



Australian Government  
Attorney-General's Department



# **MODERN SLAVERY IN SUPPLY CHAINS REPORTING REQUIREMENT**

Public Consultation Paper and  
Regulation Impact Statement

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## FOREWORD

Millions of people around the world today are subjected to modern slavery practices, such as servitude and forced labour. These are grave violations of human rights and serious crimes with devastating impacts which have no place in our community or in the supply chains of our goods and services.

There is no silver bullet to end modern slavery. Government, business and civil society all have a role to play, and we need to work collaboratively.

The Australian Government has a strong record of working with the community to combat modern slavery, including through the multi-stakeholder National Roundtable on Human Trafficking and Slavery. But we know we can do more.

I am pleased to release this consultation paper which outlines the Australian Government's proposal to create a Modern Slavery in Supply Chains Reporting Requirement. This will require large corporations and other entities operating in Australia to publish annual statements outlining their actions to address this insidious crime.

Responding to exploitation in supply chains is a key focus of Australia's *National Action Plan to Combat Human Trafficking and Slavery 2015-19*. Consistent with this focus, the National Roundtable established an expert Supply Chains Working Group to bring together relevant stakeholders from business, civil society and government agencies. This Working Group subsequently recommended that Government introduce a modern slavery in supply chains reporting requirement.

The proposed reporting requirement will support the business community to respond more effectively to modern slavery. It will raise business awareness of this issue, create a level playing field for businesses to share information about what they are doing to eliminate modern slavery, and encourage business to use their market influence to improve workplace standards and practices. Importantly, the proposed reporting requirement will also improve information available to consumers and investors about modern slavery.

Over the coming months, the Attorney-General's Department will lead a national consultation process to refine the Government's proposed model. This consultation process will provide an important opportunity for the business community and civil society to help design a reporting requirement that is simple, sensible and as effective as possible. It will also ensure that the proposed reporting requirement reflects community expectations.

I look forward to working with you and hearing your feedback.



**The Hon Michael Keenan MP**  
**Minister for Justice**  
**16 August 2017**

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## INTRODUCTION AND EXECUTIVE SUMMARY

Estimates indicate there are up to 45.8 million victims of modern slavery worldwide. The Australian Government has established a strong response to modern slavery over the past 14 years but there is more work to be done. This is why the Commonwealth Minister for Justice, the Hon Michael Keenan MP, announced on 16 August 2017 that the Australian Government proposes to enact an Australian Modern Slavery in Supply Chains Reporting Requirement (reporting requirement). The Minister for Justice also announced that the Australian Government will hold a public consultation process with the business community and civil society to refine the Government's proposed model reporting requirement. The Commonwealth Attorney-General's Department will lead this process.

The Australian Government believes that we can better support the Australian business community to combat modern slavery in their operations and supply chains. There is a high risk that Australian businesses and consumers are benefiting from modern slavery in supply chains, including through access to cheaper labour and services. However, existing Australian Government measures do not directly support the business community to respond to modern slavery risks. The Government's proposed reporting requirement will equip and enable the business community to respond more effectively to modern slavery and develop and maintain responsible and transparent supply chains. In particular, it will encourage the business community to be more transparent about how it addresses modern slavery risks, improve business awareness of this issue and provide consistency and certainty for business about Government's expectations. The proposed reporting requirement will also improve information available to consumers and investors to help them to make more informed decisions.

The Australian Government is committed to ensuring that the proposed reporting requirement reflects community expectations. This is why we will work closely with the business community and civil society to collaboratively develop a reporting requirement model that is as simple, sensible and effective as possible. The Australian Government has released this consultation paper to guide our public consultation process. This consultation paper also serves as the Australian Government's Regulation Impact Statement (RIS) for public consultation. A RIS Summary is at **Appendix 1**. This RIS has been certified by the Attorney-General's Department and was subject to an early assessment by the Office of Best Practice Regulation. The RIS process will need to be completed prior to the implementation of any reporting requirement.

## WHY IS MODERN SLAVERY A PROBLEM FOR THE BUSINESS COMMUNITY?

Human trafficking, slavery and slavery-like practices such as servitude, forced labour and debt bondage are severe violations of human rights and serious crimes. Collectively, these exploitive practices are often described as 'modern slavery'. In a globalised economy and increasingly interconnected world it is critical that governments collaborate with the business community and civil society to identify, respond to and prevent modern slavery in the supply chains of goods and services. Everybody has a role to play to combat modern slavery and the Australian Government is committed to leading domestically and internationally on this issue.

### The extent of the problem

Globally, there is no single agreed estimate of the total number of modern slavery victims. Non-government [estimates](#) suggest there are up to 45.8 million people in modern slavery around the world. The International Labour Organization (ILO) [estimates](#) approximately 21 million people worldwide are held in forced labour alone. Sixty-eight per cent of these forced labourers are exploited in economic activities and more than half are exploited in the Asia-Pacific region. Modern slavery can occur in any industry and exists in both the formal and informal economies. This means that modern slavery can be present at all stages of the supply chain and in many different settings. Internationally, key industries of concern include agriculture, construction, electronics, fashion, hospitality and extractives. The U.S. Government has [identified](#) 139 goods from 75 countries that it believes are produced through child or forced labour, including bricks, cotton, footwear, gold and garments.

No country is immune from modern slavery, including Australia. The Australian Government established our current comprehensive [response](#) to modern slavery in 2004. Since 2004, the Australian Government has identified over 350 suspected victims of modern slavery. During this period, the Australian Government has prosecuted 55 individuals for human trafficking, slavery or slavery-like offences under the Commonwealth [Criminal Code](#) and has recorded 20 convictions. Victims of modern slavery in Australia have been identified in a range of industries, including domestic service, hospitality, construction and sex work. Modern slavery is often underreported and not all cases of modern slavery in Australia may be identified.

### The role of the business community

Large business and other entities operating in Australia may be exposed to modern slavery risks through their operations and supply chains. Modern slavery risks can be particularly significant in high-risk industries with complex or changeable multi-national supply chains that make it difficult to monitor supplier practices. Industries with high proportions of migrant workers or where operations are based in countries with weak regulatory environments may also be vulnerable to modern slavery. However, modern slavery can also occur in domestic operations and supply chains in Australia, including through contracted labour or service providers. A [2015 study](#) by the Ashridge Centre for Business and Sustainability at Hult International Business School and the Ethical Trading Initiative found

71 per cent of companies believe there is a likelihood of modern slavery occurring at some point within their supply chains.

Due to their size and market influence, large businesses are well placed to play a key role in combating modern slavery. No business should tolerate modern slavery or other serious abuses of human rights in their operations or supply chains and the Australian Government expects the Australian business community to respect human rights. This is consistent with the UN [Guiding Principles on Business and Human Rights](#) (UN Guiding Principles), which require companies to respond to human rights impacts that are 'directly linked to their operations, products or services.' The UN Guiding Principles are not legally binding on Australia as a matter of international law. However, Australia supports the UN Guiding Principles and encourages businesses to apply them in their operations. Taking steps to address modern slavery risks is also good business practice and can create competitive advantages. The presence of modern slavery can undermine business performance, cause reputational damage and affect shareholder and investor confidence. Modern slavery can also occur in conjunction with other harmful and illegal practices, such as corruption.

## WHY IS GOVERNMENT ACTION NEEDED?

The Australian Government recognises that we need to take action to better support and equip the business community to address modern slavery. We have a responsibility to ensure Australia's response to modern slavery is as effective as possible and there are clear reasons why Government action is the best solution in this context. Internationally, a number of countries have strengthened their responses to modern slavery and these measures provide important examples for Australia.

### **The Australian Government has a responsibility to take action to ensure our response to modern slavery is as effective as possible**

The Australian Government has a responsibility to act against modern slavery and ensure that our response to this issue remains as effective and robust as possible. Our international legal obligations require us to respond effectively to human trafficking, slavery and slavery-like practices. Under international law, the Australian Government is also obliged to ensure that non-state actors under its jurisdiction, including businesses, respect human rights. The importance of Government action in this area has also been recognised by the Australian Parliament's Joint Standing Committee on Foreign Affairs, Defence and Trade and the Australian Government's multi-stakeholder Supply Chains Working Group. The Joint Standing Committee on Foreign Affairs, Defence and Trade recommended in [2013](#) that Government legislate to improve transparency in supply chains. The Supply Chains Working Group subsequently recommended in 2016 that Government consider adopting a reporting requirement.

Taking action to address modern slavery is also consistent with broader Australian Government work to strengthen business respect for human rights. The Australian Government is currently progressing [consultations](#) on further implementation of the UN *Guiding Principles on Business and Human Rights* and has established an expert, multi-stakeholder advisory group. We are also reviewing the role and function of the [Australian National Contact Point](#) under the OECD Guidelines for Multinational Enterprises and considering ratification of the [Protocol of 2014 to the Forced Labour Convention, 1930](#).

### **There is an increasing international focus on working with the business community to address modern slavery**

Internationally, governments are increasingly working with the business community to combat modern slavery, including by requiring improved supply chain transparency. A number of foreign jurisdictions are already taking targeted regulatory action to strengthen their domestic responses to modern slavery and other human rights abuses in supply chains. These include the [United Kingdom](#) (UK), [United States](#) (US), [France](#), the [Netherlands](#) and the [European Union](#) (EU). The Australian Government is closely monitoring the effectiveness of these initiatives to ensure that an Australian reporting requirement reflects international best-practice.

The UK was the first country in the world to introduce a national modern slavery reporting requirement for large businesses, regardless of sector, through the [Modern Slavery Act 2015](#). Companies covered by the reporting requirement are required to publish an



annual statement outlining their actions to address modern slavery in their operations and in their supply chains. The UK reporting requirement has received broad support from the UK business community and has led to increased business and consumer awareness of modern slavery risks as well as behavioural change from individual businesses. This includes business leaders taking action to identify and confront modern slavery in their supply chains. The UK reporting requirement is based on an earlier, sector-specific reporting regime introduced in the US State of California through the [Transparency in Supply Chains Act 2010](#).

In contrast to specific modern slavery transparency legislation, some jurisdictions have introduced requirements to report on a range of non-financial issues or to require business to take undertake due diligence as well as reporting. For example, the EU non-financial reporting directive 2014/95/EU requires certain large entities to disclose information on issues including anti-corruption, diversity and environmental protections. Recent French legislation also requires certain companies to undertake due diligence to identify and respond to human rights abuses. The Netherlands is also progressing legislation requiring businesses to identify and respond to child labour in their supply chains. Due to the regulatory impost of these approaches, the Australian Government is not implementing due diligence requirements or broader human rights-based reporting.

### **Australia's current regulatory frameworks do not directly encourage the business community to take action to combat modern slavery**

The Australian Government is committed to combating modern slavery. Our comprehensive response to modern slavery was established in 2004 and is led by the Commonwealth Attorney-General's Department. Key elements of our response include specialist police investigative teams, strong criminal offences, a dedicated victim support program and partnerships with the community. However, Australia's current Commonwealth regulatory frameworks do not directly support the business community to take action to combat modern slavery. This is particularly the case where exploitation occurs offshore. For example, the Australian Government does not currently provide detailed guidance or awareness-raising materials about modern slavery specific to the business community. Nor is there a Government-sponsored mechanism to enable the business community to inform consumers, investors and other bodies about their efforts to address modern slavery. While there are some targeted initiatives at the state and territory level, such as the [New South Wales Ethical Clothing Trades Extended Responsibility Scheme](#), these initiatives are generally limited to specific industries.

This makes it difficult for the business community to assess, disclose and respond to modern slavery risks and contributes to a lack of public awareness. A 2015 [report](#) by the Australian Human Rights Commission found that despite a clear 'aspiration and commitment to address human rights impacts in their supply chains, many businesses lack clear strategies and processes to trace, monitor and address such risks.' [Baptist World Aid's](#) annual Ethical Fashion Report and Electronic Industry Trends Report also indicate many fashion and electronics companies operating in Australia can do more to prevent exploitation. Since 2013, a number of major businesses operating in Australia have been criticised over allegations of exploitive conduct in their supply chains. Other businesses have

independently acknowledged the presence of modern slavery in their supply chains and have taken remedial action.

### **What is the Australian Government aiming to do?**

The Australian Government's primary objective is to equip and enable the business community to respond effectively to modern slavery and develop and maintain responsible and transparent supply chains. We can do this by:

- improving the business community's awareness of modern slavery risks, including at senior levels
- creating an environment in which businesses feel 'safe' to identify and disclose modern slavery risks in their operations and supply chains
- encouraging the business community to identify and address modern slavery risks beyond first tier suppliers and through their entire supply chains
- supporting business to use their market influence and leverage to work with suppliers to improve workplace standards and practices
- facilitating a 'race to the top' by providing reputational incentives for businesses to take action on modern slavery, and
- improving the information available to consumers and investors about what businesses are doing to combat modern slavery.

Australian Government action on this issue will support the Australian business community to meaningfully strengthen its response to modern slavery. Without this support, modern slavery risks in business operations and supply chains may not be addressed and Australian businesses and consumers may continue to be exposed to goods and services tainted by modern slavery.

## WHAT CAN THE GOVERNMENT DO TO ADDRESS MODERN SLAVERY IN SUPPLY CHAINS?

### Outline of available options

Broadly, there are three key options open to the Australian Government to support the business community to better respond to modern slavery:

#### *Option One*

The Government continues with a business as usual response and takes no further action.

#### *Option Two*

The Government takes non-regulatory action by developing measures to raise the business community's awareness of modern slavery and provide guidance on ways to identify and address modern slavery risks. The Australian Government could also ask the business community to address this issue through voluntary, business-led measures.

#### *Option Three*

The Government takes targeted regulatory action by introducing a Modern Slavery in Supply Chains Reporting Requirement and provides supporting guidance to the business community.

The Australian Government is not considering other potential options that would impose a high regulatory impact on the business community and may be inconsistent with the Government's [Regulatory Reform Agenda](#).

### Discussion of benefits and costs

These three options have differing benefits and costs. The Australian Government considers that introducing targeted regulation as outlined in Option Three has the greatest overall net benefit and is the most appropriate and effective option.

#### *Option One – Business as usual*

The [Australian Government Guide to Regulation](#) requires the Australian Government to analyse a business as usual option as a benchmark. The Australian Government does not consider Option One to be an appropriate response because it would not address our primary objective for reform. Some members of the business community have already taken steps to address modern slavery risks, including utilising non-government ethical certification schemes and updating policies and processes. However, these actions are generally *ad hoc* and are not widespread or consistent. The Australian Government has a responsibility to act to ensure our response to modern slavery is as effective as possible and we are committed to playing a leadership role domestically and internationally on this issue. A business as usual response by the Australian Government would also ignore the business community's support for Government to take action in this area. There are no benefits or costs associated with Option One as this is the 'do-nothing' approach.

### *Option Two – Non-regulatory action*

The Australian Government could seek to support the business community to address modern slavery through non-regulatory initiatives. This could involve Government developing and disseminating awareness-raising and guidance materials to the business community on modern slavery. Government could also promote and support voluntary business-led measures to address modern slavery, such as codes of conduct and pledges. Due to its voluntary nature, there are no specific regulatory costs associated with this option.

These measures could have a number of benefits. In particular, non-regulatory Government action may assist the business community to respond more effectively to modern slavery risks in a limited way. Government guidance and awareness materials would also allow the Australian Government to clearly set out its expectations for how the business community should respond to modern slavery risks. In some circumstances, these measures could lead to improved awareness of modern slavery amongst the business community. Voluntary business-led mechanisms may also provide a way for parts of the business community to collectively address modern slavery.

The effectiveness of non-regulatory Government action is limited by a number of factors. Although voluntary mechanisms and guidance materials can play an important role, their effectiveness is contingent on business engagement. This means the most likely businesses to adopt voluntary mechanisms or utilise guidance material are those already acting to increase transparency and address the risk of exploitation within their supply chains. Voluntary initiatives may also have limited uptake as competitive tensions may mean some businesses choose not to collaborate with others. Businesses may also opt not to take voluntary action because this may expose them to more scrutiny from media and civil society than businesses that take no or little action. Importantly, international bodies, business groups and civil society already produce a range of guidance and awareness-raising materials for the business community. Additional Government guidance may not add value to this existing information if it is not tied to a regulatory framework.

### *Option Three – Targeted regulatory action through a Modern Slavery in Supply Chains Reporting Requirement*

The third option available to the Australian Government is to take targeted regulatory action by establishing a Modern Slavery in Supply Chains Reporting Requirement tailored to the Australian context. This would require entities operating in Australia with total annual revenues of at least \$100 million to report annually on their efforts to address modern slavery in their operations and supply chains. An outline of the key features of the Australian Government's proposed model reporting requirement is set out on pages 14-17. This regulatory action will be supported by comprehensive Government guidance and awareness-raising materials for the business community. This guidance and awareness-raising material will help build the business community's capacity to respond to modern slavery. The Australian Government will also work collaboratively with the business community and civil society to refine the reporting requirement model. This consultation process will enable Government to leverage business and civil society expertise and ensure the reporting requirement is as simple, sensible and effective as possible.

Targeted regulation through a Modern Slavery in Supply Chains Reporting Requirement would address the Australian Government's primary objective for reform, which is to equip and enable the business community, led by large business, to respond effectively to modern slavery and develop and maintain responsible and transparent supply chains. This type of regulation would have a number of key benefits. Importantly, a reporting requirement would provide certainty and consistency for the business community because it would set clear standards that apply to all entities above the set revenue threshold. This will create a level playing field for large business and ensure that sections of the business community are not disadvantaged by taking action to disclose and address modern slavery risks. This form of regulation will also send a clear message to the business community that the Australian Government will work with them to address modern slavery and will not tolerate Australian businesses benefiting from modern slavery in their operations and supply chains.

The Australian Government considers that direct government regulation is appropriate in this context rather than industry self-regulation. This is consistent with the community's expectation that Government will lead on this issue and will ensure that the reporting requirement applies to all appropriate entities and not just specific industries. Taking targeted regulatory action is also consistent with the Australian Government's response to other supply chain-related or social issues, including illegal logging and gender equality. The Commonwealth [Illegal Logging Prohibition Act 2012](#) requires importers to implement risk management systems to address the risk of illegally harvested wood being used in imported products. More broadly, the Commonwealth [Workplace Gender Equality Act 2012](#) requires certain non-public sector entities to submit annual reports to the Workplace Gender Equality Agency under a range of gender equality indicators.

Targeted regulation through a Modern Slavery in Supply Chains Reporting Requirement will have a regulatory impact on the business community. It may also have a financial cost for the Australian Government if it develops and maintains a central repository of statements. The Australian Government recognises the importance of ensuring that there is no undue regulatory impact on the business community and is committed to finding an appropriate balance between regulation and flexibility. The Australian Government has developed preliminary regulatory cost estimates for a Modern Slavery in Supply Chains Reporting Requirement using the Government's Regulatory Burden Measurement framework. These costings are based on a reporting requirement being imposed on entities with total annual revenue in excess of \$100 million (approximately 2,000 large corporations and entities operating in Australia). The Australian Government's preliminary estimate is that this reporting requirement model could impose an annual regulatory burden of up to \$23 million (or approximately \$11,500 per entity). We will engage closely with business during the consultation process to refine this estimate.



## WHY IS OPTION 3 THE GOVERNMENT'S PREFERENCE AND WHAT WILL THIS LOOK LIKE?

The Australian Government's preferred option is to develop and implement a Modern Slavery in Supply Chains Reporting Requirement after a period of public consultation. We believe this is on balance the best and most effective way for us to equip and enable the business community to respond effectively to modern slavery and develop and maintain responsible and transparent supply chains. We also believe that the cost of regulating is in proportion to the real-world risk. Modern slavery involves grave abuses of human rights and serious criminal misconduct and it is appropriate that Government takes regulatory action to support the business community to combat this issue.

The Australian Government has carefully considered current international best-practice and the type of regulation required in the Australian context. As part of this process, the Commonwealth Attorney-General's Department undertook a detailed review of the effectiveness of the UK modern slavery reporting requirement and other key international regulatory mechanisms between December 2016 and June 2017. Subject to feedback received throughout the course of the consultation process, the Australian Government proposes to establish a reporting requirement based on the key features set out below. This reporting requirement builds on the UK reporting requirement to create a simple, sensible and effective reporting requirement, suitable for the Australian context. Where appropriate, the Australian Government proposes to adopt similar requirements to the UK model to minimise the need for the business community to comply with inconsistent regulation across jurisdictions.

### Legislative basis

The reporting requirement will be established through a new Act of Parliament and would not be implemented by amending existing legislation.

### Terminology

Every entity covered by the reporting requirement will be required to report on their actions to address modern slavery by publishing annual Modern Slavery Statements. For the purposes of the reporting requirement, the Australian Government proposes that modern slavery will be defined in the Act to incorporate conduct that would constitute a relevant offence under the existing human trafficking, slavery and slavery-like offence provisions set out in Divisions 270 and 271 of the Commonwealth [Criminal Code](#). This means modern slavery will encompass slavery, servitude, forced labour, debt bondage, and deceptive recruiting for labour or services. The definition of modern slavery will exclude practices such as forced marriage that are unlikely to be present in business operations and supply chains.

### Threshold

As part of the public consultation process, the Australian Government will collaborate with business and civil society to appropriately define the types of entities that the reporting requirement will apply to and to clarify how the proposed revenue threshold will

apply. At this stage, the Australian Government proposes to define entity broadly to include a range of entity types, including bodies corporate, unincorporated associations or bodies of persons, superannuation funds and approved deposit funds. The Australian Government does not propose to limit the application of the reporting requirement to high risk sectors or importers because modern slavery can occur in a range of domestic and international industries and many large entities operate across multiple sectors.

The Australian Government also proposes the revenue threshold for the reporting requirement will be set no lower than \$100 million total annual revenue. This is broadly consistent with other thresholds, such as the threshold used for public companies in the Australian Taxation Office's corporate tax transparency report. This will help to provide clarity for the business community about which entities will be covered by the reporting requirement. The Australian Government proposes that the threshold be set through regulation to allow for periodic adjustments if required. The Australian Government recognises that some entities below the threshold may also wish to comply with the reporting requirement and will allow these entities to 'opt in' to the reporting requirement.

### **Timeframe for reporting**

The Australian Government proposes that entities will be required to publish Modern Slavery Statements under the reporting requirement within five months after the end of the Australian financial year. This will provide certainty for the business community by ensuring that entities cannot seek any competitive advantage by delaying publication of Modern Slavery Statements. It will also ensure that Government, the business community and civil society can more accurately assess compliance with the reporting requirement. If necessary, the Australian Government will provide for a phased introduction of the reporting requirement to ensure the business community has sufficient preparation time.

### **Focus of reporting**

Subject to consultation with the business community and civil society, the Australian Government anticipates the reporting requirement will apply to all entities headquartered in Australia, or entities that have any part of their operations in Australia, and meet the revenue threshold. All entities covered by the reporting requirement will be required to report on their actions to address modern slavery in both their *operations* and their *supply chains*. The Australian Government will provide detailed guidance for the business community about the definition of operations and supply chains and will develop this definition in collaboration with the business community and civil society. The Australian Government proposes that the definition of supply chains extend beyond first tier suppliers.

At this stage, the Australian Government does not propose that the reporting requirement apply to Commonwealth or state and territory procurement. Commonwealth procurement is already governed by a legislative framework that sets out rules for spending public money, including in relation to ethical sourcing. The Australian Government is considering ways to demonstrate leadership on modern slavery through procurement, including through consideration of an appropriate Procurement Connected Policy on Human Rights.

## Reporting areas

To ensure the business community does not need to comply with inconsistent regulation across jurisdictions, the Australian reporting requirement will require entities to report against substantially the same criteria set by the UK reporting requirement. In the UK, reporting against criteria is optional. Subject to feedback received through this consultation process, the Australian Government proposes that entities will be required to report against a consolidated set of four criteria. These four criteria cover all of the optional criteria set out in the UK and mean an entity's Modern Slavery Statement must, at a minimum, include information about:

1. The entity's structure, its operations and its supply chains
2. The modern slavery risks present in the entity's operations and supply chains
3. The entity's policies and process to address modern slavery in its operations and supply chains and their effectiveness (such as codes of conduct, supplier contract terms and training for staff), and
4. The entity's due diligence processes relating to modern slavery in its operations and supply chains and their effectiveness.

Requiring entities to report against each of these criteria will ensure that the content of statements is consistent and more easily comparable. It will also provide certainty to entities about what to include in Modern Slavery Statements. To ensure this requirement will not impose an additional burden on the business community, the Australian Government proposes to provide detailed guidance about the nature and extent of the information that should be included in statements. Entities will also have the flexibility to determine what, if any, information they provide against each of the four criteria and whether to include any additional information.

## Approval of Modern Slavery Statements

As with the UK reporting requirement, Modern Slavery Statements published by entities must be approved at the equivalent of board level. Statements will also need to be signed by a director. This will anchor the reporting requirement in corporate governance and ensure that modern slavery risks are considered at senior levels within each entity. Coupled with scrutiny from civil society, the approval process for modern slavery statements will also help ensure information provided by entities is accurate.

## Guidance for business

The Australian Government will provide clear and detailed guidance and awareness-raising materials for the business community. The Australian Government anticipates this will include a reporting template, best-practice examples and information about how the business community can remedy and report instances of modern slavery identified in their supply chains or operations. The guidance will also support smaller entities to 'opt in' to the reporting requirement. Government will develop this guidance in consultation with the business community and civil society and will make the guidance available as soon as practicable, prior to the reporting requirement taking effect.

## Monitoring and Evaluation

Entities will be required to publish Modern Slavery Statements on their webpages. Subject to feedback obtained through this consultation process, the Australian Government also proposes to provide for a free, publicly accessible central repository. This repository will be searchable and will include all statements published in compliance with the reporting requirement. This repository will be run by either the Australian Government or a third party. The Australian Government will also establish a mechanism for the business community to provide feedback to Government about the operation and effectiveness of the reporting requirement. Consumers and civil society will also be consulted. The Australian Government will review the legislation three years after introduction, involving further public consultation, to ensure that the reporting requirement remains effective in the Australian context.

## Compliance mechanism

As in the UK, the Australian Government will not include punitive penalties for non-compliance. The Australian Government will monitor general compliance with the reporting requirement and entities that do not comply with the reporting requirement may be subject to public criticism.

The Australian Government is considering options for oversight of the reporting requirement, including the feasibility of and requirement for independent oversight. If implemented, any oversight mechanism could perform a number of functions, including: maintaining the central repository of statements, raising awareness about modern slavery risks, and/or providing a single point of contact for businesses seeking advice and assistance.

The Australian Government is also considering ways to support business groups and civil society to undertake analysis and benchmarking of Modern Slavery Statements. The Australian Government will assess compliance with the reporting requirement during the proposed post-implementation review of the legislation after three years.

## OUTLINE OF CONSULTATION PROCESS

The Australian Government is committed to working collaboratively with the business community and civil society to refine and settle further details of our proposed model reporting requirement. This will ensure that the Australian reporting requirement is simple, sensible and as effective as possible and is consistent with community expectations. Consultations will also ensure the reporting requirement does not impose undue or unnecessary regulatory impacts. To this end, the Minister for Justice and the Commonwealth Attorney-General's Department are holding a public consultation process to allow the Australian community to contribute to the design of the reporting requirement by providing feedback on the Government's proposed model. We will closely consider all views and feedback provided during the consultation process.

### How to provide feedback

There are a number of ways you can provide feedback to the Australian Government about this proposal. As part of the consultation process, the Minister for Justice will convene a series of stakeholder roundtables in Melbourne, Canberra, Sydney and Perth over August to December 2017.

Written submissions can be made through the [modern slavery consultation page](#) of the Attorney-General's Department website. The preferred method to receive submissions is via email to [slavery.consultations@ag.gov.au](mailto:slavery.consultations@ag.gov.au). The deadline for submissions is 11:00PM (AEST) on 20 October 2017. Unless otherwise requested, all electronic submissions will be published on the Attorney-General's Department website.

Hardcopy submissions received by mail or fax will still be considered by the Australian Government, however, they will not be published on the website. Hard copy submissions may be sent to:

Transnational Crime Branch  
Attorney-General's Department  
3-5 National Circuit  
BARTON ACT 2600

### Consultation questions

The Australian Government welcomes feedback on any aspect of this consultation paper. We are particularly interested in the community's views on the following consultation questions:

- Is the proposed definition of 'modern slavery' appropriate and simple to understand?
- How should the Australian Government define a reporting 'entity' for the purposes of the reporting requirement? Should this definition include 'groups of entities' which may have aggregate revenue that exceeds the threshold?



- How should the Australian Government define an entity's revenue for the reporting requirement? Is \$100 million total annual revenue an appropriate threshold for the reporting requirement?
- How should the Australian Government define an entity's 'operations' and 'supply chains' for the purposes of the reporting requirement?
- How will affected entities likely respond to the reporting requirement? As this is how the regulatory impact is calculated, do Government's preliminary cost estimates require adjustment?
- What regulatory impact will this reporting requirement have on entities? Can this regulatory impact be further reduced without limiting the effectiveness of the reporting requirement?
- Are the proposed four mandatory criteria for entities to report against appropriate? Should other criteria be included, including a requirement to report on the number and nature of any incidences of modern slavery detected during the reporting period?
- How should a central repository for Modern Slavery Statements be established and what functions should it include? Should the repository be run by the Government or a third party?
- Noting the Government does not propose to provide for penalties for non-compliance, how can Government and civil society most effectively support entities to comply with the reporting requirement?
- Is the five month deadline for entities to publish Modern Slavery Statements appropriate? Should this deadline be linked to the end of the Australian financial year or to the end of entities' financial years?
- Should the reporting requirement be 'phased-in' by allowing entities an initial grace period before they are required to publish Modern Slavery Statements?
- How can the Australian Government best monitor and evaluate the effectiveness of the reporting requirement? How should Government allow for the business community and civil society to provide feedback on the effectiveness of the reporting requirement?
- Is an independent oversight mechanism required, or could this oversight be provided by Government and civil society? If so, what functions should the oversight mechanism perform?
- Should Government reconsider the other options set out in this consultation paper (Options 1 and 2)? Would Option 2 impose any regulatory costs on the business community?

## NEXT STEPS

The Australian Government will refine and finalise the proposed model for a Modern Slavery in Supply Chains Reporting Requirement, on the basis of feedback provided during the consultation process. Subject to this feedback, the Minister for Justice then proposes to seek to bring forward draft legislation in the first half of 2018. Transitional legislative arrangements may include a phase-in period, allowing businesses additional time to prepare their first annual statement. The Australian Government will review the legislation three years after introduction to ensure that the reporting requirement continues to reflect international best-practice and remains effective in the Australian context. This review will involve a further public consultation process to seek the Australian community's views on the effectiveness of the reporting requirement and possible improvements. Any central repository of statements published under the reporting requirement will also assist the Australian Government, the business community and civil society with ongoing assessment and evaluation of the reporting requirement.

## APPENDIX 1: REGULATION IMPACT STATEMENT SUMMARY

### Problem

The International Labour Organization estimates that there are approximately 21 million victims of forced labour worldwide. The high risk of modern slavery in supply chains means Australian businesses, consumers and investors may be benefiting from and contributing to these practices. However, existing Australian Government measures do not directly support the business community to respond to modern slavery risks.

### Recommended option

A Modern Slavery in Supply Chains Reporting Requirement will require large corporations and entities operating in Australia to report annually on their actions to address modern slavery in their operations and supply chains. This measure will only require entities to report. It does not create a due diligence regime nor require entities to certify their supply chains are slavery-free.

### Objectives

Government's primary objective for reform is to equip and enable the business community to respond to modern slavery risks and maintain responsible and transparent supply chains, without imposing a high regulatory burden. This can be achieved by: increasing business awareness of modern slavery; providing consistency and certainty for business about Government's expectations; levelling the playing field by applying the same standards to all large businesses; and supporting business to use their market influence to improve workplace standards and practices.

### Options considered

There are three key options to address modern slavery risks. Option One is to continue with business-as-usual. This does not address Government's primary objective for reform. Option Two is to pursue non-regulatory measures such as awareness-raising and supporting voluntary initiatives. This option is not recommended as it is contingent on business engagement and the most likely businesses to adopt voluntary mechanisms are those already acting to address modern slavery. Option Three is to take targeted regulatory action through a reporting requirement, supported by comprehensive Government awareness-raising and guidance materials. This is the only option that will deliver Government's reform objective.

### Regulatory costs

A reporting requirement will have a proportionate, targeted and light touch regulatory impact and will only apply to large businesses. Preliminary estimates based on a threshold of \$100 million total annual revenue (about 2,000 entities) indicate an annual regulatory burden of up to \$23 million.

### Consultation approach

The Attorney-General's Department will lead a public consultation process between August and December 2017 to finalise the proposed reporting requirement model. This will enable Government to leverage business and civil society expertise to ensure the proposed reporting requirement does not impose an undue regulatory impact and is as effective as possible in an Australian context.

### Stakeholder views

Preliminary Government consultations and submissions to current Parliamentary inquiries indicate businesses and peak bodies broadly support a reporting requirement. Civil society stakeholders are also widely supportive.

