



Sustainable Stock Exchanges



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Modern Slavery: Analysis of Coverage in Exchange ESG Disclosure Guidance 2023



Highlights

- This Market Monitor provides a keyword analysis of the 70 exchange ESG guidances currently available to determine the extent to which exchanges make reference to modern slavery related topics.
- The analysis finds more than two-thirds (55 exchanges) include at least one modern slavery related reference. Fifty-nine exchanges include the topic of decent work, while supply chain topics and remedy topics are covered by 36 and 30 exchanges, respectively.
- The findings indicate that exchange guidance to issuers on disclosure about modern slavery and related issues is becoming a market practice, although the coverage across topics may vary among exchanges and jurisdictions.
- The Stock Exchange of Thailand (SET) has pioneered dedicated modern slavery disclosure guidance for its issuers. SET's guidance provides a good model for other exchanges to consider.

MARKET MONITOR



SDG 8 - Decent Work and Economic Growth

1. Introduction

The term ‘modern slavery’ describes situations where coercion, threats or deception are used to deprive workers of their fundamental rights. Forced labor, as defined in the International Labour Organization (ILO) Forced Labour Convention, 1930 (No.29), refers to “all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily”. Modern slavery may take the form of forced labor, human trafficking, the worst forms of child labor¹ or other slavery-like practices. UN Sustainable Development Goal 8 (decent work and economic growth) Target 8.7 calls for member States to “Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking”. Further, the UN Guiding Principles on Business and Human Rights (UNGPs) recognize that business enterprises have a responsibility to respect human rights throughout their operations and in their business relationships². The ILO’s Declaration on Fundamental Principles and Rights at Work calls for the elimination of all forms of or forced or compulsory labor.³

The latest Global Estimates of Modern Slavery by the ILO, civil society organization Walk Free and the International Organization for Migration (IOM), found that 27.6 million people were working in forced labor on any given day in 2021.⁴ This represents an increase of 2.7 million people between 2016 and 2021, driven entirely by forced labor in the private sector, including forced commercial sexual exploitation.

Against this backdrop, regulatory efforts⁵ and investor expectations are combining with a growing awareness among companies themselves of the compliance and operational risk presented by modern slavery and related labor exploitation risks across value chains. The result is that listed companies increasingly regard modern slavery as a material risk to disclose in sustainability reporting and regulatory filings.

This *Market Monitor* examines the number of exchanges making reference to modern slavery related terms in their environmental, social and governance (ESG) guidance documents, to determine the extent to which this subject has been integrated into exchanges’ guidance to issuers. It has been prepared in collaboration with the Finance Against Slavery and Trafficking (FAST) initiative (a project of the United Nations University Centre for Policy Research) and Walk Free. It builds on the 2021 SSE policy brief⁶ analyzing references to human rights which demonstrated that stock exchanges had begun incorporating broader human rights and labor standards and processes in their ESG disclosure guidance documents.

2. Main findings

This Market Monitor provides the findings of a keyword analysis of the 70 exchange ESG guidances currently available⁷ to determine the extent to which exchanges make reference to modern slavery related topics (Annex).

¹ The phrase “worst forms of child labor” relates to labor practices identified in the “Worst Forms of Child Labor Convention, 1999” by the ILO.

² United Nations Human Rights Office of the High Commissioner (2011), Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework.

³ ILO (2022) Declaration on Fundamental Principles and Rights at Work and its Follow-up: Adopted at the 86th Session of the International Labor Conference (1998) and amended at the 110th Session (2022).

⁴ ILO, Walk Free and International Organization for Migration (2022), Global Estimates of Modern Slavery: Forced Labor and Forced Marriage

⁵ Carle, Heather and Brewer, Linda, The United Kingdom Modern Slavery Act: Are We Making Progress? A Look at Organizational Commitment to Eradicating Modern Slavery (August 31, 2023). *Transnational Corporations Journal*, Vol. 30, No. 2, 2023.

⁶ UN SSE (2021), Stock exchange guidance on human rights disclosure: An analysis of human rights references in stock exchange ESG disclosure guidance

⁷ UN SSE (accessed 2023) ESG Disclosure Guidance Database www.SSEinitiative.org/data



Figure 1. References to modern slavery related terms in exchange ESG disclosure guidance

(Number of exchanges making at least one reference to a modern slavery related term in their ESG Guidance, by category and subcategory of terms)



Source: UN SSE

Key for Figure 1

Category	Subcategory	Specific keywords / search terms
Modern slavery	Modern slavery Coercion	anti-slavery, modern slavery, human trafficking, forced labor, debt bondage, child labor coercion, threats, deception, abuse, violence, harassment
Decent work	Decent work Labor rights Freedom of movement Freedom of association Minimum wage Living wage Withholding wages Working hours Deceptive recruitment Migrant worker	decent work labor rights, labor standards, labor practices, working conditions/workplace conditions freedom of movement freedom of association, trade unions, collective bargaining, social dialogue minimum wage living wage withholding wages, wage underpayment, wage theft working hours, excessive overtime deceptive recruitment, contract substitution migrant worker, migrant, visa, casual labor, undocumented identity documents, withholding passport
Supply chain	Supplier code of conduct Risk assessment Modern slavery policy Human resource policy Procurement policy Monitoring framework Purchasing practices	supplier code of conduct, supplier audits risk assessment, geography/industry/product risk modern slavery policy, forced/child labor policy human resources policy, ethical recruitment policy, employer pays principle, employee code of conduct procurement policy, ethical sourcing policy monitoring framework, supplier questionnaire, social audit purchasing practices, outsourcing, subcontracting
Remedy	Complaint procedure Complaints & grievances	complaint procedure slavery/trafficking/labor grievances, complaints, allegations policy breach, procedure breach, remedy, remediation, compensation, restitution



Each guidance was analyzed to see if it contained reference to any of 65 modern slavery related keywords⁸, organized into four categories and 23 sub-categories (see the key to figure 1).

Overall, the research found that more than half of the 70 exchanges with ESG guidance documents make at least one reference to terms pertaining to each of the categories *modern slavery* (55), *decent work* (59) and *supply chain* (36). The remaining category, *remedy*, was not far behind with over a third of exchanges (30) making reference to related terms in their ESG guidance (inset to figure 1). Within these categories, four of the 23 sub-categories of terms were found to be appearing most frequently in an exchange guidance: modern slavery, labor rights, freedom of association and coercion (figure 1).

Modern slavery terms

Of the 70 exchange guidances, 51 mention at least one keyword from the subcategory “modern slavery” which includes the terms anti-slavery, human trafficking, forced labor, child labor or debt bondage. Among these terms, forced labor and child labor were the most referenced with 39 and 48 exchanges mentioning them, respectively. The specific phrase modern slavery, however, was only mentioned by 4 exchanges (Japan Exchange Group, London Stock Exchange, Moscow Exchange and Stock Exchange of Thailand) and the keyword trafficking mentioned by only three exchanges (Borsa İstanbul, London Stock Exchange, and Stock Exchange of Thailand).

Decent work terms

Forty-nine exchanges mention at least one of the terms in the subcategory of “labor rights”. However, less than half of exchanges (26) with ESG guidance reference the term labor practices specifically. Notably, in the sub-categories of “working hours” and “withholding wages” there were few mentions of the specific terms working hours (one exchange mentioned this) and withholding of wages (three exchanges mentioned this). Withholding of wages in particular is the most common tactic used to compel workers to stay in a job against their will.⁹

Abusing vulnerabilities, such as immigration status, is another common tactic in violating workers’ human rights. Despite migrant workers being over three times more likely to be subject to forced labor than non-migrant workers;¹⁰ terms in the subcategory “migrant worker” were only mentioned by six exchanges: Bourse de Casablanca, Luxembourg Stock Exchange, Nairobi Securities Exchange, National Stock Exchange of India, Philippines Stock Exchange and Stock Exchange of Thailand.

Supply chain terms

The analysis considered supply chain-related terms to shed light on guidance related to the identification and management of risks related to modern slavery and forced labor in the supply chain. For this, mentions of different forms of risk assessment, and common policies and procedures to prevent or mitigate risk, were counted!¹¹ Similarly, terms related to monitoring frameworks to track risk management such as supplier questionnaires and social audits were analyzed. Half of all the exchanges in the sample (36) mention at least one term from the category “supply chain” in their guidance document. Terms within the subcategory “risk assessment” were mentioned by roughly a quarter of the exchanges (18) in their ESG disclosure guidance. Terms related to actions that respond to supply chain modern slavery risks, in the subcategory of “modern slavery policy” were mentioned by 14 exchanges in their guidances.

⁸ Where references appeared only in citations or glossaries, they were omitted from the dataset and not included in the analysis. The dataset was also filtered to omit references to key terms outside of the modern slavery context. Where documents were only available in the local language of the exchange, they were reviewed by searching for the translated terms.

⁹ ILO, Walk Free and International Organization for Migration (2022), Global Estimates on Modern Slavery: Forced Labor and Forced Marriage
¹⁰ Ibid.

¹¹ In terms of the research methodology, the dataset was filtered to omit references to key terms outside of the modern slavery context.



Remedy terms

The analysis considered remedy-related terms by reviewing mentions of concepts such as complaint procedure and more specific forms of grievances such as labor abuses and slavery.¹² In the subcategory “*complaint procedure*” there were only three mentions of the term complaint procedure in ESG guidances, from the Brazilian exchange B3, and the two Vietnamese exchanges, the Hanoi and Ho Chi Minh Stock Exchanges. A mere six of the 70 exchanges with ESG guidance refer to specific terms like grievance mechanisms for practices such as slavery, trafficking or labor abuses (B3, Bombay Stock Exchange, Bursa Malaysia, Egyptian Exchange, Kazakhstan Stock Exchange and Stock Exchange of Thailand).

Further observations

- References to modern slavery related terms are primarily focused on the different forms of modern slavery itself, rather than focusing on the underlying conditions that can lead to instances of modern slavery. It might be useful for exchanges to provide more detailed guidance on specific practices or other warning signs that can constitute modern slavery and which are crucial for companies to assess and address.
- Mentions of supply chain-related modern slavery terms are largely focused on risk management rather than monitoring frameworks. Monitoring is important for determining whether prior assessments and actions are effective in identifying and addressing modern slavery.
- Many exchange guidance documents focus on social issues (for example, freedom of association and collective bargaining) only in the way these apply to an issuer's own operations and do not incorporate operations in the value chain. The UNGPs hold that corporate responsibility to respect human rights extends to value chains.

Example of dedicated guidance: Stock Exchange of Thailand (SET)

In 2022, SET, together with FAST and Walk Free, published the first (and as yet only) exchange disclosure guidance specifically on modern slavery: the Guidance on Modern Slavery Risks for Thai Businesses. This pioneering guidance provides a good model for other stock exchanges to consider, especially in markets where modern slavery risks are high.

The guidance consists of three interrelated sections. Section A sets out the definition of modern slavery and explains the difference between modern slavery and labor exploitation. Further, it identifies the risks that modern slavery cases can pose to business and explains the common risks of modern slavery in Thailand

Section B examines specific modern slavery risks in the eight industries represented on the SET: agriculture and food, consumer products, financials, industrials, property and construction, resources, services and technology. This analysis assists listed companies to conduct more tailored risk assessments and, potentially, develop more effective actions to respond to their industry risk.

Section C offers a detailed checklist for modern slavery risk management consisting of overviews, questions and disclosures for the following key risk areas: governance and policy; risk assessment and due diligence; and grievance mechanisms, response and remediation.

Source: SET, FAST and Walk Free

¹² Complaints can cover any aspect of working conditions. A grievance, however, is a complaint raised towards an employer by an employee due to an alleged violation of labor law or agreed international labor standards.



3. Reporting requirements on modern slavery

In addition to exchange ESG disclosure guidance documents driving voluntary sustainability reporting, capital market regulators are increasingly mandating sustainability reporting. These regulatory or rules-based frameworks can require disclosure of the management of social issues including human rights and modern slavery. Below is a non-exhaustive list of regional and national examples of mandatory reporting covering these issues.

European Union

The European Union (EU) Corporate Sustainability Reporting Directive (CSRD)¹³ requires EU-listed companies and other companies subject to the CSRD¹⁴ to report sustainability matters in accordance with the forthcoming European Sustainability Reporting Standards (ESRS)¹⁵. The ESRS specify social and human rights disclosure such as working conditions, working time, adequate wages, social dialogue, freedom of association, the existence of works councils, and collective bargaining. It also addresses the information, consultation and participation rights of workers, as well as work-life balance and health and safety concerns.

China, Hong Kong

In 2022, the Main Board Listing Rules of the Hong Kong Exchanges and Clearing Limited (HKEX) set out mandatory and ‘comply or explain’ ESG reporting requirements.¹⁶ The ‘comply or explain’ requirements include social aspects such as employment, labor standards and supply chain management. The disclosure requirements for labor standards, for example, requests information on “(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor”. The corresponding indicators for this disclosure are descriptions of “measures to review employment practices to avoid child and forced labor” and “steps taken to eliminate such practices when discovered”.

India

In 2021, the Securities and Exchange Board of India (SEBI) introduced new ESG reporting requirements for listed entities called the Business Responsibility and Sustainability Report (BRSR)¹⁷. The BRSR establishes a reporting framework for the nine principles of the National Guidelines on Responsible Business Conduct (NGRBC)¹⁸. Principle 3 of the NGRBC indicates that “Businesses should respect and promote the well-being of all employees, including those in their value chains”, while Principle 5 states “Businesses should respect and promote human rights that are relevant to modern slavery”.

Thailand

In 2020, the Thailand Securities and Exchange Commission introduced the One Report to streamline the annual reporting process for SET-listed companies.¹⁹ The One Report requires disclosure on business value chain and ESG information, including respect for human rights in line with the UN Guiding Principles on Human Rights and the Thai National Action Plan on Business and Human Rights. Specifically, it mandates listed companies to report performance and results on social aspects, including human rights protection throughout the value chain such as fair labor practices.

13 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

14 The scope of the CSRD and ESRS also reaches companies who may not be listed in the EU. CSRD is mandatory for all large European companies (organizations with over EUR 20 million in total assets, a net turnover of EUR 40 million and/or 250+ employees), those listed on the EU-regulated markets, including EU subsidiaries of non-EU parent companies, namely non-European companies that generate an annual net turnover of EUR 150 million in the EU and that have at least one subsidiary or branch in the EU. Non-EU companies only have to comply from 2028.

15 European Commission (2023), European Sustainability Reporting Standards – first set

16 HKEX Rules and Guidance (2022), Environmental and Social Matters (13.91-13.92) and Appendix 27 Environmental, Social and Governance Reporting Guide

17 Securities and Exchange Board of India (2021), Business responsibility and sustainability reporting by listed entities.

18 Ministry of Corporate Affairs Government of India (2018), National Guidelines on Responsible Business Conduct

19 The Securities and Exchange Commission, Thailand (2021), SEC prepares listed companies for disclosure of annual registration statement via Form 56-1 One Report



Türkiye

In 2020, the Capital Markets Board of Türkiye introduced ‘comply or explain’ requirements²⁰ whereby annual reports must explain whether the principles set out in the Sustainability Principles Compliance Outline (SPCO)²¹ are being complied with or not. The social principles in the SPCO address human rights and employee rights including establishing a Corporate Human Rights and Employee Rights Policy covering the Universal Declaration of Human Rights, ratified ILO Conventions, and national legal framework and legislation regulating human rights and labor issues.

4. Future areas of work

Exchanges may wish to conduct a risk assessment of the potential exposure in their marketplace to human rights violations and risk for modern slavery, to inform whether existing guidance may need to be expanded or dedicated guidance developed. Guidance in this area could cover the following disclosure topics: modern slavery elements and indicators; positive indicators and red flags for other fundamental rights at work; good risk management practice for employees and suppliers; and remediation frameworks, grievances, and remedy provided. The exchange-specific overview (Annex) may be a useful diagnostic tool for exchanges to identify gaps in their own disclosure guidance, while a risk assessment could help exchanges to determine where their ESG guidance could be updated to provide deeper coverage of key topics within the relevant sub-categories.

²⁰ Capital Markets Board of Türkiye (2014), Communique on Corporate Governance

²¹ Capital Markets Board of Türkiye (2021), Sustainability Principles Compliance Outline



Annex: Inventory of modern slavery related terms in exchange ESG disclosure guidance, by subcategory

(Solid squares indicate at least one reference to a modern slavery related term in the exchange's ESG guidance)

COUNTRY	EXCHANGE	Modern slavery		Decent work										Supply chain					Remedy							
		Modern slavery	Coercion	Decent work	Labour rights	Freedom of movement	Freedom of association	Minimum wage	Living wage	Withholding wages	Working hours	Deceptive recruitment	Migrant worker	Identity documents	Supplier code of conduct	Risk assessment	Modern slavery policy	Human resources policy	Procurement policy	Monitoring framework	Purchasing practices	Complaint procedure	Complaints & grievances	Remedy		
Australia	Australian Securities Exchange																									
Bahrain	Bahrain Bourse																									
Bangladesh	Dhaka Stock Exchange																									
Belgium	Euronext Brussels																									
Botswana	Botswana Stock Exchange																									
Brazil	B3																									
Canada	TMX Group Inc.																									
Chile	Bolsa de Comercio de Santiago																									
China	Hong Kong Exchange and Clearing Limited																									
China	Shanghai Stock Exchange																									
China	Shenzhen Stock Exchange																									
Colombia	Bolsa de Valores de Colombia																									
Costa Rica	Bolsa Nacional De Valores																									
Denmark	Nasdaq Copenhagen																									
Egypt	Egyptian Exchange																									
Estonia	Nasdaq Tallinn																									
Finland	Nasdaq Helsinki																									
France	Euronext Paris																									
Germany	Deutsche Börse																									
Ghana	Ghana Stock Exchange																									
Greece	Athens Exchange Group																									
Hungary	Budapest Stock Exchange																									
Iceland	Nasdaq Iceland																									
India	Bombay Stock Exchange																									
India	National Stock Exchange of India																									
Indonesia	Indonesia Stock Exchange																									
Ireland	Euronext Dublin																									
Italy	Borsa Italiana (Euronext)																									
Japan	Japan Exchange Group																									
Jordan	Amman Stock Exchange																									
Kazakhstan	Kazakhstan Stock Exchange																									
Kenya	Nairobi Securities Exchange																									
Kuwait	Boursa Kuwait																									
Latvia	Nasdaq Riga																									
Lithuania	Nasdaq Vilnius																									

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Annex: Inventory of references by exchange (concluded)

(Solid squares indicate at least one reference to a modern slavery related term in the exchange's ESG guidance)

COUNTRY	EXCHANGE	Modern slavery														Decent work						Supply chain						Remedy	
		Modern slavery	Coercion	Decent work	Labour rights	Freedom of movement	Freedom of association	Minimum wage	Living wage	Withholding wages	Working hours	Deceptive recruitment	Migrant worker	Identity documents	Supplier code of conduct	Risk assessment	Modern slavery policy	Human resources policy	Procurement policy	Monitoring framework	Purchasing practices	Complaint procedure	Complaints & grievances	Remedy					
Luxembourg	Luxembourg Stock Exchange	■																											
Malaysia	Bursa Malaysia	■																											
Mexico	Bolsa Mexicana de Valores	■																											
Morocco	Bourse de Casablanca	■																											
Netherlands	Euronext Amsterdam	■																											
New Zealand	New Zealand Stock Exchange	■																											
Nigeria	Nigerian Exchange	■																											
North Macedonia	Macedonian Stock Exchange	■																											
Norway	Oslo Børs (Euronext)	■																											
Panama	Latin American Stock Exchange	■																											
Peru	Group BVL	■																											
Philippines	Philippine Stock Exchange	■																											
Poland	Warsaw Stock Exchange	■																											
Portugal	Euronext Lisbon	■																											
Qatar	Qatar Stock Exchange	■																											
Romania	Bucharest Stock Exchange	■																											
Russian Federation	Moscow Exchange	■																											
Saudi Arabia	Saudi Exchange	■																											
Singapore	Singapore Exchange	■																											
South Africa	Johannesburg Stock Exchange	■																											
Spain	Bolsas y Mercados Españoles	■																											
Sri Lanka	Colombo Stock Exchange	■																											
Sweden	Nasdaq Stockholm	■																											
Switzerland	SIX Swiss Exchange	■																											
Thailand	Stock Exchange of Thailand	■																											
Tunisia	Bourse des Valeurs Mobilières de Tunis	■																											
Türkiye	Borsa İstanbul	■																											
United Arab Emirates	Abu Dhabi Securities Exchange	■																											
United Arab Emirates	Dubai Financial Market	■																											
United Kingdom	Euronext London	■																											
United Kingdom	London Stock Exchange	■																											
United States	Nasdaq	■																											
United States	New York Stock Exchange	■																											
Viet Nam	Hanoi Stock Exchange	■																											
Viet Nam	Ho Chi Minh Stock Exchange	■																											

Source: UN SSE



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About UN SSE

The SSE initiative is a UN Partnership Programme organized by UNCTAD, the UN Global Compact, UNEP FI and the PRI. The SSE's mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations can enhance performance on environmental, social and corporate governance issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. The SSE seeks to achieve this mission through an integrated programme of conducting evidence-based policy analysis, facilitating a network and forum for multi-stakeholder consensus-building, and providing technical guidelines, advisory services and training.

About UN University FAST

Finance Against Slavery and Trafficking (FAST) is an initiative of the United Nations University Centre for Policy Research that works with organizations

around the world to maximize its reach and impact and mobilize the finance sector to address modern slavery and human trafficking. FAST is a knowledge partner for governments, multilateral organizations, and financial sector actors alike. Through its alliance-building and survivor-informed approach, FAST works globally to end modern slavery and human trafficking in line with the UN Sustainable Development Goals (SDGs), particularly SDG Target 8.7.

About Walk Free

Walk Free is an international human rights group working to accelerate the end of all forms of modern slavery. Walk Free is the creator of the Global Slavery Index, the world's most comprehensive data set on modern slavery. Walk Free uses this data to mobilize powerful forces for change against these human rights abuses. Walk Free works with governments and regulators, businesses and investors, and faith and community leaders to drive systems change and partners directly with frontline organizations to impact the lives of those vulnerable to modern slavery. Walk Free works with survivors to build the movement to end modern slavery, recognizing that lived experience is expertise and that survivors are central to identifying lasting solutions.

Note

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