

Modern Slavery in Global Equities Portfolios

Modern slavery, including forced labour and human trafficking is a pervasive global issue involving severe human rights violations. In 2021, approximately 50 million people worldwide were estimated to be living in situations of modern slavery¹, generating US\$236 billion² annually from forced labour.

At an address to the 2025 Australian Council of Superannuation Investors Conference, the Australian Anti-Slavery Commissioner noted that modern slavery is not just a moral issue; it is a financial one. “Modern slavery is a business risk. Understanding risk is good for business and good for investors,” further noting that “there is clearly an economic impact for brands and investors that are not getting this right.”³ For global equities investors and companies, addressing modern slavery is both a moral and business imperative, impacting efficiency, reputation and compliance. Industries such as agriculture, manufacturing, and mining are especially susceptible due to complex supply chains.

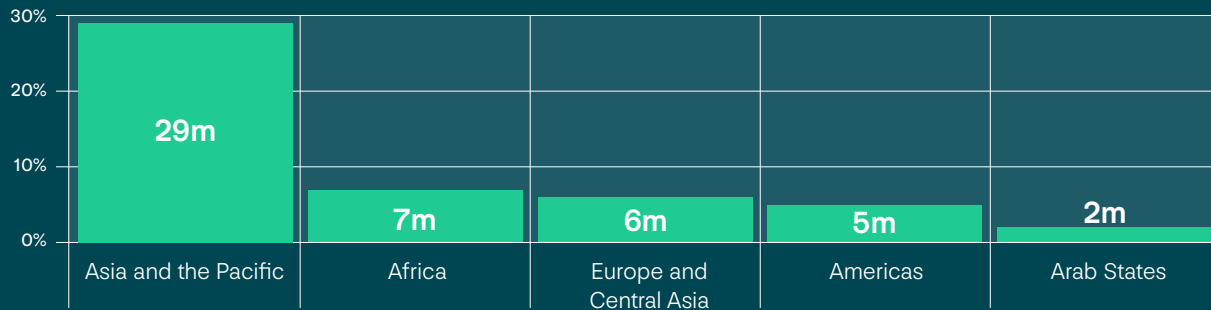
IFM Investors (IFM) acknowledges its responsibility to respect all internationally recognised human rights, including those relating to freedom from modern slavery. Our approach to managing modern slavery risk includes striving for continuous improvement in our processes as we move towards best practice, transparency in reporting and continuing to meet our legal obligations. We seek to act in the best interests of our clients, their beneficiaries, and the millions of working people they represent. Our ongoing efforts aim to ensure ethical practices and sustainable growth, reinforcing our leadership in sustainability and our dedication to creating a positive impact in the global investment landscape.

¹ [Global findings | Walk Free](#)

² [Annual profits from forced labour amount to US\\$ 236 billion, ILO report finds | International Labour Organization](#)

³ [Lifting Australian business ambition to combat modern slavery | Australian Anti-Slavery Commissioner](#)

49.6m people are living in modern slavery globally



Source: World | The Global Slavery Index, January 2026

Risks

Modern slavery presents legal, operational, and reputational risks for both companies and investors alike. Governments are enforcing stricter regulations, such as the UK and Australian Modern Slavery Acts and the EU's Corporate Sustainability Due Diligence Directive, requiring greater transparency in supply chains. Non-compliance can lead to legal penalties, financial fines, and market restrictions, while regulatory investigations may disrupt operations and expose listed companies to liabilities.

Operationally, modern slavery can force listed companies to terminate supplier contracts, leading to delays, increased costs, and the need to find alternative suppliers. This instability can affect production schedules, inventory levels, and overall business performance.

Reputationally, links to forced labour can damage brands, erode consumer trust, deter investors, and sever key partnerships. Public exposure through media reports or activist campaigns can lead to boycotts, share price declines, and long-term harm to a listed company's market position. We believe addressing modern slavery through ethical sourcing, due diligence, and strong governance is essential to safeguarding reputation and helping to ensure sustainable operations.

Opportunities

Conversely, addressing human rights concerns presents opportunities for all companies to enhance business practices and financial performance. Implementing robust due diligence helps companies identify and mitigate modern slavery risks, helping to reduce reputational and legal exposure while fostering ethical business practices and long-term profitability. Investors in listed companies play a key role in promoting accountability and responsibility within their global equities portfolios.

We believe transparency is crucial in tackling modern slavery. Investors in listed firms should advocate for greater disclosure on labour practices, supplier audits, and risk assessments. Transparent reporting helps to build trust, strengthens corporate responsibility, and may provide a competitive edge.

We believe aligning anti-slavery efforts with sustainability goals enhances brand reputation, attracts investment, and improves operational efficiency. Encouraging due diligence, transparency, and sustainability aims to create long-term value for businesses and shareholders alike.

Challenges of addressing Modern Slavery in Global Equities

A major challenge in addressing modern slavery in global equities holdings is the complexity of multi-tiered supply chains which can span multiple countries, often operating under different regulations and standards. Many listed multinational companies source materials and components through layers of subcontracting, often lacking transparency. This can obscure working conditions, making it difficult to ensure ethical practices.

For example, a listed company may purchase electronic components from a supplier that sources cobalt, a crucial component in rechargeable batteries, from mines in high-risk regions like the Democratic Republic of Congo (DRC). The DRC supplies much of the world's cobalt and is often extracted under harsh and exploitative conditions.⁴ Due to complex supply chains, listed companies may struggle to achieve full visibility, making risk mitigation challenging.

Global equities investors face additional challenges as they hold positions in companies across jurisdictions with varying labour protections. Engaging meaningfully is difficult due to dispersed locations, complex ownership structures, and limited influence given minority equity positions. Additionally, varying legal frameworks and cultural contexts across countries can pose additional barriers to implementing consistent anti-slavery measures.

Countries where modern slavery is

Most prevalent

- #1 North Korea
- #2 Eritrea
- #3 Mauritania
- #4 Saudi Arabia
- #5 Türkiye

Least prevalent

- #160 Switzerland
- #159 Norway
- #158 Germany
- #157 Netherlands
- #156 Sweden

Source: World | The Global Slavery Index, January 2026

Weak enforcement mechanisms and inconsistent regulatory oversight further hinder accountability for listed organisations. While global initiatives such as the UK Modern Slavery Act and Australia's Modern Slavery Act mandate corporate reporting on slavery risks, these legal and regulatory frameworks may not be robust enough to ensure effective compliance, and penalties for non-compliance may be insufficient to drive meaningful change. Many companies provide vague disclosures without concrete actions, and without global standards, assessing corporate anti-slavery efforts remains difficult for investors.

Government's taking the most and least action to address modern slavery

Most action

- #1 United Kingdom
- #2 Australia
- #3 Netherlands
- #4 Portugal
- #5 USA

Least action

- #176 North Korea
- #175 Eritrea
- #174 Iran
- #173 Libya
- #172 Somalia

Source: World | The Global Slavery Index, January 2026

IFM's approach

At IFM, we are committed to playing our role in helping to eradicate modern slavery globally, and we utilise both policy advocacy as well as publicly available quantitative information to do so.

By working collaboratively with investor coalitions, non-governmental organisations (NGOs), and regulatory bodies, we can amplify pressure on listed companies to improve labour practices through joint advocacy, for example through our participation in initiatives such as the UK's Taskforce on Social Factors. Chaired by IFM's Chief Strategy Officer, and co-chaired by IFM's Global Head of Sustainable

⁴ Modern Slavery: The true cost of cobalt mining - Human Trafficking Search

Investment, this taskforce has a primary goal of supporting UK pension scheme trustees and the wider pensions industry with some of the key challenges around managing and measuring social factors in relation to their investments. These social factors include labour practices, supply chain and modern slavery issues, diversity and inclusion and others. Alongside advocacy, we share research and best practices through white papers to strengthen anti-slavery efforts.

Many of our listed equities portfolio construction methodologies are determined by Investment Management Agreements between IFM and our clients. Our overall approach is to partner with clients and work together to develop an investment approach that seeks to satisfy their requirements.

For example, IFM manage one of our client's global equities portfolios with an aggregate overweight to companies that have demonstrated a commitment to effectively manage labour risk. The strategy also incorporates material governance factors,

as poor corporate governance may increase the risk of labour rights violations. Factors include strength of frameworks around labour, human capital management and governance, and recent involvement in severe labour rights violations.⁵

We utilise the MSCI ESG Manager portal as well as other third party data providers to access comprehensive ratings and sustainability data for global listed companies. This includes critical information on modern slavery and human rights, which we aim to incorporate into our screening processes for clients who have specified these criteria.

Where appropriate, we can also incorporate supply chain risk assessments into our approach. Upstream analysis helps identify risks in raw material sourcing and production, where forced labour is often prevalent, while downstream assessment examines distribution, retail, and end-user impacts. By integrating data-driven models, we have the potential to map supply chain vulnerabilities, predict high-risk areas, and enhance due diligence.



⁵ First Super taps IFM Investors for ESG mandate | FS Sustainability

CASE STUDY

Boohoo Case Study

Although not an IFM held stock, the recent modern slavery incident at Boohoo.com highlights the risks, and the role investors can play.

Boohoo.com, a leading online fashion retailer, operates in the fast fashion industry, which is highly susceptible to modern slavery due to complex supply chains, high-volume production demands, and a lack of transparency.

In 2020, Boohoo faced significant scrutiny after media reports emerged that workers in Leicester factories supplying the company were being paid as little as £3.50 an hour, far below the minimum wage, while working in poor conditions.⁶ The media reports led to a sharp 33% drop in Boohoo's share price in two days, wiping £1.6 billion off its market value. Its founders lost £335 million, and major retailers like Next, Asos, and Zalando severed ties.⁷

In response, Boohoo implemented measures to enhance transparency, improving oversight, and protect workers.⁸

1. Enhanced auditing and monitoring

- Boohoo adopted stricter auditing standards, including the Fast Forward audit, which emphasizes worker welfare and ethical labour practices

2. Prohibition of unauthorised subcontracting

- The company banned unauthorised subcontracting to ensure suppliers comply with its labour standards and prevent unethical practices.

3. Collaboration and Training

- Boohoo invested in supplier training programs on sustainable practices, ethical operations, and labour law compliance.

4. Transparency and reporting

- Regular modern slavery statements detail the company's efforts to combat forced labour and improve working conditions.

5. Partnerships and initiatives

- Boohoo collaborates with organisations like CottonConnect to promote responsible sourcing practices, support sustainable farming and improve workers livelihoods.

The impact from the Boohoo.com 2020 media reports prompted increased industry awareness, as businesses scrutinised supply chains and enhanced auditing, monitoring, and transparency. Many brands prohibited unauthorised subcontracting and strengthened compliance efforts. Consumer awareness of labour exploitation also grew, increasing demand for ethically produced goods and stricter brand scrutiny.⁹ The incident encouraged collaboration among brands, NGOs, and regulators through initiatives like the Fashion Revolution campaign.

Boohoo's case served as a wake-up call, driving supply chain reforms. While the company has improved labour practices through auditing, transparency, and partnerships, ongoing vigilance is essential to sustain progress and eradicate modern slavery from the industry.

⁶ [Boohoo 'facing modern slavery investigation' after report finds Leicester workers paid as little as £3.50 an hour | The Independent | The Independent](#)

⁷ [Boohoo slavery scandal costs founders £335m | This is Money](#)

⁸ [boohoo-modern-slavery-statement-2023.pdf](#)

⁹ [Boycotting Boohoo: how ethical scandals impact business - The Boar](#)

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