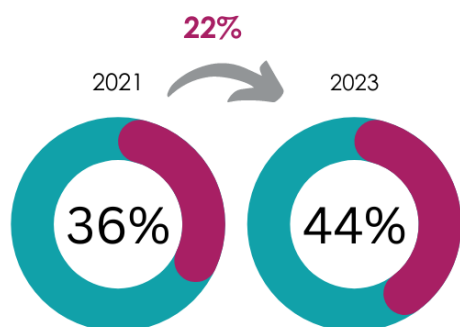


COMPLIANCE WITHOUT AMBITION

TAKING STOCK OF ASX200 REPORTING UNDER AUSTRALIA'S MODERN SLAVERY ACT

'Compliance without ambition', commissioned by ACSI and conducted by Pillar Two, assessed the quality of ASX200 companies' modern slavery statements under the Australian *Modern Slavery Act 2018* (MSA).

ASX200 companies' third statements, assessed against an extended methodology, indicate the MSA has successfully driven action to implement the foundations of modern slavery risk management. Common areas of potential legal non-compliance over the first reporting period also appear to have been largely resolved. However, to drive change on the ground, more statements need to show companies are moving beyond foundational actions and are identifying and, where appropriate, remediating or supporting the remediation of, modern slavery incidents.



ASX200 companies improved their average score by 22%, which reflected an ongoing focus from many companies on implementing core modern slavery risk management actions, but the overall average remained low, at just 44%.



Only 19 companies scored above 65%, which shows the improvements in reporting still to be made.

Statements indicated **ASX200 companies are taking foundational actions** to manage modern slavery risks, including through risk assessments of supply chains (96%), use of contract clauses (67%), internal training (90%) and collaboration (51%).

However, **only a small cohort of companies clearly disclosed and explained more complex or advanced actions** to manage modern slavery risks. This includes:

- working with suppliers to build their capacity to manage modern slavery risks (6%)
- building the internal capacity of boards and senior leadership on modern slavery (3%)
- consulting with potentially affected groups or their representatives (such as workers or their representatives) as part of risk assessment processes (2%); and
- defining effectiveness or an effective response to modern slavery to assist with tracking performance (10%).

Although companies' disclosures of modern slavery risks in their supply chains has improved with 96% identifying risk areas or modern slavery risk factors, **only 28% of statements provided granular detail about these risks, such as explaining examples of how they could occur in practice.**

Only 14% of statements provided information about companies' supply chains at Tier Two or below, where many severe modern slavery risks may occur.

Reporting on modern slavery risks in companies' operations also remained weak, with only 13% of statements providing granular detail about modern slavery risks in this area.

ASX200 companies' **ability to identify and respond to incidents or allegations of modern slavery appears limited.**

Few statements (10%) identified steps taken by companies to ensure their grievance mechanisms are trusted and accessible to hear and address modern slavery complaints and only 8% of companies indicated they had identified a modern slavery incident or allegation.

Key recommendations companies can implement to enhance their modern slavery reporting include:

Assessment area	Recommendations for companies
Describing structure, operations and supply chains	<ul style="list-style-type: none"> Enhance reporting on company structures, including where there are multiple reporting entities. Provide greater detail about supply chains at Tier Two and below.
Describing modern slavery risks	<ul style="list-style-type: none"> Improve the level of detail provided about modern slavery risks by: <ul style="list-style-type: none"> using the UN Guiding Principles on Business and Human Rights (UNGPs) continuum of involvement to describe modern slavery risks; identifying key modern slavery risk factors; and considering opportunities to report on potential modern slavery risks associated with downstream value chains.
Describing actions to assess and address modern slavery risks	<ul style="list-style-type: none"> Use reporting as an opportunity to discuss key challenges and learnings, such as difficulties building and using leverage. Improve disclosures around supplier engagement and capacity building. Outline briefings or engagement with the board and/or senior leadership on modern slavery in addition to the reporting process. Explain engagement with external stakeholders including affected rights-holders, particularly any at risk or vulnerable groups. Report on actions taken to ensure grievance mechanisms to hear and address modern slavery related complaints are fit for purpose, including explaining how any modern slavery related incidents were addressed.
Describing actions to assess effectiveness	<ul style="list-style-type: none"> Increase the sophistication of actions to assess the effectiveness of modern slavery risk management programmes.

Recommendations for investors

- ▶ Encourage more open disclosures where appropriate around identification of modern slavery allegations or incidents, including audit findings relating to modern slavery red flags for suppliers.
- ▶ Encourage companies to share lessons learned and key reflections about how their modern slavery response is evolving through their statements, including through the use of case studies outlining where certain elements of a response worked well and where there were challenges.
- ▶ Continue to integrate modern slavery into wider engagement with investee companies on ESG and related issues.
- ▶ Use the Australian Government's [Modern Slavery Register](#), as well as third party benchmarking projects, to identify and engage with investee companies that appear to have comparatively weaker reporting than peers.
- ▶ Explore opportunities for collective engagement to increase leverage with companies to drive action, potentially initially by focusing on particular higher-risk sectors.
- ▶ Take steps to enhance investors' own modern slavery reporting and risk management to help set an example for investee companies and leverage this experience (such as challenges assessing risks or reporting on assessing effectiveness) to help inform ongoing engagement with investee companies.
- ▶ Make use of conversations with investee companies about modern slavery reporting and risk management as a jumping off point to engage with companies about their wider human rights risk management.

Recommendations for Government

- ▶ Appropriately resource the Modern Slavery Business Engagement Unit within the Attorney-General's Department to provide guidance and support to companies and encourage multistakeholder consultation and knowledge sharing, including by identifying good and poor practice reporting trends and providing training and resources.
- ▶ Consider options to facilitate collaborative engagement, including by identifying barriers to collaboration within sectors. This could include consideration of options to provide exemptions from competition law where this is a legitimate hindrance.
- ▶ Provide guidance to companies about reporting on risks relating to reported state-sponsored forced labour in supply chains. This should include advice about managing potential sensitivities where companies operate in or have suppliers in countries where state-sponsored forced labour is reported.
- ▶ Monitor changes to modern slavery and broader business and human rights frameworks (including those relating to mandatory human rights due diligence) overseas, including to assess how to provide a consistent regulatory environment for Australian businesses operating in multiple jurisdictions. Where relevant, this could include consultation with Australian businesses, investors and civil society and international knowledge sharing.
- ▶ Engage with companies when developing and implementing new rules around 'green' and 'blue' washing to understand any implications for companies' disclosures in their modern slavery statements. It may be challenging for companies to verify some information disclosed, so the focus should be on acknowledging the basis and veracity of disclosure. Continue to provide funding to civil society groups including workers associations, business associations and other stakeholders to help address the root causes of modern slavery.