

## **Investor statement in support of establishing a Modern Slavery Act in Australia**

The undersigned global investors with US\$2.13 trillion assets under management are writing to welcome the inquiry into establishing a Modern Slavery Act in Australia by the Joint Standing Committee on Foreign Affairs, Defence and Trade of the Parliament of Australia. As investors, we believe human rights issues can present potential financial impacts through reputation damage and operational risks to our portfolio companies. We therefore welcome a Modern Slavery Act which would improve transparency on how companies operating in Australia are managing modern slavery risks in their operations and supply chains.

The International Labour Organization estimates almost 21 million people are victims of modern slavery globally. In Australia, migrant workers are found in forced labour in sectors such as agriculture, construction, and hospitality, and Australian companies may be implicated in using forced labour in their supply chains through sourcing goods and services domestically and internationally. The discovery of forced labour in companies' operations and supply chains can present risks including supply chain disruption, damage to brands and may harm companies' license to operate. As investors, we believe these risks may impact long term returns, and we support efforts to encourage companies to improve disclosure on how they are managing these risks. Meaningful disclosure of human rights performance can play a significant role in reducing a company's human rights risks, contribute to a company's competitive advantage, and strengthen its long-term financial stability.

While we recognise that some large Australian companies are making efforts to provide good quality human rights disclosure, on the whole investors have limited information on Australian companies' efforts to address risks related to forced labour. Voluntary efforts of Australian companies to address human rights in the supply chain are limited and only some Australian companies are covered by foreign modern slavery due diligence and transparency efforts. An Australian Modern Slavery Act would create a level playing field, improving the amount of information available. This would help investors to make informed investment decisions and to engage with companies to mitigate these risks.

An Australian Modern Slavery Act would also complement recent legislation on human rights due diligence, such as the California Transparency in Supply Chains Act, the UK Modern Slavery Act, the EU Non-Financial Reporting Directive and the French Corporate Duty of Vigilance law and would build on international soft law, such as the UN Guiding Principles for Business and Human Rights, the ILO core labour standards, and the OECD Guidelines for Multinational Enterprises. Early evidence shows that both the California and the UK legislation are improving availability of information for investors, while increasing senior level corporate engagement, transparency and action on modern slavery. An Australian Act would complement these efforts.

Finally, we urge the Committee to ensure that an Australian Modern Slavery Act includes the following attributes, which we consider will enhance its effectiveness:

- The Act should include a requirement that modern slavery statements are authorised by the board, and signed in a manner that binds the organisation in accordance with Australian corporate law, as a means to ensure board-level discussion of these risks. This is consistent with the Modern Slavery Act in the UK.
- The Act should include an annual public reporting requirement, allowing investors to make year-on-year comparisons of companies' efforts and progress. This is also consistent with the Modern Slavery Act in the UK.

- The Act should call for disclosure of companies' efforts to map supply chains and to undertake due diligence. Our dialogues with companies have shown that these are often good indicators of companies' efforts and provide investors with meaningful information.
- Finally, to enable investors and other stakeholders to easily access and compare companies' disclosures, we recommend that an Australian Modern Slavery Act include a central repository to which companies are requested to submit their statements.

This statement is supported by the following signatories:

Alphinity Investment Management



Ausbil Investment Management Limited



Australian Ethical Investment



AustralianSuper



Aviva Investors



Bankhaus Schelhammer & Schattera AG



BMO Global Asset Management



Boston Common Asset Management



BT Financial Group



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