



# Unchaining Modern Slavery

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## 1. Purpose

The purpose of this white paper is to provide a summary of the Modern Slavery Act 2018 (Commonwealth) (The Act) and its impact on Australian organisations, their operations and supply chains.

## 2. The ethical challenge of modern slavery

Modern slavery is a human rights violation that impacts more than 46 million people globally. 61% of survivors are in forced labour; working on farms, in factories and fisheries (cf. Anti-Slavery Australia, *Modern Slavery*, 2020). Two-thirds of these are based in South-East Asia. Profits from forced labour alone is estimated to be around US\$150 Billion. In essence, "modern slavery is the commodification of people for the purpose of exploitation and financial gain" (Unseen UK, *Anti-Slavery Day*, 2018).

Modern slavery is also a problem in Australia, with the *Australian Institute of Criminology* estimating there are at least 1,900 people living and working in slave-like conditions. Many NGOs place that figure conservatively at 15,000. Hidden in plain sight, modern slavery in Australia exists in agriculture, horticulture, mining and construction, and in retail services such as nail salons, carwashes, cleaning services and security.

Modern slavery presents an ethical challenge for many organisations who are largely unaware of where their products come from, how they are made and what are the real conditions of workers. According to Luis C. deBaca (*Former US Ambassador-at-Large to Monitor and Combat Trafficking in Persons*), "it's not a question of if, but where and to what extent there is slavery in your supply chains and operations." When the Rana Plaza in Dhaka, Bangladesh collapsed on 24 April 2013, killing more than 1,100 factory workers and injuring 2,500 more, it brought worldwide attention to the plight of many workers, who suffer substandard working conditions in order to make the products we purchase. However, through its *Sustainable Development Goals* and *Guiding Principles on Business and Human Rights*, the UN has put a mandate before governments and companies to improve the entire ecosystem of supply chain management.

## 3. The Modern Slavery Act

The Modern Slavery Act has brought a new area of compliance to the business community of Australia. It calls upon organisations to report on the risk of slavery in their supply chains and operations, and to state what plans are being made to address it through a system of transparency, reporting and due diligence. Although currently targeting organisations with an annual consolidated revenue of \$100M+, the legislation will also impact smaller entities who are part of the supply chain of larger organisations.



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The legislation came into effect on January 1, 2019. The first reporting period is between 1 July 2019 and 30 June 2020, with the first compliance statements now due on 31 March 2021. Currently, NSW modern slavery legislation is being reviewed and may be enacted in early 2021.

What does it mean for your business? A organisation must prepare a modern slavery statement each financial year. The modern slavery statement must be posted online and include:

1. The organisation's structure, its business and its supply chains;
2. Its due diligence processes in relation to modern slavery in its business and supply chains;
3. The parts of its business and supply chains where there is a risk of modern slavery taking place; and
4. The steps it has taken to assess and manage that risk, including providing training about modern slavery for its employees.

Finally, the Act makes provision for entities that fall under the revenue threshold to voluntarily opt-in to comply. Those who elect to do so must indicate their intention to the Department of Home Affairs by the end of the reporting period (see page 22 of *Guidance for reporting entities*, 2019).

## 4. The business case

Aside from the legislative mandate for entities needing to comply with the Modern Slavery Act, there is a business case for implementing the Act whether involuntarily or voluntarily.

- Remain competitive in the market. Many companies are now being required to demonstrate compliance in order to tender and maintain business with large corporations and state governments.
- Improve your reputation. Many customers and investors are making human rights practices a priority alongside a organisation's environmental footprint (cf. ACSI and RIAA, *Modern Slavery Reporting – Guide for Investors* (2019)). Companies have the opportunity to improve their reputation and be a leader in the market.
- Mitigate the direct financial impact and legal risks involved in not addressing the risk of modern slavery. In particular, the impact of Covid-19 is being felt in global supply chains.
- Improve staff moral. Generations Y and Z are fast becoming the largest cohort of employees. They prioritise purpose over profit and are looking for purposeful employment experiences. (cf. CEO Magazine, *Is your workplace ready for Gen Y and Gen Z?* 2019).



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## 5. Five tips for engaging with the Act

1. Make the risk of Modern Slavery about modern slavery survivors, not about your organisation.
2. Publish your own Position Statement on Modern Slavery to signal your intention to meet compliance.
3. Put aside Statutory Declarations. No one can state they are slavery free.
4. Get started early. Understanding the risk of modern slavery can be long and complex.
5. Start by engaging your suppliers to understand their needs before you create policies.

## 6. Further information

Additional website links of interest are listed below:

- Australian Government, Commonwealth Modern Slavery Act 2018: *Guidance for Reporting Entities*
- Walk Free Foundation, *Global Slavery Index*
- Anti-Slavery Australia.

*This Practice Note provides a summary only of the subject matter covered, without the assumption of duty of care by Unchained. The summary should not be relied on as a substitute for legal, financial or other professional advice.*