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Big audit firms as regulatory intermediaries in transnational labor governance

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Abstract

Due diligence and corporate disclosure initiatives effectively expand the role of professional service firms as regulatory intermediaries in the governance of conditions of production in global supply chains. In this paper, we examine the rise of the “Big Four” audit firms in the market for services connected to transnational labor governance. Through a qualitative case study of audit firms in modern slavery governance, we argue that the Big Four’s political repertoire for transnational labor governance expands beyond the roles that are typically linked to their services, and promotes an agenda that touches on key debates on what constitutes proper transnational labor governance. Big audit firms engage in a variety of informal and covert influencing practices and are shown to promote an agenda of incrementalist soft-law labor governance, opposing concrete performance targets, binding public regulation and an independent watchdog role for civil society.

Keywords: auditing, labor, regulatory intermediary, slavery, transnational governance.

Introduction

A recent innovation in the study of regulatory governance, scholars have emphasized the importance of so-called intermediaries in the evolution of regulation (Abbott *et al.* 2017). Rather than focusing on rule-takers and rule-makers, the actors involved as go-betweens in the regulatory process are theorized to have significant influence on regulation. An important class of organizations involved in such intermediary roles includes professional for-profit organizations that specialize in consultancy and assurance. And chief among these in today’s global economy are the “Big Four” Audit firms (Ernst & Young [EY], KPMG, Deloitte, and Pricewaterhouse Coopers [PwC]).

This paper focuses on the role of the Big Four as intermediaries. We seek to contribute to the regulatory intermediary literature in two ways. First, while we agree with extant literature that we should theorize, in particular, for-profit intermediaries as seeking to influence regulatory processes out of self-interest in a market for their services, we find that this assumption alone is insufficient to determine what positions intermediaries effectively advance when seeking to influence regulation. As of yet, for instance, the literature is undecided on whether we should view service firm activities as advancing privatized and soft-law or public and hard-law modes of business regulation. We therefore promote the question of what an intermediary’s political agenda is in influencing regulation as an empirical issue. Second, we find that particularly when intermediaries seek to influence regulation through “unofficial” and “non-formal” channels emphasized in this Special Issue (see Brès *et al.* 2018, forthcoming), their political behavior is more varied and extensive than the current literature posits. Indeed, we hold that many of the ways in which actors involved in intermediary roles seek to secure their position lie outside of the roles assigned to them as intermediaries in regulatory governance (cf. Kourula *et al.* 2018). This enhances the importance of our previous point, about getting to know better the preferences of audit firms when they influence regulatory processes.

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Our paper focuses empirically on the Big Four's activities in the realm of multistakeholder regulation of transnational labor governance. The study of intermediaries is very welcome in this realm of regulatory governance, as it is home to a varied group of organizations functioning as intermediaries that could affect regulation (O'Rourke 2000; Locke *et al.* 2007; Esbenshade 2009). Next to this, we observe that the advance of due diligence further widens the space for intermediary actors affecting regulation – particularly in the realm of modern slavery regulation, which is the main focus of our study.

We therefore start off with the following research question: *What describes the formal and informal influencing practices and regulatory preferences of big audit firms in the realm of modern slavery governance?*

We find that the Big Four's influencing activities extend their roles as translators, mediators, implementers, and monitors so far emphasized in the literature (Brès & Gond 2014; Ghadiri *et al.* 2015). We particularly identify significant unformalized and unofficial influencing practices, through the lobbying and collective action-oriented activities of the Big Four (cf. Brès *et al.* 2018, forthcoming). Audit firms seek to influence governmental regulators, private regulators, firms, and stakeholder groups in various stages of the private regulatory policy process. Moreover, they are able to do so because of the combinations of their roles as experts, assurance providers, and informal spokespersons for client firms.

Second, we find that the Big Four's involvement in policymaking processes toward modern slavery serves their core interest of expanding their markets, but that an agenda for modern slavery governance that effectively advances a service market for the Big Four can still take various forms, and policy options advocated by the Big Four may have important political ramifications beyond the issue of service firm positioning. We demonstrate that representatives of one of the Big Four firms most deeply engaged in modern slavery governance has promoted incrementalism, soft-law governance, business roles in regulation, and partnership between civil society parties and businesses, with important consequences for transnational labor governance. Conversely, audit firms oppose the imposition of concrete performance targets, binding public regulation and an independent watchdog role for civil society.

In the next section of this paper, we introduce our perspective on audit firms as regulatory intermediaries in relation to existing theories. Section 2 discusses our methodological approach, after which we present our empirical data on the role of the Big Four in labor governance beginning in Section 3, which presents data relevant to the first half of our research question, describing the political behavior of all four audit firms. In Section 4, we focus our attention on audit firms' political agenda through an in-depth case study of one firm's agenda and activities with regard to modern slavery governance (Deloitte). A final section concludes.

1. Audit firms as regulatory intermediaries

A diverse body of literature studies corporate policies to promote sustainable production in global supply chains. Literature emphasizes efforts to create *private regulation*: groups of predominantly non-state actors setting standards that are voluntary in the legal sense, describe proper business conduct in global production, and to which industry players are expected to conform.

Analysts interested in the evolving politics of private regulation, broadly construed, have mostly focused on the political attitudes and activities of businesses as rulemakers and rule-takers (Marx 2008; Berliner & Prakash 2015), as well as to the private regulatory organizations themselves (Auld 2014; Mena & Suddaby 2016), to non-governmental organizations (NGOs) as stakeholder groups and co-regulators (Bartley 2007; Mena & Waeger 2014; cf. Gereffi *et al.* 2001), and to governments as co-regulators or parties creating policies and legislation that affect private regulations (Abbott & Snidal 2010; Gulbrandsen 2014).

Meanwhile, next to these relevant actors and institutions, the service firm industry has evolved to assist firms to develop private regulatory commitments, while being granted a role to assess business conformity with private rules. This service market includes firms engaging in strategic consultancy, assuring corporate social responsibility (CSR) reporting, and auditing production sites. A subset of literature has begun to take stock of these activities (cf. O'Rourke 2000; Pruett *et al.* 2005; Blair *et al.* 2007; Green 2008; Bouteligier 2011; Dingwerth & Eichinger 2014; Knox-Hayes & Levy 2014; Paiement 2018) and to explore the significance of service firms for environmental and labor governance.

Abbott *et al.* (2017), meanwhile, call attention to service firms as belonging to the actor category of *regulatory intermediary* (cf. Levi Faur & Starobin 2014), as an attempt to systematically capture the significance of actors that are not themselves directly rulemakers or rule-takers. In this perspective, service firms initially enter into regulatory support roles on the basis of their operational capacity, perceived expertise, and independence, but may increasingly be invited into processes of regulatory revision to offer insights based on experience (cf. Lytton 2017).

Abbott *et al.* develop the regulator–intermediary–target (RIT) model to explore the significance of this actor role, and its consequence for regulation. In their model, they put the intermediary front and center in discussion over regulatory processes, claiming that intermediaries operationalize, diffuse, and modify rules and practices of both regulators and targets. They then discuss the different ways in which the intermediary can influence regulation, either as an actor with its own agenda or through capture by the regulator or the regulatory target.

Other authors working in this vein, meanwhile, suggest that some service firms will be able to act as intermediaries in several regulatory policy processes at once, and will thereby be in a position to exploit these positions to their own advantage (cf. Galland 2017; Havinga & Verbruggen 2017). As for the for-profit intermediary's interest in influencing regulation, most authors assume that the service industry's main stake in regulation is payment for service, maintenance or expansion of the market of this service, and protection of the intermediary's main *modus operandi* (Abbott *et al.* 2017, p. 28; Galland 2017). In this sense, the authors advance an argument that resonates with economic sociology about how markets are constituted by rules, and market and rulemaking behavior are in constant interaction with one another (Granovetter 1985; Fligstein 1996).¹

We seek to add to this understanding of for-profit organizations as regulatory intermediaries in two ways. First, inductively, our study reveals that intermediary firms exhibit political behavior indeed targeted at influencing regulatory processes, but a significant amount of this behavior is outside of their official assigned roles as intermediaries. In other words, audit firms do not only seek to influence regulation via the assisting, translating, and assuring roles formally expected from them (cf. Kourula *et al.* 2018). In line with the conceptualization suggested in the Introduction to this Special Issue (Brès *et al.* 2018, forthcoming), we identify significant informal political behavior of intermediary organizations, both in terms of unofficial and unformalized practices. Unofficial behavior includes covert lobbying toward rule-takers by intermediaries. Unformal practices include “steering” attempts, such as aligning rule-takers and rulemakers on a shared regulatory agenda (cf. Bothello & Mehrpouya 2018).

The literature on lobbying² helps us to make sense of these activities as it points us toward the following recurring phenomena, in particular, with regard to the political behavior of service firms: service firms are often hired by rule-takers as professional lobbyists toward rulemakers as they have political know-how and connections, and therefore function as agents in service of client firms (Wonka *et al.* 2010); service firms lobby on their own behalf with regard to their intermediary position in regulatory processes and make in-kind contributions in the form of personnel toward regulators and regulatory targets (Hall & Miler 2008); and service firms that engage in intermediary roles may also engage in collective action seeking to involve regulatory beneficiaries and align them toward pre-set goals (Coen 1999).

This means that audit firms, as they engage in formal and informal regulatory intermediation because of their size and network, in particular, have the potential for a significant political repertoire and many different political channels through which to shape regulation. We therefore posit that the RIT model basically accurately describes an audit firm's position toward regulation as intermediaries, but the character, variety, and intensity of the possible interactions between the Big Four on the one hand, and regulators, targets, and beneficiaries on the other, deserves specific attention for anyone interested in the evolution of regulation, as it implies significant power for this intermediary actor. If it is true, meanwhile, that big audit firms are expanding their role as regulatory intermediaries in issue areas like labor governance (which we posit), then this observation is of both theoretical and societal importance, in particular, to those engaging in this field of multistakeholder regulation.

Our second contribution to the literature pertains to its understanding of a for-profit organization's interest and agenda in influencing regulation. We concur with the position advanced in studies so far that firms in intermediary roles are self-interested in terms of the market for their intermediary services (cf. Bouteligier 2011; Brès & Gond 2014; Abbott *et al.* 2017). But this observation alone is insufficient to determine an intermediary's agenda in influencing regulation.

Nowadays, multistakeholder regulation may vary in terms of scope, degree of transparency, hard-law quality and precision of rules, and the inclusiveness and accountability of regulatory processes (Fransen & Kolk 2007; cf. Auld & Gulbrandsen 2010). All of these dimensions of regulation have implications for how intermediation takes place and may as such be interesting for regulatory intermediary actors to attempt to influence. And we may ostensibly expect influencing practices geared at all of these from regulatory intermediaries. But this intermediary's self-interest as such does not yet inform what for-profit intermediary actors *prefer* for these policies. Particularly, when big audit firms act as intermediaries it may be that across the most likely regulatory designs to evolve, their role is secured: as assurers, and/or advisors for rulemakers, rule-takers, and/or beneficiaries. In this spirit, Blair *et al.* (2007), for instance, discussed the rising influence of assurance providers in the global economy. They posit that one logical position is to consider the impact of these service firms as privatizing regulation, with service firms contributing to the bypassing of government as a regulator. From a self-serving perspective, this could indeed be a policy position that service firms would advocate toward regulators, observing that in fact many of their current and potential clients among retailers and brands would subscribe to this position. But next to this, by contrast, Blair *et al.* (2007) also find that these firms may contribute to the development of formal legal institutions spurring the public enforcement of labor and environmental standards. Initial private procedures to which service firms contribute may raise the appetite for binding public law by business and civil society as a way of leveling the playing field. Service firms may also advocate for this position toward regulators, knowing that it will serve their position.

If audit firms *do* put their weight behind a particular regulatory policy proposal, however, their rich political repertoire and possible channels of influence may serve to significantly influence what regulation looks like. In other words, the current literature on regulatory intermediaries leaves us with an underdetermined theory of regulatory intermediaries' policy preferences in regulation.

Here, too, the literature on lobbying inspires our approach, next to studies of accounting and audit firm behavior more generally. It suggests that we should take identification of a service firm's agenda in influencing a regulatory approach as *a matter of empirical inquiry* rather than as something one can deduce *ex ante* as many classical studies of regulation have done (cf. Stigler 1971). For a set of reasons, this has to do with different strategies when engaging in influencing practice: as noted above, the big audit firms engage both in lobbying on their own behalf, and as an intermediary lobbying service for other private and public interests (Wonka *et al.* 2010), and the two may be empirically difficult to disentangle in practice; service firms may engage with regulatory processes and even lobby in favor of certain policy proposals because they seek to gain political capital from rule-takers and/or rulemakers and/or beneficiaries as these engage in policymaking (Woll 2007a; cf. Puro 1984) – rather than because of their keen interest in the policy position at hand; and service firms may have policy preferences that change while lobbying on regulation (Woll 2007b).

If we focus on labor issues, and particularly the area of forced labor and slavery, we identify several contentious issues in the institutional design of transnational governance that policymakers and academics alike debate. For instance, the degree to which rules for multinational corporations regarding their supply chains should be binding and hard-law or voluntary and soft-law (Hensler & Blasi 2013; Reinecke & Donaghey 2015); whether due diligence should be mandatory or voluntary; how deep within the supply chain due diligence should extend (LeBaron 2014); the degree to which multinationals themselves should engage in rulemaking on proper business conduct with regard to labor issues in supply chains, or leave rulemaking to governmental parties (Bartley 2003); the degree to which multinationals should be committed to concrete and observable performance targets in addressing labor abuse, rather than commit to continuous improvement in their supply chains (Fransen 2012); the degree of specificity that should be required in company disclosure statements about the risks of forced labor and measures taken to address it; and the degree to which NGOs should function as partners of multinational corporations in their quest to ban labor abuse from their supply chains, rather than as critical watchdogs of these companies (O'Rourke 2006; Esbenschade 2009; cf. Dauvergne & LeBaron 2014).

Through their presumably self-serving political activities, service firms could tip the balance in favor of one position relative to another in these debates, while protecting or expanding their market position as service providers in the longer run. Moreover, many of the alternatives among the policy options for labor governance will in some way guarantee a market for regulatory intermediary services. Next to this, when developing their policy positions, service firms consider the different markets for services they occupy or seek to occupy, and address

tradeoffs. Advancing stringent and complex regulation may, for instance, be beneficial for a service firm's position as assurance provider – but this position may decrease its popularity with firms subject to this regulation, who may be important clients for other services. How service firms will seek to affect policy debates, given their beneficial position at the crossroads of various policy processes, actors, and interests, is therefore not evident *a priori*, and deserving of further study. While an empirical discussion of corporate motivations and business interest possibly *underlying* these activities and positions is interesting and relevant, we deem it for now untenable to demonstrate these motivations and interests given the difficulty of access to reliable data. We instead propose that a first significant step in expanding our understanding will be to focus on observed behavior in terms of audit firm political activities and substantive policy position-taking and discuss such behavior in light of prevailing discussions about transnational labor governance.

2. Methodology

We examine the political activities and agendas of service firms by looking at the activities of the Big Four audit firms in the context of private regulation and CSR activities. These audit firms have high operational capacity and available expertise for service provision. As a result of their many strategic consultancy and auditing functions and the high degree of market concentration, the Big Four – in comparison to other service firms, such as smaller CSR-oriented consultancy operations – have a disproportionately strong network in a variety of business communities, as well as policy communities, on which they may draw to advance their respective agendas. Learning more about their activities is therefore first and foremost substantively relevant. Moreover, their privileged position in the global economy also makes them an extreme case for studying a variety of service firm political influencing strategies, thereby serving our analytical interest in describing service firms' political activities more fully and accurately. Because the Big Four are relatively more transparent in terms of their operations and corporate strategies than other service firm categories, they also serve as useful case studies, in light of our interest in describing service firm political agendas.

We examine the activities of the Big Four particularly in the context of transnational labor governance, understood here to include a diverse set of regulatory activities devoted to enforcing labor standards across borders, including firms' CSR policies, private regulatory organizations, public–private hybrid governance organizations, as well as a host of governmental and intergovernmental initiatives that seek to shape business conduct. Our unit of analysis is the audit firm, and we focus on labor as an issue area for reasons of substantive relevance, and because it is a broad enough field to enable considerable observations on service firm activities.

Our empirical discussion of the Big Four's activities and agendas in transnational labor governance is first based on a 2016 baseline descriptive policy document analysis, issued from publicly available corporate documentation. Next to this we examine the possible interventions of the Big Four in labor-focused CSR activities through policy documentation of a sample of 25 firms active in the United Kingdom (UK). Our research also encompasses material provided by government agencies that sheds light on the Big Four's efforts to influence public governance through financial contributions (e.g. UK Electoral Commission records), lobbying efforts (e.g. UK Office of the Registrar of Consultant Lobbyists), and involvement in private regulation and standard-setting (e.g. UN Global Compact Guidance Note on Human Rights Policies for Business) since 2010.

We gathered documentary sources through a three-step process. First, we conducted a comprehensive and wide-ranging review of relevant government and international organization websites to identify relevant agencies and initiatives with a view toward collecting evidence of the Big Four's influencing activities. Second, the search was expanded to incorporate online resources, such as broader registers of CSR legislation and activities, global and regional initiatives, and reports from organizations working in the area of labor governance and supply chains. Finally, to supplement the documentation unearthed through these searches, we conducted detailed searches on the Big Four's websites. The documentation identified through this broader sampling strategy was then tested against the criteria of relevance to our research question, as we sought to use these sources to describe the political behavior and agenda of Big Audit firms in influencing transnational labor governance. The final set of documents was systematized and analyzed, using categorical and thematic coding.

Finally, our analysis is informed by six structured interviews conducted with Big Four employees responsible for transnational labor governance services between May 2016 and April 2017. All but one representative wished

to remain anonymous, and pseudonyms have been used where necessary to protect anonymity. We conducted these interviews to triangulate our documentary analysis and fill in potential gaps. Because we were able to gain insights about government regulators and firms through documentary analysis, while the role of Big Four firms within policy processes was more difficult to ascertain, our interviews focused on these latter actors. The interview data gave us additional insights into impact, including who within the audit firms is involved in influencing activities, what changes were being promoted, and the impact of audit firm influencing activity on policy processes.

Within the field of audit firm interventions in labor governance, we further describe audit firm strategies through an exemplary case study of Deloitte, specifically their activities in the field of transnational modern slavery governance. This case study is based on an analysis of Deloitte's involvement in the societal and regulatory processes that have yielded an important piece of legislation, the UK Modern Slavery Act (2015), as well as their anti-slavery activities in the wake of this legislation. The case study is first informed by an analysis of documents published by Deloitte United States (US) and UK between 2009 and 2016 that cast light on the company's anti-slavery activities, which includes annual reports, co-authored publications with NGOs, web-based descriptions of events hosted, partnerships, and lobbying efforts. Second, we are informed by interviews conducted with Deloitte employees responsible for modern slavery governance, stakeholder outreach, and client services between May 2016 and April 2017. We selected Deloitte among the other Big Four firms because our first round of documentary analysis revealed that Deloitte's political activities were the most diverse and most revealing for our analytical purpose of examining audit firm political agendas in more detail.

While our study is not causal in orientation (see the research question), we follow proponents of process tracing (particularly Collier 2011) who emphasize the importance of descriptive inference before moving to an investigation of causal mechanisms. In the context of our study, we particularly seek to provide descriptive diagnostic evidence of a phenomenon that has so far received little attention in the literature (audit firm influencing and agendas), establishing its scope of action and variation in activities (in terms of observable political behavior and positioning), and its occurrence in a particular sequence of events surrounding a policy process. Future research could fruitfully further establish the causal significance of this political behavior and agenda.

To gain consistent and accurate insights into our unit of analysis, the Big Four audit firm, we chose to anchor our study in a specific timeframe (2009–2016) and our investigation of audit firms' political behavior and agenda on one piece of legislation, the 2015 UK Modern Slavery Act. We selected our timeframe to coincide with the implementation of due diligence frameworks, namely, the UN Guiding Principles for Business and Human Rights, and to end at the time that research began so our findings could be as up-to-date as possible. Legislative development as a stage of public governance has peculiar features, in terms of access to government for lobbying groups, and is therefore probably not fully representative of influencing practices by service firms toward government more generally. We choose this phase, however, because it allows for a breadth of observations in terms of possibly existing influencing practices, and because of the importance of the legislative process for the shape of governance.

We chose to focus on the UK for three reasons. First, discussion of service firm activity in the British context is relevant, because the UK is one of the most densely regulated countries in terms of CSR due diligence (Phillips *et al.* 2018). This country context therefore offers us a wealth of possible observations.³ Second, the UK is an early adopter of corporate disclosure legislation, therefore providing rich insights into the activities of audit firms to influence transnational labor governance. Third, because our research strategy involved interviews with current employees of the Big Four, concerns about the reliability of our data motivated us to ask our participants questions about which they had the highest likelihood of answering accurately and recalling all relevant information. We therefore chose to focus interview discussions with audit firm employees on recent and relevant policy processes in which they had been directly involved; namely, the 2015 UK Modern Slavery Act. This legislation was also frequently mentioned in documentary analysis.

3. The Big Four in contemporary transnational labor governance

Today, the Big Four provide a wide range of professional services to companies, including ethical and financial auditing, accountancy, risk assessment, and services to support the governance of production standards in global

supply chains. Through such services, the Big Four earned over US\$125 billion in combined revenue in 2016 and had over 887,800 employees spread across over 150 countries around the world (Deloitte 2016c; EY 2016; KPMG 2016; PwC 2016). By all measures, the Big Four are major players in the global economy, and their revenues continue to expand.

Throughout the 1990s, a series of mergers reduced the “Big Eight” to the “Big Six,” and then finally to the “Big Four” after Arthur Andersen collapsed in 2002. Since that time, the Big Four firms have grown steadily, with especially high growth over the last few years (Deloitte 2016a; EY 2016; PwC 2016; Rapoport 2016). As the Big Four have grown, their proximity and importance to the world’s other big companies has tightened. In some arenas, the Big Four hold a near monopoly on the business of the world’s largest companies. For instance, in 2010, Big Four firms performed the audits of 339 out of 350 of the Financial Times Stock Exchange (FTSE) 350 leading companies (UK Parliament 2011). The Big Four also have powerful public sector clients, ranging from national governments to the world’s leading universities. Indeed, it is fair to assume that if an organization is making or managing large amounts of money, they are probably clients of the Big Four.

Due diligence guidelines and financial disclosure legislation create corporate duties to disclose information on labor, environmental, or human rights impacts in domestic and/or global supply chains. The most notable example is the UN Guiding Principles for Business and Human Rights, which demand corporate transparency on activities to prevent human rights violations. Next to this, corporate disclosure legislation also comes from the US and the UK, and because of its focus on stock-listed firms, has implications for companies throughout the world. One recent study found that over a dozen pieces of recent national legislation imposing mandatory requirements on companies to disclose labor issues in supply chains have been enacted or amended since 2009 (Phillips *et al.* 2018). This body of legislation varies with respect to institutional design and levels of stringency; it can be usefully thought of as a continuum, encompassing both “hard” and “soft” legal approaches (LeBaron & Rühmkorf 2017a,b). As LeBaron and Rühmkorf (2017a,b) have shown, the form that such legislation takes is partially determined by the influence of societal and industry coalitions within domestic regulatory spheres. For instance, the French version of labor-focused disclosure legislation contains penalties to corporations for non-compliance. The 2012 California Act version of due diligence, by contrast, is much more soft-law in orientation and less specific in its description of firm obligations. In the UK context, there is both “hard” and “soft” law with respect to CSR, therefore it is not inevitable that corporate disclosure legislation should take a “soft” law approach (LeBaron and Rühmkorf 2017b).

Both kinds of legislation further advance the role of audit firms as intermediaries. This manifests in three ways: because of their broad scope, these guidelines and laws have a leveling effect on the corporate playing field and invite demand for consultancy from firms new to “the CSR game;” consultancy firms are important players that can keep firms up to date on evolving government plans regarding new legislation; and firms seeking compliance with these regulations create a market for audit firms in verification of company claims on disclosure. While harder laws benefit audit firms as they would expect to see an increased demand for consultancy toward brands and retailers complying with such regulation, demand for assuring compliance with regulation, and demand for public relations services on behalf of firms at regulators, softer laws would also increase audit firm demand for consultancy on and assurance of soft-law norms and PR services toward regulators.

The expansion of transnational labor governance services has helped to fuel the Big Four’s growth. As we document, Big Four firms have expanded and diversified the services they offer to clients in relation to governing labor standards in global supply chains. At the same time, we identify that audit firms are influencing supply chain governance at global and national levels, both through formal as well as unformal and unofficial influencing practices.

3.1. Expansion of labor governance services

Table 1 summarizes the transnational labor governance services currently provided by the Big Four firms. Not all of these services are new. Indeed, as mentioned above, Big Four firms have been offering some services related to governing conditions in global supply chains since the 1990s. What is new, however, is the collation and expansion of services into comprehensive programs to help companies meet new legal requirements for disclosure on labor standards in supply chains, and their emphasis on anti-human trafficking and modern slavery.

Table 1 Big Four transnational labor governance services (2016)

Assurance activities	<ul style="list-style-type: none"> • Assurance over and verification of external labor standards disclosure • Conduct supplier audits • Advise on, draft, and review human trafficking and modern slavery corporate reporting and statements to ensure compliance with relevant legislation and guidelines • Assist organizations in building and monitoring labor and human rights standards, and management processes, policies, and controls
Advisory activities	<ul style="list-style-type: none"> • Supply chain mapping, advisory, and risk assessment services in relation to labor standards, including forced and child labor and human trafficking • Development and implementation of due diligence strategy and compliance programs • Assist with corrective action following supplier audits, including locating alternative suppliers • Advise internal or third party auditors on the risks of forced and child labor and human trafficking • Establish Key Performance Indicators and performance measurements around human trafficking, child labor and modern slavery • Training and e-learning for employees and suppliers • Crisis management, investigative work, and remediation of incidents related to human rights violations and non-compliance with labor standards

Source: Company websites and interviews.

Because labor governance services do not comprise stand-alone departments in Big Four firms, and as such are not subject to precise reporting, we cannot report on the total growth of these services in exact quantitative terms. However, interviews and proxy data from annual reports reveal growth and diversification in labor governance services among all of the Big Four. An interviewee from Company B described:

The proportion of our businesses represented by these services has certainly grown over time, especially within the last two years as a lot of companies realize they need to get a human trafficking and modern slavery statement published and they don't know how to do that or where to begin really, so it's definitely grown.⁴

Our examination of company annual reports similarly revealed growth across the key departments that offer labor governance services. For instance, all four firms offer some labor governance advisory services within their consulting departments, and these have had high growth over the last few years – up 16 percent at PwC UK and 6.4 percent at Deloitte UK in 2016 (Agnew 2015a,b, 2016; Rapoport 2016).

In addition to labor governance services comprising a growing proportion of overall business, our research documents the diversification and broadening of transnational labor governance services. At all four firms, due diligence services in relation to human trafficking and modern slavery comprised the most significant area of expansion.⁵ Again, while Big Four firms have offered more general services for human rights for over two decades, they have only very recently introduced services to assist companies to detect, prevent, and address human trafficking and modern slavery in global supply chains. The Big Four began to engage with the anti-trafficking and anti-slavery agenda in 2011–2012, and there has been a significant upsurge in their services since 2015 (summarized in Table 1). Representatives from all firms noted the importance of recent national legislation – especially in the US and the UK – as the impetus to expand labor governance activities.⁶

The boom in Big Four service provision in this area has helped to facilitate increasing disclosure by companies regarding their social and labor practices. The Conference Board, Global Reporting Initiative, and Bloomberg's Sustainability Practices Dashboard measure disclosure by large public companies on environmental and social practices. In 2016, it demonstrated a slight increase in social sustainability disclosure among global firms, as “some of the greatest increases in disclosure were among social practices, particularly those related to labor standards” (The Conference Board 2016) (see Fig 1).

We also examine the degree to which Big Four firms are reaping these opportunities for expanded labor governance services by looking at uptake of Big Four services in the context of labor governance and sustainability issues in global supply chains. As a plausibility probe we examine the most recent CSR reports and policy material of a sample of companies, looking for evidence of Big Four engagement. We focus on UK disclosure legislation, and copy a sample of firms by LeBaron and Rühmkorf (2017a) who selected 25 firms active in the UK for analysis because of their size and relevance to labor abuse and forced labor issues. In this sample, 56 percent of the firms buy services from the Big Four that are related to CSR agendas, including labor issues, with PwC serving most clients in the sample. Twenty percent of these firms

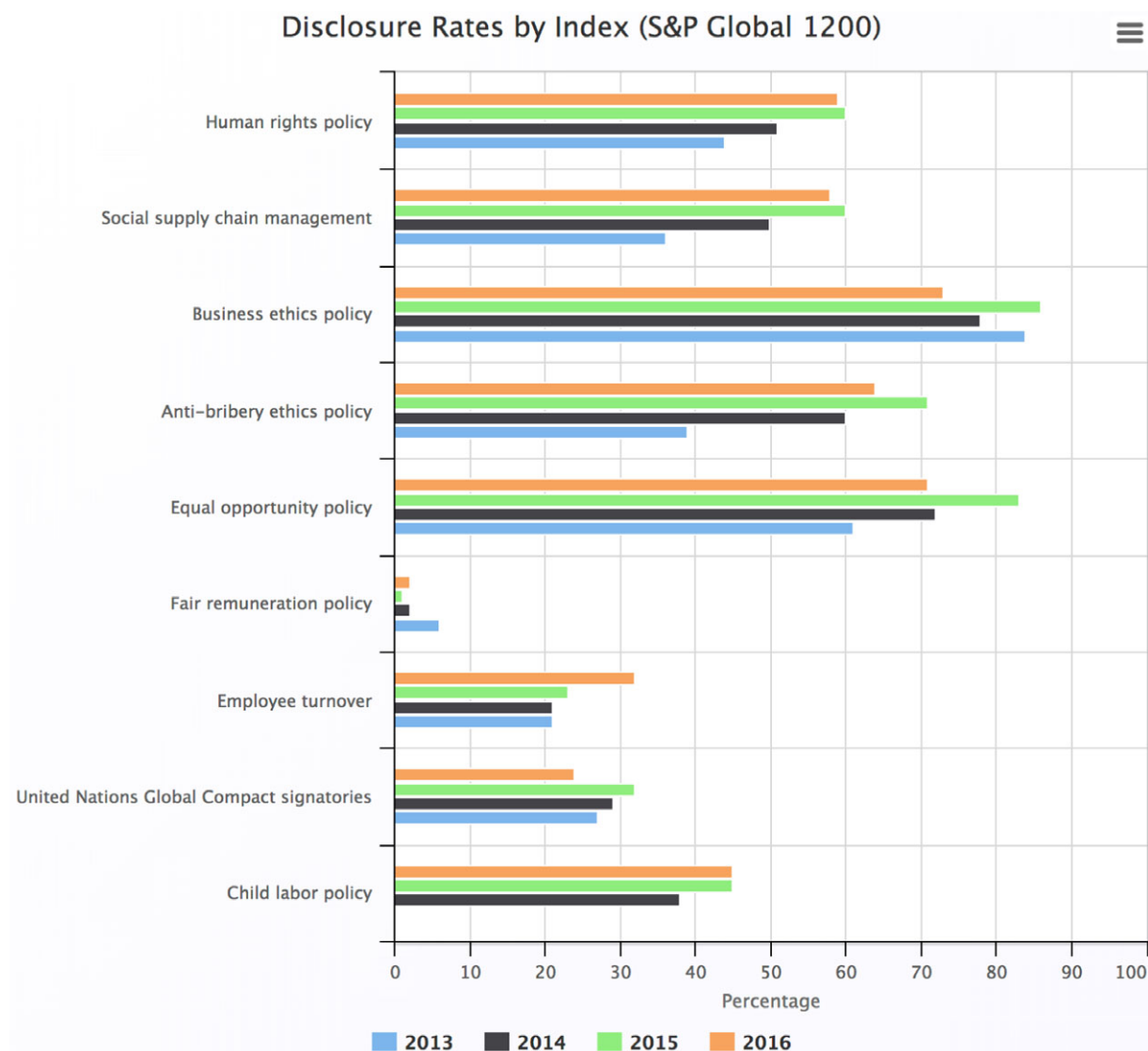


Figure 1 Social practice disclosure rates by S&P Global 1,200 companies, 2013–2015. *Source:* Generated with data from the Sustainability Practices Dashboard. <http://www.conference-board.org/sustainability/burialive/charts/>

do not buy from service firms for their CSR policies, while 24 percent of the firms employ service firms other than the Big Four.

3.2. Influencing practices beyond corporate service roles

The Big Four's expanding role in transnational labor governance has not merely occurred in response to the growing demand by companies, and their role as regulatory intermediaries has not been limited to enacting and translating rules, because they are also engaged in influencing public and private governance in formal, unformalized and unofficial roles.

At the global level, Big Four firms have been active in influencing private regulatory processes to strengthen corporate accountability for human rights and labor standards. They have done so through active participation in the multistakeholder private governance processes that have created private governance rules, often in formalized capacities. To name a few examples, Deloitte was a founding member of the UN Global Compact and notes on its website that today, it “strongly supports the ten Global Compact principles and participates in global meetings

and a number of regional Global Compact Networks” (Deloitte 2017b). EY has also helped the UN Global Compact with their guidance.⁷ Deloitte’s Managing Director of Global Public Policy, Charles Heeter, was Chairman of the Business and Industry Advisory Committee (BIAC) to the Organisation for Economic Co-operation and Development (OECD), and contributed to the 2011 re-write of the OECD Guidelines for Multinational Enterprises (Organisation for Economic Co-operation and Development 2014). Deloitte professionals have also contributed to the OECD Corporate Governance Principles (Deloitte 2017c). EY is a key advisor to the Shift Project, a major initiative launched in 2011 to implement the UN Guiding Principles on Business and Human Rights, chaired by John Ruggie and funded by the UK, Norway, Netherlands, and Swedish governments and the Open Society Foundation (Shift Project 2017a).

In addition to influencing due diligence standards in the global governance arena, the Big Four have also sought to influence relevant national legislation. As mentioned in Section 2, our research has focused on the activities of the Big Four in influencing the UK Modern Slavery Act (2015). These are summarized in Table 2.

As mentioned, the Big Four’s political activities have to date been underemphasized in the literature, and crucially, such activities extend beyond the influencing roles typically emphasized in the literature, such as translation, mediation, implementation, and monitoring. Our research suggests that audit firms’ involvement in UK policymaking toward new disclosure legislation has been significant. In particular, firms have sought to influence the UK Modern Slavery Act Section 54 on Transparency in Supply Chains, which requires certain companies to publish an annual slavery and human trafficking statement and set out “what steps organisations have taken to ensure modern slavery is not taking place in their business or supply chains” (UK Home Office 2015a). All Big Four firms were involved in the development of this legislation and although their contributions are summarized in Table 2, it is worth briefly describing their key contributions as these shed further light into their recent political activities.

The Big Four provided input at various stages of the policymaking process, from the early Draft Bill to the final statutory guidance on the Transparency in Supply Chains section that followed the passage of the Act. In a blog on PwC’s website, a company representative, for instance, describes that he was “involved in the Modern Slavery Act from the initial consultations in 2014 right through to contributing to the final guidance document” (Shaw-Brown 2016). The influencing activities of audit firms have involved both official, publicly visible and informal, more hidden practices.

Early on in the process, a representative of Deloitte submitted evidence to the Parliamentary Joint Committee on the draft Modern Slavery Bill urging that the legislation should require companies to: commission audits of their supply chains; to “prove, in the event of an issue, that appropriate steps had been taken to minimise risk of slavery within the supply chain;” and to publish league tables “indicating a company’s supply chain slavery risk and act as a mechanism by which companies continually seek to improve their anti-slavery approach,” among other measures (UK Joint Select Committee 2014). KPMG, PwC, and EY (through the Shift Project) are thanked by the Home Office in its statutory guidance on Transparency in Supply Chains for “supporting the development of this guidance” (UK Home Office 2015b, p. 42).

Significantly, the Big Four have highlighted their political influence over the Act as a marketing tool for their services. For instance, in briefing material promoting their labor governance services, PwC note that “Our team understand the legal requirements and Government’s expectations of the Act. Having contributed to the development of the Practical guide, we understand the intentions of Government” (PwC UK 2015, p. 4). In short, far

Table 2 Big Four firms influence on the UK Modern Slavery Act

	Deloitte	EY	KPMG	PwC
Submission of written evidence to Parliament	X			
Co-hosted events with government or NGOs	X	X	X	X
Contributed to developing legislation and guidance			X	X
Financial contribution to government	X	X	X	X
Publications about Act	X	X	X	X

Source: Baseline comparative documentary analysis using information from company websites. NGOs, non-governmental organizations.

from merely responding to the new market demand triggered by the Act, the Big Four firms have pushed for the Act and have sought to influence governmental regulators making decisions about its substance from the outset.

The Big Four's efforts to influence governmental regulators are underscored by their financial and non-cash donations. The lacking transparency surrounding these contributions makes it difficult to ascertain whether and to what extent Big Four contributions impact policymaking. Nevertheless, it is notable that data from the UK Electoral Commission reveals that the Big Four have given sizable cash and non-cash (ie. consultancy services and staff costs) resources to UK political parties and Members of Parliament: Deloitte reported £696,238.56, EY reported £110,564.08, KPMG reported £2,416,418.04, and PwC reported £2,695,121.09 (The Electoral Commission 2017). One form that these contributions take is that of secondments to government offices, wherein Big Four employees work alongside civil services for limited periods of time. Given our interest in the Big Four's influence over the Modern Slavery Act, it is potentially significant that at least some of the Big Four's political contributions in the last few years have been directed toward the Home Office, the branch of government behind the Act. The Home Office has reportedly "seconded less than five people from consultancy firms including the Big Four in the last three financial years" (Moore 2016). But again, the lacking transparency surrounding these secondments, as well as other donations, makes it difficult to assess the precise role that they enable the Big Four to play in British policymaking. At the very least, that the Big Four are channeling sizable resources into the UK Government underscores the need to look further at their political influence.

A final avenue through which Big Four firms have sought to influence the anti-slavery political agenda is through partnership with NGOs toward events and publications on modern slavery. Our interviews and documentary analysis revealed partnerships between the Big Four and leading anti-slavery NGOs, including Free the Slaves, the Global Fund to End Slavery, and the Walk Free Foundation. These partnerships have taken many forms, ranging from pro bono work by Big Four firms for the NGOs to the co-hosting of events and co-publication of reports about combatting slavery.

By submitting evidence to Parliament, influencing the legislation and guidance, publishing about the Act, contributing cash and non-cash resources, and collaborating with NGOs, the Big Four have positioned themselves as key stakeholders in regulatory processes to create new legislation to combat modern slavery and have deepened and legitimized their role as governance actors. Their success in doing so is underscored by the fact that toward the end of the legislative process of the Modern Slavery Act, the government solicited their input on the substance of the final version of the supply chains portion of the Act. For instance, a representative of Company A told us that her company's contribution to the supply chain guidance was prompted by a request from the government:

[T]he government or the Home Office rang up my colleague [Adam] and said "we are writing something on a big piece of legislation on human rights which will require businesses to respond" and they wanted [Adam's] interpretation of how businesses would respond and whether the wording was correct. So Adam... had one or two meetings with the government to help them understand what would be easy and straightforward and what would be hard and difficult for companies responding to the legislation. He kind of commented on behalf of Company A and on behalf of our clients on how the legislation would go down with businesses in Britain.⁸

These dynamics highlight the complexity of the Big Four's role as regulatory intermediaries. First, as noted, policy involvement takes a variety of forms, including both formal and informal (both "unformalized" and "unofficial") channels of Big Four influence on regulators. Second, Big Four firms come into contact with regulators in different roles: as experts on a policy issue; as regulatory intermediaries through, for instance, assurance provision; and as unofficial spokespersons for "the industry position" on particular policy issues. The combination of the Big Four's perceived independence and neutrality, and their proximity to large consumer-facing companies, therefore make them a convenient and important industry ally for the government. In addition, their roles as service providers may render certain policy options more efficient and resilient. Because their influencing activities remain substantively confidential, however, and because their multiple roles are difficult to disentangle, the Big Four's political behavior is less visible, and their political agenda is more challenging to decipher, than that of a traditional governance actor. A full exploration of such dynamics lies outside of the scope of this paper, but warrants future investigation, as we argue in the conclusion. Meanwhile, our depiction leaves an important question

unanswered: What kind of transnational labor governance do Big Four firms seek to achieve through all these influencing practices? In the next section we address this question, through an exploration of a case study of one of the Big Four.

4. Deloitte and the politics of modern slavery governance

In this section, we focus on the character of transnational labor governance advanced by audit firms, as documented above. We do so by examining the activities and policy preferences advanced by one Big Four firm, Deloitte, in greater depth and make three key arguments. First, that Deloitte has recently become a highly visible player in the anti-slavery governance arena in the US and UK. Second, that it has done so in part through unformal and unofficial influencing practices. Third, such practices are linked to a broader political agenda that steers NGOs, policymakers, and other governance actors toward the soft-law side of the spectrum of legal possibilities with respect to transnational labor governance.

In the first case, Deloitte has recently become a highly visible player in the anti-slavery governance arena. This is evident through their involvement in the processes that led to the UK Modern Slavery Act, which reached royal assent on 26 March 2015 after being intensely debated by policy-shapers during a three-year process. The Act was sponsored by then Home Secretary now Prime Minister Theresa May and Parliamentary Under Secretary (Home Office) Lord Bates. It came on the heels of over a decade of NGO pressure on the government to more adequately implement their obligations under the 1956 United Nations Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery and Palermo Protocol (which they ratified in 2006). NGO pressure intensified in 2009 with the creation of the Anti-Trafficking Monitoring Group, a UK-wide NGO coalition established to monitor the government's response to the Council of Europe Convention on Action against Trafficking in Human Beings. The Monitoring Group, alongside dozens of other groups, were actively involved from the outset of the regulatory process that culminated in the Act.

Indeed, NGOs have been demanding that the UK government take action to address modern slavery for several decades. Their key demands have focused around the need for the government to: increase victim protection; hold UK-based companies accountable for labor exploitation in supply chains; end labor abuse in the UK by strengthening labor protection and workers' rights; eliminate restrictive immigration policies (such as those that tie domestic workers to one employer); and expand the labor inspection authority, and the budget and remit of agencies that license labor providers, who are closely linked to forced labor in the UK context.

The involvement of intermediaries like Deloitte with this coalition is relatively recent. Whereas prior to 2011, Deloitte was not active in anti-slavery activities or regulation, following the implementation of diligence guidelines at the global level and the subsequent passage of influential legislation, such as the 2012 California Transparency in Supply Chains Act, the organization has become a highly visible player in the anti-slavery governance arena in the US and UK.

Deloitte has sought to influence modern slavery governance through a diverse range of unformalized and unofficial influencing activities, including hosting events, giving speeches, publishing reports on modern slavery, and partnering with high-profile stakeholders. These activities have been facilitated by the organization's multi-faceted role within this governance arena, encompassing lobbying, collective action coordination, and service provision roles. Table 3 summarizes Deloitte's role and recent activities.

4.1. Deloitte's anti-slavery activities

A key strategy through which Deloitte has positioned itself as a key player in the anti-slavery governance arena is through unformal and unofficial influencing practices. Since 2013, the organization has hosted events to convene "global public- and private-sector leaders to work together to address the issue of modern slavery in supply chains" (Deloitte 2017c). Major governance actors involved in these events include the UK Home Office, the US Department of State, the White House, and Free the Slaves. In addition to hosting events, company representatives have given high-profile speeches about modern slavery. These have taken place in a range of settings, including South by Southwest (SXSW) – a film and music festival held annually in Austin, Texas attended by over

Table 3 Deloitte and Modern Slavery Governance

Role	Key activities
Lobbyist	<ul style="list-style-type: none"> • Shaping legislation, f.e. submitting evidence on Modern Slavery Act to Parliament (see Table 2) • Thought leadership on modern slavery through speeches within governance forums, including the World Economic Forum
Agent of collective action	<ul style="list-style-type: none"> • Efforts to influence activities of NGOs, policymakers, and other stakeholders • Organizing events on modern slavery, often in conjunction with government, industry, and NGO actors • Publication of articles and reports advocating for incremental, market-based solutions to modern slavery and human trafficking
Service provider	<ul style="list-style-type: none"> • Proposing blueprints for collective multistakeholder action to address modern slavery • Anti-slavery services provision for public sector organizations, including US Federal Law Enforcement, US Department of Health & Human Services, and European Commission • Provision of advisory services (often pro bono) to anti-slavery philanthropic organizations and NGOs, including the Global Fund to End Slavery • Provision of anti-slavery services for private sector organizations (as summarized in Table 1)

Source: Websites, company publications, and interviews with company representatives. NGOs, non-governmental organizations.

50,000 people – where a Deloitte representative spoke at an event called “Slavery in the 21st Century: What Role Do You Play?”

Over the last few years, Deloitte has collaborated with several leading anti-slavery and anti-trafficking NGOs. For instance, they have partnered with Polaris, a Washington DC-based NGO to create a public awareness film (Polaris 2018) and have provided pro bono services to the Global Fund to End Slavery (US Chamber of Commerce 2018). Partnering with organizations at the forefront of activism and advocacy on modern slavery has helped Deloitte to position itself as part of the global coalition recently spurred on by the United Nations Sustainable Development Goals to “end slavery by 2030.” These unformal and unofficial influencing practices have been linked to a broader political agenda, most clearly captured in their effort to “steer” stakeholders toward a shared regulatory agenda through their report, *The Freedom Ecosystem*.

As we document further, the regulatory agenda advanced by Deloitte differs markedly from that advanced by the early coalition to influence the UK government described above. This is significant because, as mentioned earlier, even if we understand the Big Four firms’ interest in this legislation as a means of expanding or protecting their service markets, then their influencing practices could still be in service of different policy options with regard to due diligence. Within the policy category of due diligence legislation, different options are available, varying in, among others, hard-law nature and levels of discretion for the firm. Thus, due diligence in and of itself still entails a variety of politically relevant choices. Moreover, having an audit firm’s self-interest – in terms of its regulatory intermediary service market position – inform this firm’s political agenda does not yet predict what its position could be if it were to seek to influence this regulation. It isn’t clear, for instance, whether an audit firm would bargain for hard-law or soft-law, more or less discretionary language on firm requirements, more or less multistakeholder inclusiveness in decisionmaking, and so on. It is therefore important to examine the substance of the policy agenda advanced by Big Four firms, and in this case, Deloitte.

4.2. The Freedom Ecosystem

Deloitte’s most significant effort to become involved in and to influence anti-slavery governance has been the proposal of a blueprint through which stakeholders (including Deloitte) can “align on a policy agenda and collectively advocate for local, sub-national, national, and international policy change” on modern slavery (Deloitte Consulting 2015, p. 34). In October 2015, Deloitte published a report with NGO Free the Slaves entitled *The Freedom Ecosystem: How the Power of Partnership Can Help Stop Modern Slavery*, in which they propose to unify stakeholders around a plan of action of market-based incrementalist actions to combat slavery. As they describe, “Rather than seeking silver bullets, organizations looking to contribute to the eradication of slavery should aim to take incremental steps to improve the status quo” (Deloitte Consulting 2015, p. 5). This report steers NGOs, policymakers, and other governance actors toward the soft-law side of the spectrum of legal possibilities with respect to transnational labor governance.

The report contains a “[d]ata, funding, and strategic policy positioning playbook” for the Freedom Ecosystem, which outlines appropriate action and tactics for actors, including business, consumers, labor organizers,

policymakers and enforcers, and service providers. The report states that it offers a “collective-action framework centered on building the scale and connectivity of anti-slavery efforts across the freedom ecosystem” (Deloitte Consulting 2015, p. 10).

The *Freedom Ecosystem* report clearly positions business as part of the solution to modern slavery, rather than the problem. It promotes the role of businesses in advocacy, claiming that it will not be possible to eradicate modern slavery without businesses and investors working alongside NGOs to “abolish practices that challenge the best intentions to promote a freer world” (Deloitte Consulting 2015, p. 5). It also promotes deep engagement between NGOs and businesses, rather than an NGO watchdog role. For instance, although NGOs’ naming and shaming of businesses who bear responsibility for incidents of forced labor has been a key driving force behind policymakers’ accelerating interest in modern slavery, the report suggests that to be effective allies, NGOs should work with business and others to “align on common goals; build mutual ownership; and create scalable solutions” (Deloitte Consulting 2015, pp. 5–6). Notably, the vision of the problem of modern slavery advanced in the report does not include the barriers posed by businesses themselves. Rather, the list of barriers to overcome by 2030 includes “prevailing gaps in collecting and sharing data;” “limited resources to address slavery;” and “a challenging policy environment” (Deloitte Consulting 2015, pp. 11–13). Left off the list are the obstacles that NGOs have been pointing to for over a decade, including: outsourcing-based business models that create demand for forced labor, corporate power, purchasing practices, and well-documented flaws in private governance systems that allow forced labor to thrive in global supply chains (Appelbaum & Lichtenstein 2016; Asia Floor Wage Campaign 2016).

Where business is concerned, the report leans to the soft-law side of the spectrum of legal possibilities. The report contains several stories wherein businesses have used private governance solutions to address problems, including a case of Coca-Cola (once notorious for being implicated in anti-union violence in Colombia). The report does mention the role and utility of law within the ecosystem; however, the focus is on soft transparency legislation. The report advocates for the proliferation of these laws, noting, “countries around the world have an opportunity to learn from the experiences in California and United Kingdom as pioneers in this space” (Deloitte 2015, p. 28). More hard law versions of due diligence and disclosure (such as the French) are not promoted.

Although NGOs have long called for governments to create concrete targets for businesses to report on to demonstrate that they are making progress in eradicating forced labor in their global supply chains (cf. International Corporate Accountability Roundtable 2012), this demand is not featured within the *Freedom Ecosystem* agenda. Rather, the next steps featured in the report’s “Call to Action” are “creating a professional association, mobilizing resources through strategic alliances, and uniting around a common policy agenda” (2015, p. 34). Because the report’s vision of proper labor governance is limited to policy goals that all “allies” (including businesses) can agree on, it effectively takes many of the demands that activists have called for over recent decades off the table, especially directive regulation by government.

Although the *Freedom Ecosystem* report was published over six months after the UK Modern Slavery Act reached royal assent, Deloitte began to put some of the report’s ideas into practice during the policymaking process, by hosting events to convene and build alliances across NGOs and business groups. After the Government included a transparency in supply chains provision within the Modern Slavery Bill, for instance, Deloitte worked with the Home Office and charity group Unseen to host a conference in London in March 2015 that brought together NGOs, business, and government. As Deloitte Partner David Barnes described:

We are delighted to be able to convene leaders from business, charities, academia and government to work together to tackle the issue of modern slavery in supply chains. The issue of modern slavery impacts everyone and takes place on a global scale. We therefore believe that it is crucial to bring together such a range of attendees as only through working together can we really start to tackle the problem. (UK Home Office 2015c)

Notably, the CEO of the charity Unseen, who also chairs the Joint Strategy Group on Human Trafficking for the UK Home Office and worked closely with the government on the Modern Slavery Bill, is also an associate of Deloitte UK.⁹ He has been outspoken about the need for NGOs to be a partner to business rather than a critical watchdog. As he writes in a *Huffington Post* article, “castigating business is **not** the way forward... Business without doubt, can be the force for good we need” (Wallis 2016, emphasis in the original).

The event modeled and disseminated Deloitte's agenda for transnational labor governance, with sessions focusing on how technology and private governance tools could be used by companies to address forced labor.¹⁰ Importantly, multistakeholder events convened by Deloitte have sought to push the societal coalition seeking to combat slavery toward private governance solutions premised upon incrementalism and away from more transformative models of change. This was captured in our interviews, when a company representative described their vision and motivation as follows:

As Deloitte continues to support The Freedom Ecosystem by bringing stakeholders together, Deloitte could play a role in setting examples for promoting transparency and providing thought leadership to more clearly define what incremental steps are imperative to support business practices that challenge the status quo and fight against injustices like slavery.¹¹

In short, through these collective-action oriented activities, Deloitte has sought to forward its own vision of appropriate and effective labor governance.

In part, Deloitte has hosted anti-slavery events to influence the UK Modern Slavery Act and its implementation. But equally, if not more important is their aim to influence the future of transnational labor governance and the course of policymaking in other jurisdictions. The company has been quite transparent about their aim to influence politics in these ways, noting on their website: "Deloitte actively participates in dynamic regulatory discussions around the world, proactively contributing to the regulatory dialogue, promoting investor confidence, and emphasizing cross-border consistency" (Deloitte 2017c). As they have proactively contributed to the anti-slavery regulatory dialogue, they have steered and influenced it in various ways. This is important given that societal coalitions around the world have been pushing for many years, and continue to push, for a very different type of labor governance. Deloitte's political behavior could be causing the policymaking processes spurred by these coalitions to change course.

No doubt these activities have helped Deloitte to attract new clients in both the public and private sectors. According to the company website, Deloitte has recently provided anti-slavery services for a number of public sector organizations and private companies. But in addition to expanding the market for their services, Deloitte's anti-slavery activities have also promoted a political agenda that reinforces particular forms of public and private governance.

5. Conclusion

In this article, we have argued that the Big Four service firms are much more politically active in regulatory policymaking processes than the literature assumes. We make three contributions to the theoretical understanding of the significance of Big Four firms for regulatory processes. First, while acknowledging the suitability of Abbot *et al.*'s (2017) RIT model, we show, in line with the Special Issue's introductory paper (Brès *et al.* 2018, forthcoming), that the Big Four's influencing practices as for-profit regulatory intermediaries are highly varied and include many unformalized and unofficial channels of influence. Cross-fertilization with the lobbying literature in particular helps us unearth how through different roles the Big Four can shape regulation as intermediaries in different ways. Second, while we agree with literature that the Big Four seem to act out of self-interest when influencing regulation, we argue that for-profit regulatory intermediary agendas can substantively be more specific than merely protecting or shaping a market for services. Our case study of modern slavery governance in particular shows regulatory intermediary efforts to influence various dimensions of regulation. Third, as a consequence, to students of multistakeholder regulation in general, and transnational labor governance in particular, we seek to signal that the Big Four are now significant actors that need to be reckoned with when studying the evolution of regulation, next to regulators, regulatory targets, beneficiaries, and other stakeholders.

As we have noted throughout this paper, the Big Four's influencing activities – outlined in Section 3 – seek to transform the character of transnational labor governance in important ways. While a full exploration of the consequences of these influencing efforts lies outside of the scope of our paper, we have sought to understand the political agenda of one of the Big Four firms through our case study of Deloitte. Their activities clearly target and seek to align diverse governance actors on a shared regulatory agenda anchored within an industry-driven vision of labor governance, rather than a vision that promotes hard-law governance and public accountability (cf. Blair *et al.* 2007).

Both hard-law public and industry-driven governance create a market for audit firm services. Some may even argue that the former offers more economic benefits to audit firms as it is likely to lead to more assurance activities and are surprised by Deloitte's perspective on modern slavery governance.¹² At this point we can only speculate what drove Deloitte to this position, but for now it appears that its preference for industry-driven governance reconciles its own appetite for services in the context of assurance with the preference that a sizable share of its current and prospective clientele of brands and retailers has for modern slavery governance. Meanwhile, the Big Four's activities as intermediaries also have other consequences that may be altering the labor governance arena in important ways, and to which this study cannot do full justice. We therefore highlight four consequences that stand out here, and that may be fruitfully pursued by future studies in regulatory intermediation.

First, in seeking to secure or increase their influence, audit firms are deepening and legitimizing their role as governance actors (cf. Bothello & Mehrpouya 2018). However, they seem to be doing so without taking on the increased legal liability or political accountability typical of governors. It is difficult to know whether or not the Big Four firms could be held legally liable for accuracy within their labor governance services; the liability of social auditors is currently being considered by courts in multiple jurisdictions, and is the subject of dispute in several complaints made against audit firms (*Financial Times* 2016). Legal scholars in particular may investigate this phenomenon.

Second, as the Big Four use unofficial and informal practices to exert influence over NGOs and policymakers in their events and in other arenas, they threaten to develop more obscure decisionmaking in and around multi-stakeholder regulatory processes. The premise of due diligence and disclosure legislation is to promote greater transparency; however, Big Four activities to influence labor governance may do the opposite if indeed their services to client firms and governments expand while remaining substantively confidential, and their policy influence expands but through lobbying, collective action, and representative roles that are unaccountable and difficult to disentangle. Future research could therefore focus on the Big Four's impact as regulatory intermediaries on the transparency of multistakeholder decisionmaking.

Third, Big Four activities seek to shape the substance of transnational and national labor governance agendas and may be causing societal coalitions or policymaking processes to change course. As mentioned, NGOs have been pushing governments for new regulation and measures to address the use of forced labor by businesses domestically and overseas for over two decades and are finally gaining some traction. The agenda for transnational labor governance is still new and, arguably, malleable. This is significant given the industry-led, soft-law vision of labor governance advanced by the Big Four firms in the UK context. Future research could investigate the extent to which Big Four political activities in other jurisdictions similarly opposed binding public regulation in favor of transparency law and private governance tools, initiatives, and enforcement mechanisms. In doing so, they could build on our focus on how audit firms act, to explore how the government and other parties receive such action. While the policy documentation gathered within our study sheds some light on this, interviews with policymakers and other parties would be a useful next step.

Fourth, while we hold that due diligence requirements and disclosure legislation have benefited the Big Four in the field of labor governance, we do not claim that this trend will necessarily surface in all issue areas of sustainability requirements in corporate supply chains. Evidence from, for instance, the illegal logging policy arena shows that the Big Four have not gained ground there as assurers and service providers because of the rise of due diligence instruments. Instead, NGOs and smaller service firms seem to be expanding their regulatory intermediary roles. We would therefore also invite further study across issue areas into why the due diligence phenomenon enhances the position of particular actors as regulatory intermediaries over others, and what this may mean for the direction of the regulatory process in such issue areas.

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Notes

- 1 For a theoretical application on private regulation, see Mügge (2006).
- 2 This literature is particularly rooted in business management studies of Corporate Political Activity and political science studies of interest groups and collective action (cf. Wonka *et al.* 2010; Lawton *et al.* 2013).
- 3 A possible drawback of our reliance on audit company materials is that these may introduce a bias, given that companies may want to portray themselves as influential and active CSR players in order to sell services. We address this bias by triangulating company claims with information from client firms and government documentation wherever possible, and asking factual questions in interviews that lead to answers that may be corroborated by other sources.
- 4 Interview with representative 2, company B, 14 March 2017. See comparable statements by other interviewees in Appendix S1.
- 5 Interview sources.
- 6 See, especially, interview with representative 2, company B, 14 March 2017, in Appendix S1.
- 7 Interview with representative 2, company B, 14 March 2017.
- 8 Interview with representative 1, company A, 17 March 2017.
- 9 See Andrew Wallis' LinkedIn page and business.com profile (<https://www.business.com/advice/member/p/andrew-wallis/>)
- 10 The event agenda is on file with authors.
- 11 Interview with representative 3, company C, 13 May 2016.
- 12 We thank one of the anonymous peer reviewers for this point.

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Supporting information

Additional Supporting Information may be found in the online version of this article at the publisher's web-site:

File S1 Supplementary Appendix.