



Modern slavery

**Is your business
ready to respond?**

Understanding the requirements
of Australia's modern slavery
reporting legislation



How You
Grow Matters

[KPMG.com/au/modernslavery](https://www.kpmg.com/au/modernslavery)

“The global trends are clear: regulators, investors, consumers and employees are all demanding better corporate reporting on human rights. The introduction of the Australian Modern Slavery Act will change the conversation here and bring human rights into the corporate mainstream.”

Richard Boele

Partner, National Leader, KPMG Banarra Human Rights and Social Impact Services
Head of KPMG’s Global Business and Human Rights Network

“Knowledge is crucial. Boards need to turn their minds to modern slavery and to understand this is now a core-business risk that they must address. This new public accountability will drive change, but we also need to support the Australian business community to learn together.”

Dr Meg Brodie

Director and Human Rights Service Line Lead, KPMG Banarra Human Rights & Social Impact Services
Manager of KPMG’s Global Business & Human Rights Network

Getting ready for Australia's modern slavery reporting requirements

Corporate human rights reporting in Australia has changed.

The *Modern Slavery Act 2018* (Cth) received assent on 10 December 2018 and came into force on 1 January 2019. The Act makes Boards responsible for mandatory public statements about their entities' efforts to manage the risk of modern slavery in their operations and supply chain.

Entities are required to issue their first Australian modern slavery statements within six months of the end of their financial year.

The more complex your business operations and supply chain the more important it is to get ready early. Keep in mind that the actions you take in the coming months will be the foundation of your first public modern slavery statement.

We understand business and we understand human rights.

KPMG's Human Rights and Social Impact Services team is Australia's largest specialist human rights team, with deep experience working with clients to understand and address modern slavery and related rights risks.

We work collaboratively with our clients across financial services, mining, retail, property and other sectors to diagnose the maturity of their existing processes to identify and manage modern slavery risk, and develop commercial, actionable, rights-based solutions.

Our modern slavery specialists have put together this publication help you understand the risks and requirements of the Commonwealth Modern Slavery Act and the NSW Modern Slavery Act.



Risks to business

What is your business risk exposure?

Global trends indicate increased expectations that corporates will publicly report on and manage their human rights risks and impacts. Businesses face exposure in four domains: regulatory reporting requirements, reputational damage and eroded public trust when rights related incidents are uncovered, investor scrutiny of social impact credentials, and values alignment for employees.



Regulations and standards

International frameworks and domestic legislation with cross-jurisdiction reporting requirements are all advancing. Relevant developments include:

- The *United Nations Guiding Principles on Business and Human Rights* (UNGPs) which established the corporate responsibility to respect human rights
- Commonwealth Modern Slavery Act
- NSW Modern Slavery Act
- Similar legislation in other jurisdictions, including the French Corporate Duty of Vigilance Law, UK Modern Slavery Act, California Transparency in Supply Chains Act, and EU Directive on Non Financial Disclosures.



Reputation and relationships

Modern slavery reporting requirements are at their core, transparency requirements.

Businesses need to make public statements about their efforts to address modern slavery in their operations and supply chains.

The reputational risk of stakeholders including the media, civil society, labour unions or others calling out unaddressed modern slavery risk is high. There is increased emphasis placed on benchmarking corporate performance such as the Corporate Human Rights Benchmark (CHRB).



Company purpose

For many companies, addressing modern slavery is the right thing to do. It aligns with their purpose, culture and values.

Employees are also increasingly demanding that their employer consider the human rights impacts of the business for which they work.



Investor and lender scrutiny

Investors and lenders are increasingly analysing human rights performance. Allegations of modern slavery practices in a supply chain can result in the loss of substantial investors. This pressure will only rise with the introduction of modern slavery legislation in Australia, as investments themselves may be the subject of required reporting.



Understanding modern slavery

Modern slavery practices are human rights violations

The behaviours and practices which constitute modern slavery are serious human rights violations.

Modern slavery practices include trafficking in persons, slavery, slavery-like practices (including forced labour and forced marriage) and the worst forms of child labour (including using children for prostitution or in hazardous work) (Commonwealth Modern Slavery Act, s 4).

Requirements to report on human rights more broadly are not under consideration.

Nevertheless, practical responses to modern slavery in an entity's operations and supply chain will require increasing visibility over human rights risks and impacts. The best response to increased global legislative human rights reporting requirements across different jurisdictions is a robust approach toward managing human rights risk.



Key risk factors



The 2018 Global Slavery Index highlights the significant role that more economically-developed countries have in perpetuating modern slavery. Despite their relative wealth, modern slavery crimes are taking place at an alarming rate in these countries and within their global supply chains.

Kevin Hyland, first Independent Anti-Slavery Commissioner UK

As of 2018:

40.3 million

people in modern slavery



Female

71%



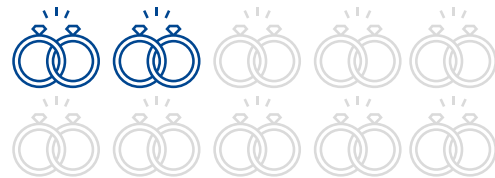
Male

29%



15.4 million

in forced marriage



On any given day in 2018, there were



15,000

people living in conditions of modern slavery in Australia

\$354 billion

at-risk products imported by G20 countries



24.9 million

24.9 million in forced labour

Top 5 At-risk products of modern slavery imported into the G20:



Laptops, computers & mobile phones

US\$200.1 billion



Garments

US\$127.7 billion



Fish

US\$12.9 billion



Cocoa

US\$3.6 billion



Sugarcane

US\$2.1 billion

Compliance with Australian modern slavery legislation

Responsibility for Australia's incoming modern slavery law rests at the top

Mandatory reporting

Mandatory public reporting on modern slavery risks in your operations and supply chains is now law in Australia.

The legislation establishes a modern slavery reporting requirement. Entities must provide annual modern slavery statements to the responsible Minister to be published on an online register.

Board accountability

Accountability for the accuracy of modern slavery statements rests with the Board. Statements require Board approval and the signature of a Director. Boards will need to have good visibility over their management systems controls in order to attest to accurate statements.

Will my entity need to report?

If you're a large entity carrying on business in Australia there is a good chance you'll need to report.

Which entities will be required to report?

The Commonwealth Modern Slavery Act defines responsible entities in line with tax legislation. The intention is to capture a wide range of bodies carrying on business in Australia, including bodies corporate, partnerships, trusts and superannuation funds. Commonwealth procurement will also be covered.

The Guidance for Reporting Entities confirms that the Government's inclusive approach is to comprehensively address modern slavery in the Australian market.

What is the financial threshold for reporting entities?

The Commonwealth Modern Slavery Act applies a revenue test requiring entities with at least AUD \$100 million in annual consolidated revenue to report.

Other companies which fall outside the threshold are encouraged to demonstrate good practice by reporting through a voluntary 'opt in' mechanism.

The Commonwealth Modern Slavery Act clearly anticipates that entities close to the threshold will focus on reporting rather than seeking to define themselves out of the requirement.

How is consolidated revenue defined?

This is intended to include the revenue of the reporting entity plus the revenue of any other entities it controls, when these entities are considered as a group in accordance with the Australian Accounting Standards.

Corporate groups and joint statements

The Commonwealth Modern Slavery Act anticipates the additional complexity for corporate groups and provides an option for joint reporting where there are multiple entities within a single structure which could independently meet the reporting thresholds.

Modern Slavery Statements

There are seven mandatory criteria on which Australian companies are required to report in their public annual modern slavery statements.

1

Identify the reporting entity

3

Risks of modern slavery practices in your operations and the supply chains of the entity and any entities owned or controlled by you

5

How you assess the effectiveness of the actions taken

7

Any other information that you consider relevant

2

Structure, operations and supply chains

4

Actions taken to assess and address modern slavery risks including due diligence and remediation processes

6

The process of consultation with entities owned and/or controlled by you

Do I need to report on all of my entity's activities?

It is anticipated that the responses of business to modern slavery risk will mature over time. Nevertheless, the mandatory criteria are designed to encourage increasingly sophisticated responses and knowledge of the risks of modern slavery across your entities' operations and supply chain.

The Government has released formal guidance which defines key terms and further explain the information entities are expected to provide under each reporting criteria.

How far do I need to go into my supply chain?

'Supply chain' is not defined by the Commonwealth Modern Slavery Act. Nevertheless, the Guidance for Reporting Entities makes it clear that the term supply chain **'extends beyond direct suppliers'**. Companies will need to take a risk based approach – where they identify and manage the most likely and severe risks of modern slavery first. Over time, it will not be sufficient to just consider direct suppliers.

What is included in my operations?

'Operations' are also not defined by the Commonwealth Modern Slavery Act. However, the Guidance for Reporting Entities notes that **operations are any 'activity undertaken by the entity to pursue its business objectives and strategy in Australia or overseas'**.

One important development is that activities such as financial lending and investment are also covered.



NSW Modern Slavery Act

In June 2018 the NSW Parliament passed its own modern slavery reporting requirements. Many more companies not covered by the Commonwealth Modern Slavery Act may need to report under the NSW Modern Slavery Act.

Key differences to the Commonwealth Act may include:

1. Applies to commercial organisations that have employees in NSW and
 - i) supply goods and services for profit or gain; and
 - ii) have a total annual turnover of over AUD \$50 million.
2. Penalties for non compliance apply up to 10,000 penalty units (\$1.1 million) for:
 - Failing to prepare a modern slavery statement
 - Failing to make the statement public
 - Providing false or misleading information.

Mandatory Reporting Criteria (NSW)

- 1 Structure, operations and supply chains
- 2 Due diligence processes in relation to modern slavery in its business and supply chains
- 3 Parts of its business and supply chains where there is a risk of modern slavery and the steps taken to assess and manage that risk
- 4 The training about modern slavery available to its employees

Parallel application

If you have reporting requirements for the same purpose under the Commonwealth Modern Slavery Act, you may be exempt from preparing another Statement under the NSW Modern Slavery Act. The interim Anti-Slavery Commissioner in NSW has however indicated that NSW may still have a process to consider Commonwealth statements.

The NSW Government is continuing to review the implementation of the law in light of the Commonwealth Modern Slavery Act.





Key steps to manage modern slavery risk

The actions you take now will form the foundation of your public modern slavery statement.

There are three key steps you need to take to manage your risk and get ready to report: assess your current risk management; implement actions; and monitor, report and demonstrate continuous improvement.

We have practical experience assisting clients at every step, from those just starting out to leaders in their field. Read a snapshot of our stories below.



Learn more about the **KPMG Modern Slavery Benchmark** – a digital tool that facilitates self-assessment of your maturity and provides a roadmap of practical actions.

We use our leading **risk identification methodology** and deep industry knowledge to identify key modern slavery risk hotspots. One agriculture sector client used the results to socialise the executive and encourage company-wide responses.

Our **diagnostic assessments** with retail, property, financial services, mining, hospitality, transport and food and agriculture clients have resulted in deep engagement, a comprehensive view of current controls and prioritised actions.



We used **digitally enabling technology** to map a large retail company's supply chain.

We worked with a large agriculture company to **design its sustainable supply chain management** system, covering rights, environment, health and safety and governance.

We worked with a property company to:

- Facilitate a **cross-functional working group**
- Design an ESG policy
- Design and **pilot a risk assessment framework** for high risk suppliers
- Embed supplier risk assessment within its existing ESG processes.

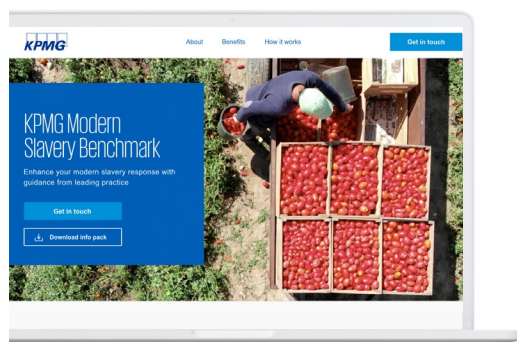




KPMG Modern Slavery Benchmark

Enhance your modern slavery response with guidance from leading practice

The KPMG Modern Slavery Benchmark allows you to easily assess your progress in addressing modern slavery. With increasing regulations, expectations and risks in your operations and supply chain, now is the time to benchmark your modern slavery response and track your progress.



①

Self-Assessment

- Participate in a guided questionnaire to assess the maturity of your current policies, management systems and controls, and mechanisms to respond to allegations
- Select your preferred number of respondents to complete the questionnaire, so that you can understand the maturity across the business including other functions, subsidiaries and investments
- Receive support during the self-assessment

②

Benchmark

- We aggregate and analyse your inputs against the established leading practice criteria built into the Benchmark
- We generate findings, comparable maturity rankings and recommendations tailored to your level of maturity on the Benchmark

③

Report and Next Steps

- Receive your tailored KPMG Modern Slavery Benchmark Report accessible online and in a convenient download
- Access interactive benchmarking to compare responses according to function or subsidiary, or track your progress over each year
- Engage KPMG Banarra to discuss your recommendations

Benefits



Benchmark against leading practice

- Compare your maturity against leading practice and access a quick reference heat map for executives and boards
- Examine a single business, compare subsidiary responses in a complex corporate group, or consider entities in your portfolios and other parties.
- Repeat the Benchmark to track your progress over time



Clear insights and practical responses

- Receive tailored findings and recommendations based on your responses and industry risks
- Clearly visualise your data, findings and recommendations, and filter across the respondents you choose
- Access your bespoke webpage with practical responses for modern slavery legislation reporting



Learn from global specialists

- Access KPMG's practical industry expertise and deep subject matter knowledge, grounded in international frameworks
- Receive technical assistance
- Discuss next steps and prepare for implementation and improve your systems and controls

ModernSlaveryBenchmark.kpmg.com.au

We understand business and we understand human rights

Largest
and most
experienced



business and human rights consultancy in Australia.

Leading Specialists

- **Leading specialists** in human rights risk and impacts, responsible sourcing, social licence and impact management.
- **Expertise is grounded in extensive practical experience and subject matter knowledge**, with the team's research featuring in the Global Slavery Index, their fieldwork and practice in human rights and trafficking and slavery-like practice, coupled with the business and risk expertise in industry risk, sustainability, governance and legal roles.
- **Diverse backgrounds**, including business, law, policy, procurement, risk management and sustainability, to offer you a holistic and tailored approach.
- **Work collaboratively to create practical solutions** that live on beyond the life of the project, with a focus on creating actions to fit within existing systems and processes.

Our Practical Experience

- **Understanding the unique challenges and risks of modern slavery** across a wide range of industries.
- **Global training on international business and human rights frameworks** across Australia, Asia, South America and Europe.
- **Experience with review and application of global modern slavery legislation** in France, UK and California.
- **Leverage our broader KPMG capabilities**, including sustainability, supply chain and procurement, law, internal audit, risk consulting, data analytics, technology and innovation.

We deliver



practical projects that support our local and global clients to take their next best step and plan for the future.

Collaborations



including the national modern slavery roundtables with the Australian Institute of Company Directors and modern slavery guidance and resources with the Australian Human Rights Commission.

Global capability
and networks



through our leadership of KPMG's Global Business and Human Rights Network across more than 50 countries.

Thought Leaders and Collaborators

- **Leading publications**, including the Australian Council of Superannuation Investors' Modern Slavery: Rights Risks and Responsibilities – A Guide for Companies and Investors.
- **Trusted advisor to corporate Australia**, through our discussions with over 150 board directors for the Audit Committee Institute roundtables on trust and board accountability for modern slavery risk.
- **Industry conferences**, including the coordination of the United Nations Global Compact's National Dialogue on Business and Human Rights and Sedex conference.

Contact us

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