26 May 2017

FSC MODERN SLAVERY ACT SUBMISSION

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

BY EMAIL: jsfadt@aph.gov.au

Dear Committee Secretary,

The Financial Services Council welcomes the opportunity to make a submission to the Modern Slavery Act Inquiry to assist the Committee in examining whether Australia should adopt a Modern Slavery Act.

The Financial Services Council (FSC) has over 100 members representing Australia’s retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing more than $2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world.

The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

The FSC is a strong supporter of disclosure and transparency in representing institutional investors. We strongly support the introduction of a Modern Slavery Act in Australia (Act) and provide some recommendations for the establishment of the Act in our submission. Please find our detailed submission below.

Should you wish to discuss this submission further please do not hesitate to contact me on .

Yours sincerely,

Policy Manager - Investment, Superannuation and Global Markets
Modern Slavery Act Submission

The FSC welcomes the Government’s Inquiry into whether Australia should adopt a Modern Slavery Act (Act), in line with the recent Modern Slavery Act 2015 from the UK (UK Act). The FSC supports the introduction of an Act in Australia, in particular, we take an interest in transparency of domestic and global supply chains of companies in which our members are invested. We provide some suggestions to the Committee in our submission below.

The FSC represents institutional investors – fund managers and superannuation funds. As Stewards of $2.7 trillion and significant investors in Australian companies, we take an interest in ensuring increased transparency and disclosure by corporate Australia, in this case Australian listed companies. Investors require increased disclosure in order to accurately assess and price risks and make informed decisions about investments.

Modern slavery is a significant global issue – with more than 45 million people around the world trapped in some form of modern slavery, according to the 2016 Global Slavery Index\(^1\). Related areas include human trafficking, forced labour, wage exploitation, child labour and debt bondage. These practices should be removed from supply chains through due diligence, research and remediation.

We note the establishment of a Modern Slavery Act by the Government is supporting its commitment to SDG 8.7: ‘Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms’.

We support an Act that covers disclosure by all listed companies. The Committee may wish to also consider the Act to cover significant non-listed companies, significant foreign companies with operations in Australia and public sector and NGOs that are large procurement entities.

Reporting guidelines and due diligence requirements in line with those in the UK Act would assist companies with reporting and allow investors to more accurately assess and price risks and make more informed decisions about investments.

We support the provision in the UK Act to establish an Independent Anti-Slavery Commissioner. We would like to see such a Commissioner provide an annual report detailing the companies that have identified modern slavery as an issue in their operations and reported accordingly. We further believe that such a process would improve compliance and monitoring.

We address several of the terms of reference below.

Should a Modern Slavery Act be introduced in Australia?

As discussed above the FSC supports the introduction of the Act. We strongly support a regulatory response to slavery in supply chains and as investors, would like to see more transparency and disclosure on human rights from the companies we are invested in (that is, Australian listed entities).

We support an Act being largely in line with the UK Act. Australia could be a world leader in this space if we get our legislation right.

We would urge the Government to aim to develop global best practice legislation in line with the UN Guiding Principles on Business and Human Rights 2011.

\(^1\) https://www.globalslaveryindex.org/findings/
We support the mandatory disclosure by Australian listed companies of modern slavery issues in line with the disclosure requirements of the UK Act. We accept that not all listed companies have modern slavery issues in their domestic and global supply chains and they can simply report along those lines.

The prevalence of modern slavery in the domestic and global supply chains of companies, businesses and organisations operating in Australia

As discussed above, modern slavery is a significant issue impacting the lives of more than 45 million people globally. The Human Rights Outlook 2016 Report by consultancy Verisk Maplecroft identifies extended international supply chains as highly vulnerable to slave exploitation - through illegal working practices, poor supplier oversight and insufficient clarity around the extraction of commodities.

Such business practices are not sustainable in the longer term and for Australian listed entities identified as having modern slavery issues in their domestic or global supply chains presents a significant reputational, operational and legal risk to the entity. It is therefore important for investors to understand how entities manage such risks. Proper risk assessment can only be achieved when companies are transparent about the extent of their exposure and how such exposure is managed.

Currently, information relating to supply chain risk with respect to modern slavery is generally not provided by Australian listed entities.

Identifying international best practice employed by governments, companies, businesses and organisations to prevent modern slavery in domestic and global supply chains, with a view to strengthening Australian legislation

We believe an Act should be in line with the UK Act, however, covering all Australian listed entities.

Other relevant legislation to reference includes:
- California Transparency in Supply Chain Act
- France Duty of Vigilance Act
- Dutch Child Labour Law
- Swiss Responsible Business Initiative
- UK Modern Slavery Act.

Provisions in the United Kingdom’s legislation which have proven effective in addressing modern slavery, and whether similar or improved measures should be introduced in Australia

As discussed above we support the introduction of the Act in Australia, in line with the UK Act. One improvement to the UK Act we would like to see is a requirement of the Independent Commissioner to provide an annual report detailing the companies that have identified modern slavery as an issue in their operations and reported accordingly.

Please see our list of supported recommendations as follows:

1. The proposed Act should cover “slavery, forced labour and wage exploitation, involuntary servitude, debt bondage, human trafficking, forced marriage and other slavery like exploitation” as per the terms of reference.
2. The Act should be in alignment with the UN Guiding Principles on Business and Human Rights 2011.

3. The Act should cover all listed entities. The Committee may wish to also consider the Act to cover significant non-listed companies, significant foreign companies with operations in Australia and public sector and NGOs that are large procurement entities.

4. The establishment of a central repository for collection of annual statements in conjunction with the establishment of the ‘Independent Anti-Slavery Commissioner’.

By recommending the Act covers all listed entities, this will capture smaller entities with global operations (e.g. small listed mining companies with operations in the African continent where modern slavery exits). We accept that under this approach there will be many companies that do not have modern slavery issues in their supply chains. In such cases a statement to that effect should be made. The FSC does not see the addition reporting requirements as a cost to the reporting entity. Rather, a listed entity with strong policies that can show it is taking effective action to combat slavery will be more attractive to new clients, investors, and business partners.