

Modern Slavery Reporting in Australia

Modern slavery legislation in Australia

The *Modern Slavery Act 2018* commenced operation on 1 January 2019, creating reporting obligations for entities that have:

- consolidated revenue of at least \$100 million for the relevant reporting period (a financial year)¹, and which
- are Australian entities, or
- undertake business in Australia in that financial year.

The term 'entity' is not limited to corporations. The Federal Act anticipates inclusion of trust structures within the reporting regime, where relevant reporting for such an entity will fall to the 'responsible member', which may be a trustee party.

Separate legislation has also been passed in New South Wales. The new *Modern Slavery Act 2018* (NSW) (NSW Act) will come into force following proclamation, which is yet to occur. The NSW Act² is in similar terms to the Federal regime.

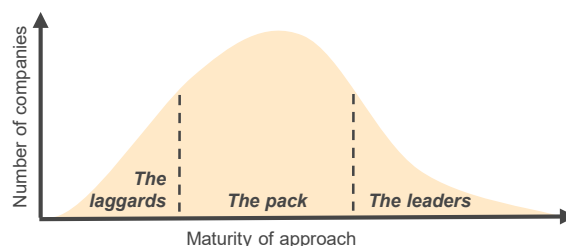
When do we need to report?

Affected entities must report in respect of the first full reporting period following commencement, and must make a report within 6 months of that period ending. For example, the first reporting period for entities with a 30 June year end will be 1 July 2019 to 30 June 2020, with reporting due by 31 December 2020.

1. Consolidated revenue is defined as the total revenue of the entity, or, if the entity controls other entities, then the total revenue of those entities collectively as a group. The concept of consolidated revenue, and more generally control, is to be determined based on relevant Australian accounting standards. In particular, 'control' is taken to have the same meaning as set out in AASB 10, which addresses controlled investments.
2. The NSW Act does foreshadow an arrangement whereby reporting in one jurisdiction will excuse reporting in another. It is unlikely that an entity reporting under the Federal Act will also have an obligation to report under the NSW Act.

Defining your level of ambition

As with any new regulation, the level of preparation of companies depends on their existing internal processes and their level of ambition in this area. Our experience with the introduction of the Modern Slavery Act in the UK revealed the following characteristics of MSA maturity and we would anticipate a similar response in Australia.



The laggards

- No public commitment on this issue
- Very limited risk assessment
- Limited interaction with suppliers
- No grievance or remediation mechanisms
- Basic awareness raising for relevant employees
- No performance measures
- Weak statement that is non-compliant and not covering the recommended areas

The pack

- Commitments made through enhancement to existing policies
- Robust high level assessment of risks
- Engagement with all tier 1 suppliers, with more detailed interaction with high risk suppliers
- Basic grievance mechanism
- Face-to-face training to relevant employees on policies and tools
- Basic performance measures based on existing metrics
- Statement that is compliant and covers the recommended areas at a high level

The leaders

- Stand alone modern slavery or human rights policy
- Detailed risk validation on individual suppliers and risk assessment deeper into supply chains i.e. tiers 2-6
- Comprehensive engagement and capability building with suppliers
- Strong grievance and remediation mechanisms
- Detailed training to relevant employees and broader awareness raising to other employees
- Slavery-specific performance metrics
- Statement covering all areas in detail

What information must be included in a statement?

Modern Slavery statements required by the Federal Act must identify the reporting entity and address the following mandatory criteria:

- The reporting entity's structure, operations and supply chains;
- Modern slavery risks in the reporting entity's operations and supply chains (including those of subsidiary entities);
- Actions taken (including by subsidiary entities) to assess and address those modern slavery risks, including due diligence and remediation processes;
- How the reporting entity assesses the effectiveness of actions taken; and
- The process of consultation with subsidiary entities in preparing the modern slavery statement.

Modern slavery encompasses criminal offences relating to deprivation of civil liberties, human trafficking, forced marriage and child labour. Modern slavery risks do not extend to unlawful practices (such as wage underpayment) that do not otherwise have elements of slavery, servitude or debt bondage, etc. However, the way that an entity reports on modern slavery risks may impact other adjacent obligations, particularly for the purposes of compliance with labour and immigration legislation.

Key questions for getting ready

Governance

- **Clarity** – Do you understand what constitutes 'modern slavery' and has your organisation clearly allocated accountabilities for identifying and managing risks of Modern Slavery?
- **Your ambition** – Have you thought about the key messages you would like to write in your first Modern Slavery statement and how that compares with other companies within your industry?
- **Control** – Have you determined which entities and investments in your corporate group will be included in your Modern Slavery Statement?

Risk assessment

- **Risks** – Do you know the key modern slavery risk factors for your business and industry sector?
- **Assessment** – Have you assessed the risk of modern slavery across your operations and supply chain?
- **Response** – Do you have a defined strategy for responding to any identified Modern Slavery risks?

Ongoing due diligence

- **Embedding** – For existing suppliers, have you embedded ongoing due diligence and oversight of Modern Slavery risks in the standard supplier management processes (e.g. news alerts, notifications of country changes or material changes in their supply chain etc.)?
- **Supplier clarity** – Have you made sure your suppliers understand their Modern Slavery obligations and your expectations of them?
- **Supplier audits** – Have you added Modern Slavery risk reviews into your supplier site visit procedures?

Grievance and remediation

- **Whistleblowing** - Have you established clear grievance channels, such as via expanding on existing whistle-blower hotlines, for employee and supplier use in managing modern slavery risk?

Training

- **Training** - Have you trained all relevant employees on Modern Slavery Act requirements and your organisation's approach?

Monitoring and reporting

- **Reporting** - Have you established internal and external reporting channels, with robust data assurance, for monitoring and reporting on Modern Slavery risk management?

How we can help

Why PwC

Integrated Modern Slavery assessment and assistance from a team of experts from Legal, Risk & Sustainability and Supply Chain

Experience advising financial institutions on Modern Slavery requirements and identifying areas of higher risk

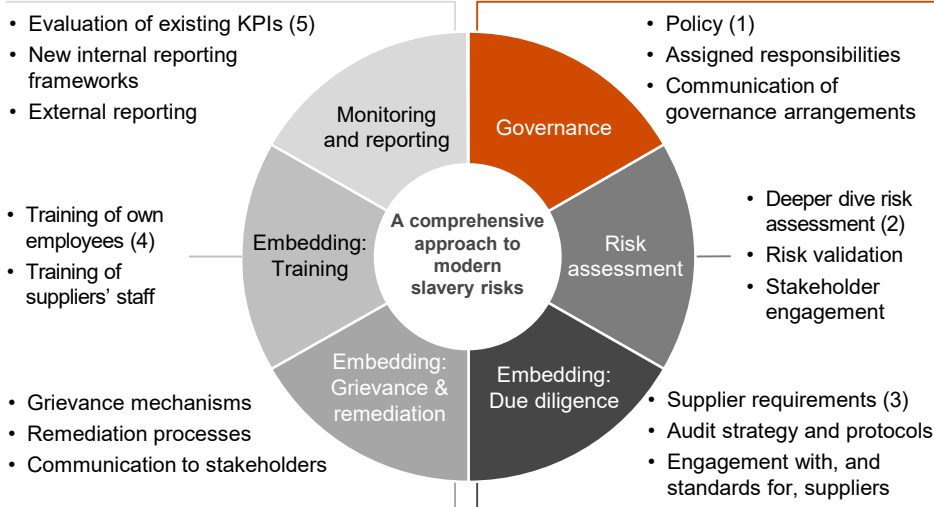
Assist with broader risk management in supply chain, including providing cloud-based tools, and data analytics to monitor third party risks

Access to the full range of PwC capabilities and locations, including local teams for conducting supplier reviews in the Asia Pacific region

Our methodology

Our approach to MSA compliance starts with helping clients to understand their legal obligations, and then to provide assistance in implementing policies and procedures, and reporting structures to ensure compliance. This process requires conducting a review of the governance and risk management of suppliers against all elements of a comprehensive approach to managing modern slavery risk, which we have outlined below.

We have also highlighted the key success factors for the first two years of an implementation journey with Modern Slavery, and we would recommend that you consider these success factors early in your approach.



Key success factors in first two years

- 01 Policy:** Company-wide commitment to this issue is an important first step. Some companies integrate commitments into existing policies, while others develop stand-alone policies, including to meet jurisdiction-specific reporting obligations.
- 02 Deeper dive risk assessment:** Some companies have developed detailed assessment frameworks to identify risks deeper into their supply chains. This is considered key in order to make informed decisions on procurement and supplier due diligence.
- 03 Supplier requirements:** Updating standard contractual terms is often considered a minimum. However, many companies are building MSA considerations into supplier questionnaires and performance management.
- 04 Training of own employees:** Training can help staff understand the company's approach and how they are expected to change their interaction with high-risk groups.
- 05 Evaluation of existing KPIs:** Measuring performance in this area is proving tricky. Therefore, most companies are starting by understanding how their existing metrics can help them monitor performance. KPIs should meet legislative requirements, which are still under development in Australia.

Compliance Support Tools

PwC's Third Party Tracker



PwC's **Third Party Tracker (TPT)** is a customisable web based application designed to facilitate the onboarding and ongoing management of third parties in terms of risk and compliance. The solution manages third party tracking through input from multiple system roles.

PwC's TPT can assist companies conduct supplier surveys and generate risk scores that can help the compliance user monitor the status of each third party and direct and manage monitoring activities for a holistic view of compliance and risk



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