



EXPLAINER SERIES

THE CONNECTION BETWEEN CLIMATE CHANGE AND SLAVERY

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Climate change is traditionally regarded as an environmental issue. But climate change also threatens human rights, with material implications for investors.

Climate change is one of the most pressing challenges of our time, but it's often seen as strictly an environmental cause. We believe that needs to change. That's because climate change is also a human rights issue that threatens everyone's lives and livelihoods,

while putting the most vulnerable people at risk of human trafficking and modern slavery.

What's more, neglecting to account for climate-related modern slavery threats may present material financial risks to investors.

Making the Climate Connection to Human Rights

Around 50 million people were living in

modern slavery on any given day in 2021. But despite this shocking figure, the connection between climate change and modern slavery isn't well-understood. The World Bank predicts that by 2050, 216 million people will be forced to migrate within their own countries solely because of climate change. This forced migration will make them more vulnerable to the risk of human trafficking and modern slavery.

We've made recommendations and developed tools to help investors assess, disclose, and manage climate-related modern slavery risks. The first step is to identify the risks.

Physical and Transition Risk to Human Rights

Climate change poses two primary sources of risk to human rights:

Physical risks. Acute physical risks relate to "sudden onset" events such as storms and bushfires. Chronic physical risks involve gradual long-term changes, or "slow onset" events, including drought, desertification, rising sea levels and ocean acidification.

Sudden- and slow-onset events can destroy homes, infrastructure, food and water sources, and livelihoods. People affected by severe weather events can find themselves working in poor job conditions or forced to migrate in search of new work. This increases their susceptibility to human traffickers and can also result in labour exploitation.

Transition risks. The shift from high-carbon fossil fuels to decarbonised, renewable energy sources creates two types of transition risk:

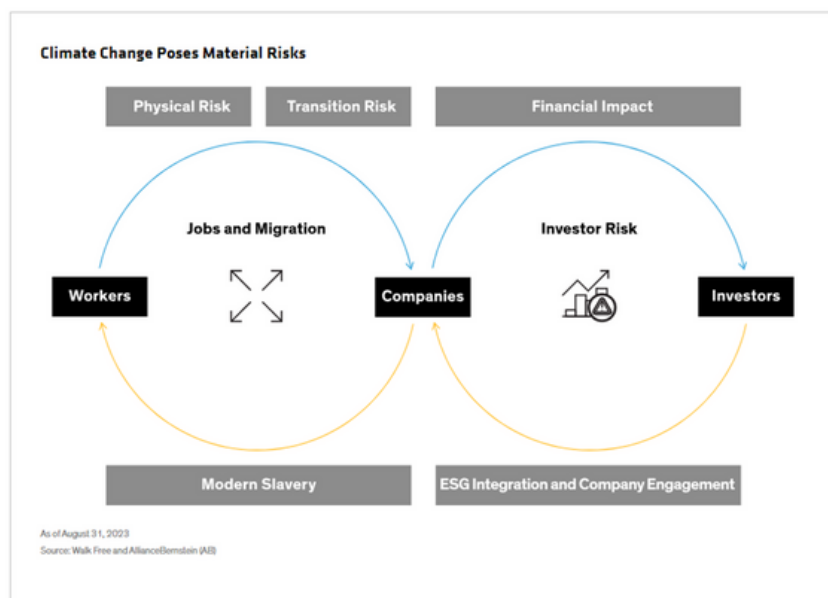
- *Phasing out* fossil fuels can affect workers who either lack the skills for the green economy or are not in the right location. This increases their vulnerability to poor working conditions and human trafficking.
- *Phasing in* renewable energy can create human rights risks in the project-implementation and supply chain stages, such as land acquisition, resource extraction, material processing and equipment manufacturing. Examples include reported practices of child labour in cobalt mining and forced labour in polysilicon production.

Climate-related modern slavery and human rights risks can also create risks to businesses and investors. These include *legal* risks (running afoul of modern slavery disclosure law or human rights due diligence), *reputational* risks (harming a brand by falling short of client, shareholder, and customer expectations) and *operational* risks (destabilising a company's operations and supply chains).

These risks can result in legal fees, fines, penalties, and declining shareholder value—and could divert resources from a firm's core business activities (Display).

Climate Change Poses Material Risks

Case Study: Super Typhoon Haiyan



Super Typhoon Haiyan killed 6,300 people and displaced 4.4 million others when it struck the Philippines in November 2013. The hardest-hit region, the Eastern Visayas, was one of the country's poorest, and its people were among the most susceptible to human trafficking.

The super typhoon forced tens of thousands of residents to flee devastated areas, with many heading to the capital city of

Of course, the transition to renewable energy also presents opportunities to improve economic and social outcomes. Related technological innovations can help communities adapt better to weather events, while creating clean energy jobs and opening new avenues for economic development. But the transition is bumpy—particularly in emerging markets where the vulnerability of fossil fuel industry workers might be greater—and investors should be aware of the risks.

Climate Change and Human Rights Risks: Real World Examples

To put human rights risks from climate change into context, consider two real-world case studies, one related to physical risk and the other to transition risk.

Manila. In the wake of the storm, reports of human trafficking surged, with 54% of surveyed villages reporting children working in dangerous conditions and 39% of villages reporting a spike in the number of child-labour cases.

Case Study: Extracting Cobalt for Renewable Energy

Cobalt is an important mineral used in lithium-ion batteries, which power the renewable-energy industry. But serious human rights violations have been reported in cobalt mining. It's estimated that at least 35,000 children are working in cobalt mines worldwide. These mines frequently operate illegally, and miners are exposed to toxic dust, which can lead to hard-metal lung disease.

Companies that use modern slavery—either directly or indirectly—in renewable-energy supply chains could face legal consequences, including fines, penalties, or lawsuits. In 2019, a US class-action lawsuit was filed against five major technology companies, alleging they knowingly benefited from the use of child labour in their cobalt supply chains. Beyond litigation risks, increased regulatory scrutiny can bring more stringent supply chain reporting requirements and audits, with severe penalties for non-compliant firms.

A Game Plan for Investors to Identify Risks

The relationship between climate change and human rights risks can be opaque. Given the high stakes, we believe that investors should take a systematic approach to identifying climate-related modern slavery risks and ensure that their due diligence includes:

- Identifying whether a company's most labour-intensive operations are located in regions susceptible to slow- and sudden-onset climate-related events
- Assessing how companies located in high-risk regions account for labour considerations, such as the risk of large-scale migration following sudden-onset climate-related events, or the risk of forced labour in renewable energy supply chains
- Understanding how companies located in high-risk regions conduct human rights due diligence to identify modern slavery risks, and how firms work to reduce those risks

- Exploring how companies engage and collaborate with employees, suppliers, customers and affected communities to assess and address the impact of decarbonization plans

Climate change can have complex, far-reaching human rights repercussions beyond its environmental impact. We believe that these risks can and should be an integral component of investors' fundamental research. With awareness and tools that include relevant frameworks and supplementary metrics, investors can improve risk assessments and make better-informed capital allocation decisions.

This is an extract from [Bridging ESG Silos: The Intersection of Climate Change and Modern Slavery](#), a report issued by AllianceBernstein in partnership with Walk Free, an international human rights group working to accelerate the end of all forms of modern slavery. The report explores climate-related modern slavery risks in depth and is available online.