breach, or credible allegation of a breach, of labor rights (e.g., forced labor or child labor controversies) involving the company or its suppliers, including remediation measures.

⁶ U.S. Customs and Border Protection: Withhold Release Orders & Findings Dashboard. Data as of January 31, 2026.

Further Due Diligence and Engagement

Once priority companies are identified, we perform additional due diligence to understand each company's risk exposure better and the mitigation or remediation efforts the company has in place. This research is conducted through desk-based reviews of public disclosures and dialogue with companies on a case-by-case basis. The issues we explore include:

- How the company incorporates modern slavery considerations into assessments of material risks within their supply chain and operations.
- Whether the company has a clearly defined position on human rights and fair labor practices in their internal policies and supplier codes of conduct, aligning with industry best practices.
- Whether they have established roles of responsibility and accountability within the organization's operations and value chain, integrating human rights safeguards with well-defined controls and escalation procedures that are communicated to the C-suite and Board.
- Evidence of investment in enhancing the skills of employees, contractors, and suppliers by developing training resources that address new regulatory requirements, advancements in human rights management, and technological solutions to mitigate risk.
- Whether audits or third-party assessments are conducted on suppliers, and what such audits cover.
- How the company collaborates with suppliers and local communities to improve labor conditions, implement grievance mechanisms, and mitigate modern slavery and related risks.
- Where instances of modern slavery are suspected or confirmed, what public disclosures the company makes and what role it plays in supporting remedy for affected individuals or communities.

Companies with clear deficiencies are targeted for engagement, with clear objectives set from the beginning, aimed at the company strengthening their management and/or disclosure practices with progress tracked in line with NTAM's milestones framework. We generally escalate our engagements when companies fail to make adequate progress on objectives without a sufficient rationale. If sufficient progress is not made within our timeline, we may escalate our actions. This can include supporting shareholder resolutions, voting against the re-election of specific directors, or making investment adjustments. Such adjustments may involve reducing our holding or considering divestment, in line with client instructions.

Key Takeaways

Modern slavery is a fundamental human rights violation and a material business risk. Regulatory momentum around modern slavery, combined with the financial and operational impacts of modern slavery, reinforces NTAM's expectation that companies exercise robust oversight of this risk. We expect businesses to be proactive in identifying and addressing modern slavery within their value chains. By doing so, companies not only uphold ethical standards but also safeguard their resilience and value for shareholders in an environment of increasing scrutiny.

IMPORTANT INFORMATION

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