

FIGHTING THE SHADOWS: UNRAVELING MODERN SLAVERY REPORTING AND COMPLIANCE

Presenters:

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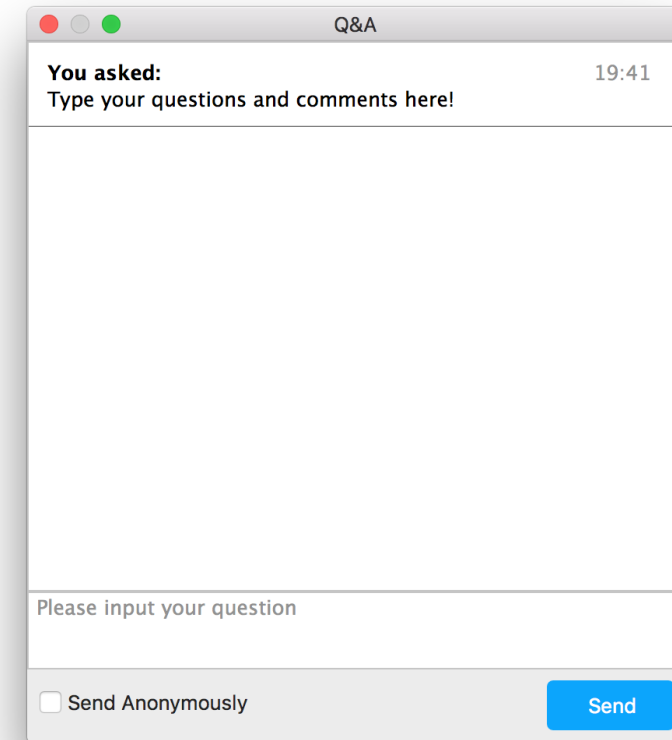
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HOUSEKEEPING

- Today's webinar is scheduled for 60 minutes including Q&A
- All participants are muted throughout the webinar
- We welcome comments via the Chat button and questions via the Q&A button on your screen.
- This webinar will be recorded and uploaded onto [CFA Institute Asia-Pacific Research Exchange \(ARX, www.arx.cfa\)](http://www.arx.cfa) alongside the main presentation.



A screenshot of a Q&A window interface. The window has a title bar with the text "Q&A" and three colored window control buttons (red, yellow, green). Below the title bar, there is a header area with the text "You asked:" on the left and "19:41" on the right. Below the header, there is a large text input area with the placeholder text "Type your questions and comments here!". At the bottom of the input area, there is a smaller text input area with the placeholder text "Please input your question". Below the smaller input area, there is a checkbox labeled "Send Anonymously" and a blue "Send" button.





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Fighting the Shadows

Unravelling Modern Slavery Reporting and Compliance

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KEY FINDINGS

1 **40%** of ASX100 companies received an A rating for their modern slavery statement in FY2022.

2 Major areas of improvement were in disclosure of expertise, risk identification and assessment, KPIs and external collaborations.

3 Companies with ESG-linked executive compensation delivered better disclosures.

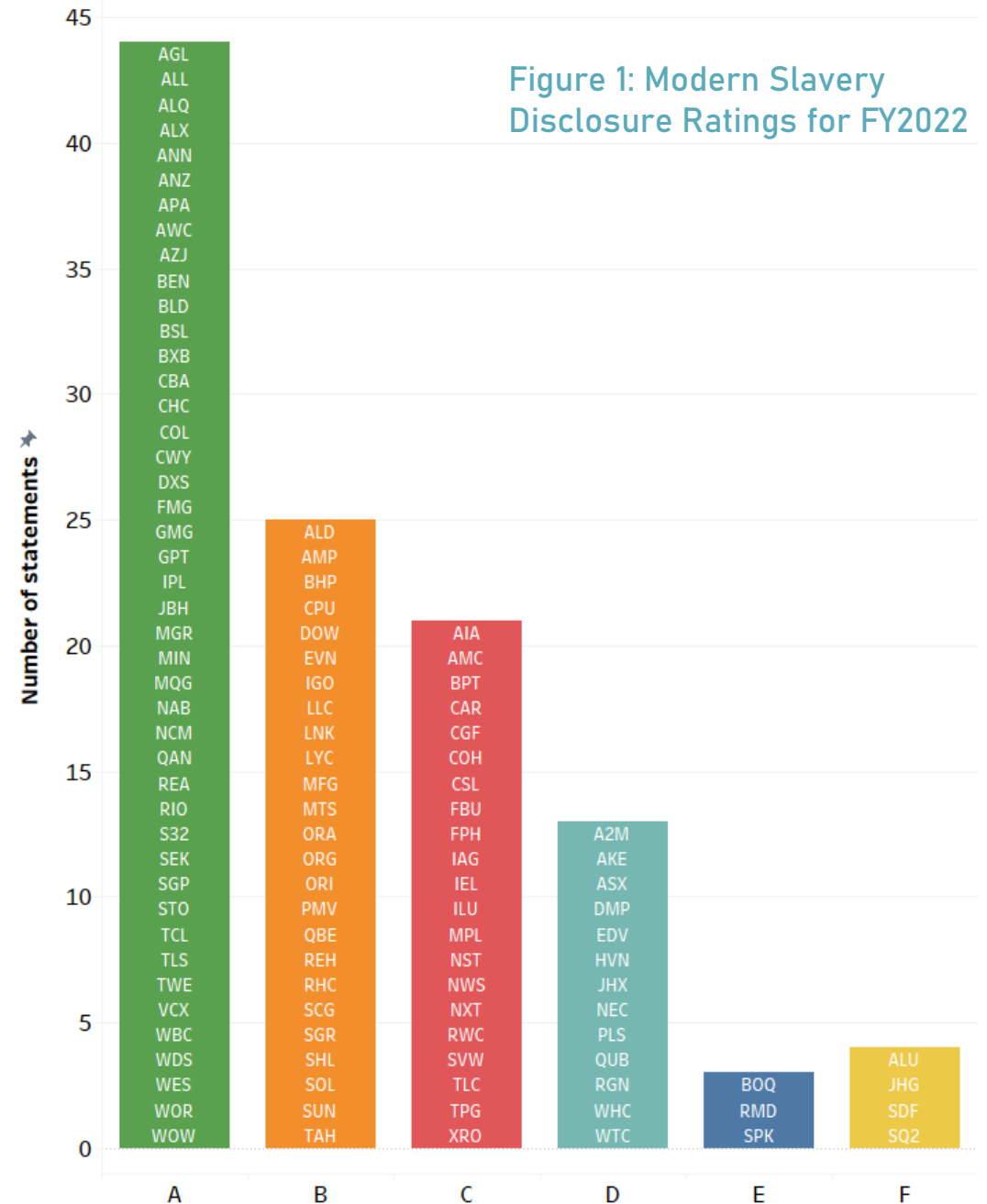
4 **6.4%** of the ASX100 companies' statements received E and F ratings.

5 **Five** of the ASX100 companies' statements were downgraded in FY2022.

Modern Slavery Disclosure Quality Ratings of ASX100 Companies' FY2022 Statements

Progress from FY2021 to FY2022	
New entry	5
Upgraded compared to FY2021	33
Same grade compared to FY2021	67
Downgraded compared to FY2021	5
Delisted in FY2022	7
Total	117

Table 1. FY2022 vs FY2021 progress



APPENDICES

Mandatory reporting requirements under Australia's Modern Slavery Act (2018)

Since the enactment of the Modern Slavery Act by the Australian Parliament in 2018, awareness of modern slavery issues has notably increased. The legislation mandates that large organisations operating in Australia with annual consolidated revenue surpassing A\$100 million identify and report the risks associated with modern slavery within their operations and supply chains. Mandatory reporting criteria encompass seven elements for entities, as shown in Figure 2, while others can report voluntarily.

According to the Australian government, modern slavery entails situations where coercion, threats, or deceit are employed to exploit individuals, stripping them of their freedom. It extends beyond inadequate working conditions or underpayment, encompassing more severe circumstances. The Act delineates eight exploitative practices constituting modern slavery, such as human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruitment, and the worst forms of child labour, entailing hazardous work or slavery practices involving children.

In 2022, the Government started a statutory review of the Act on its impact and administration and enforcement of compliance with the reporting requirement. The Review Report of the Panel led by Professor John McMillan, AO, was released in June 2023 with 30 recommendations, including amending the reporting threshold and scope of the reporting entity, non-compliance penalties, improving guidance and establishing the role of the Anti-Slavery Commissioner.

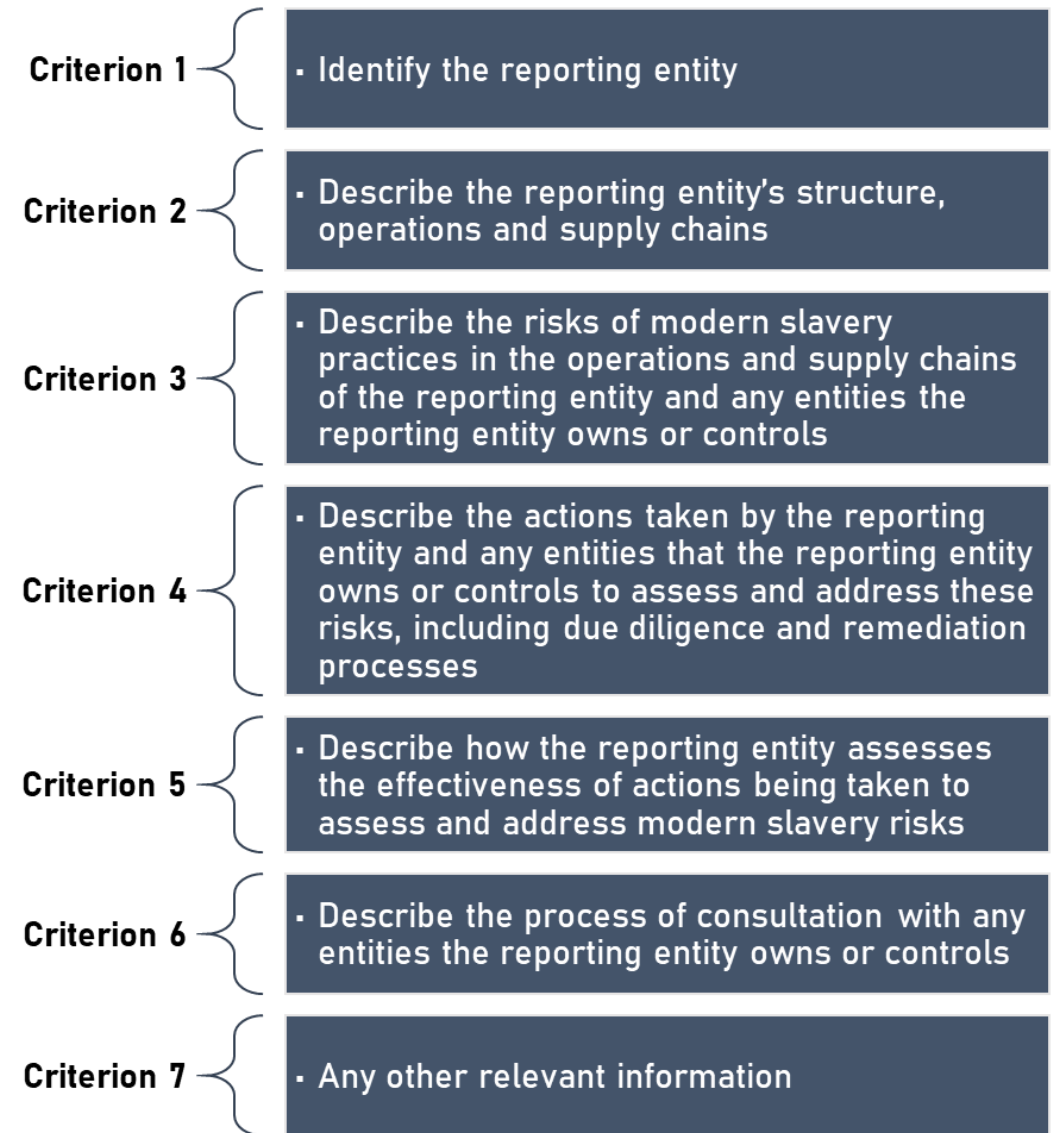


Figure 2: Australia's MSA mandatory reporting requirements

Modern Slavery Disclosure (MSD) Framework 2.0

MODERN SLAVERY DISCLOSURE SCORE 100%					
Disclosure category and scoring weight	Category 1 10%	Category 2 15%	Category 3 30%	Category 4 25%	Category 5 20%
	Structure and operations	Supply Chains	Modern slavery risks in operations and supply chains	Due diligence and remediation processes	Effectiveness assessment
Disclosure scoring checklist	<ul style="list-style-type: none"> • Wordcount • Organisational structure • Major sites and locations • Employees • Key inputs • Consultation process among affiliated entities • Any other relevant matters 	<ul style="list-style-type: none"> • No. of suppliers • No. of suppliers by country or region • Scope (Tier 1/2) • Total supply spend in dollars • Supply spend by country or region • Supply spend by category 	<ul style="list-style-type: none"> • Expertise • Risk assessment model • Risk scoping • Assessment of the modern slavery risks in operations and supply chains • Risks possibly caused by/contributed to/linked to the reporting entity • Specific types of modern slavery risks 	<ul style="list-style-type: none"> • Due diligence process • Remediation process • Relevant policies • Supplier assessment resources • Modern slavery risk training (employees, suppliers) 	<ul style="list-style-type: none"> • Assessment of the effectiveness of modern slavery risk management • KPIs • Collaboration with external parties on modern slavery risk management • Examples of specific actions and case studies

Figure 3: Monash's Modern Slavery Disclosure Framework (MSD2.0)

The letter-grade rating system

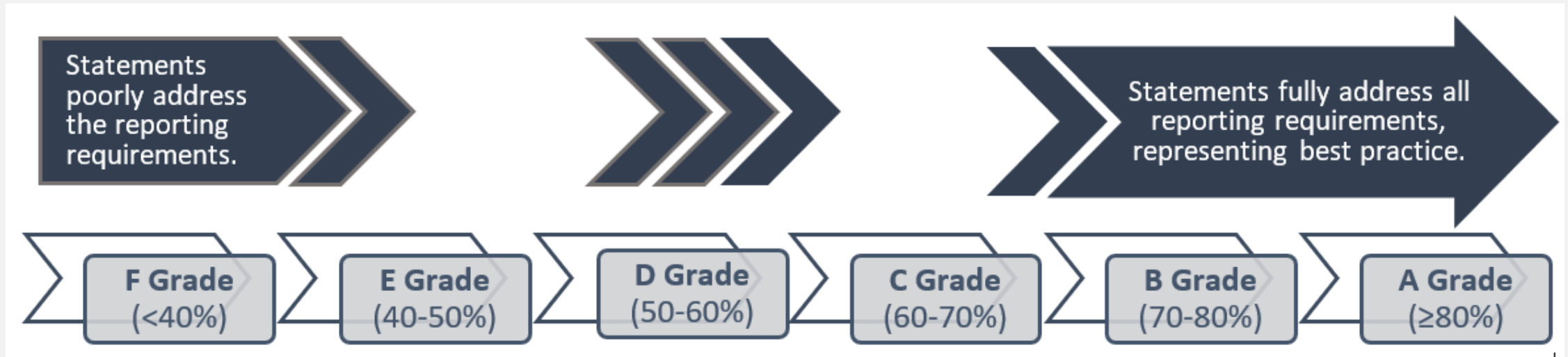


Figure 4: Monash's Modern Slavery Disclosure Rating System

For the methodology and previous reports, please see:

- Pham, N., Cui, B., & Ruthbah, U. (2021) *Modern Slavery Statements – the Disclosure quality of ASX100 companies* [research brief], Monash Centre for Financial Studies, [DOI: 10.26180/17170754](https://doi.org/10.26180/17170754)
- Pham, N., Cui, B., & Ruthbah, U. (2021) *Measuring the Disclosure Quality of Modern Slavery Statements: ASX300 Companies* [White Paper]. Monash Centre for Financial Studies, Monash Business School. [DOI: 10.26180/17170742](https://doi.org/10.26180/17170742).
- Pham, N., Cui, B., & Ruthbah, U. (2022) *Modern Slavery Disclosure Quality Ratings: ASX100 Companies Update 2022* [Research brief]. Monash Centre for Financial Studies, Monash Business School. [DOI: 10.26180/20224614](https://doi.org/10.26180/20224614).

Information disclosed in modern slavery statements

Modern slavery reporting has entered a new phase of maturity for a substantial number of ASX100 companies. Many of these organisations have shown consistent reporting, particularly when disclosing their structure and operations.

There is an enhancement in the quality of disclosure regarding supply chains, risk identification, risk management, and the implementation of key performance indicators (KPIs) in modern slavery actions.

However, some aspects have been neglected, such as explaining the connection between the reporting entity and the identified risks. There has also been a reduction in the extent of detailing how the reporting entity monitors the effectiveness of its efforts.

In several situations, the reduction in some areas of disclosure was due to companies refraining from repeating prior disclosures and guiding readers to previous statements. Nevertheless, this approach does not align with best disclosure practices. While it was recommended in the MSA Review Report that modern slavery reporting should follow a three-year reporting cycle with interim reports focusing on supplementary information, the government has yet to announce its decision regarding adopting the recommendations outlined in the Review Report. Until a decision is reached on this matter, it remains essential for statements to provide comprehensive disclosure in their entirety.

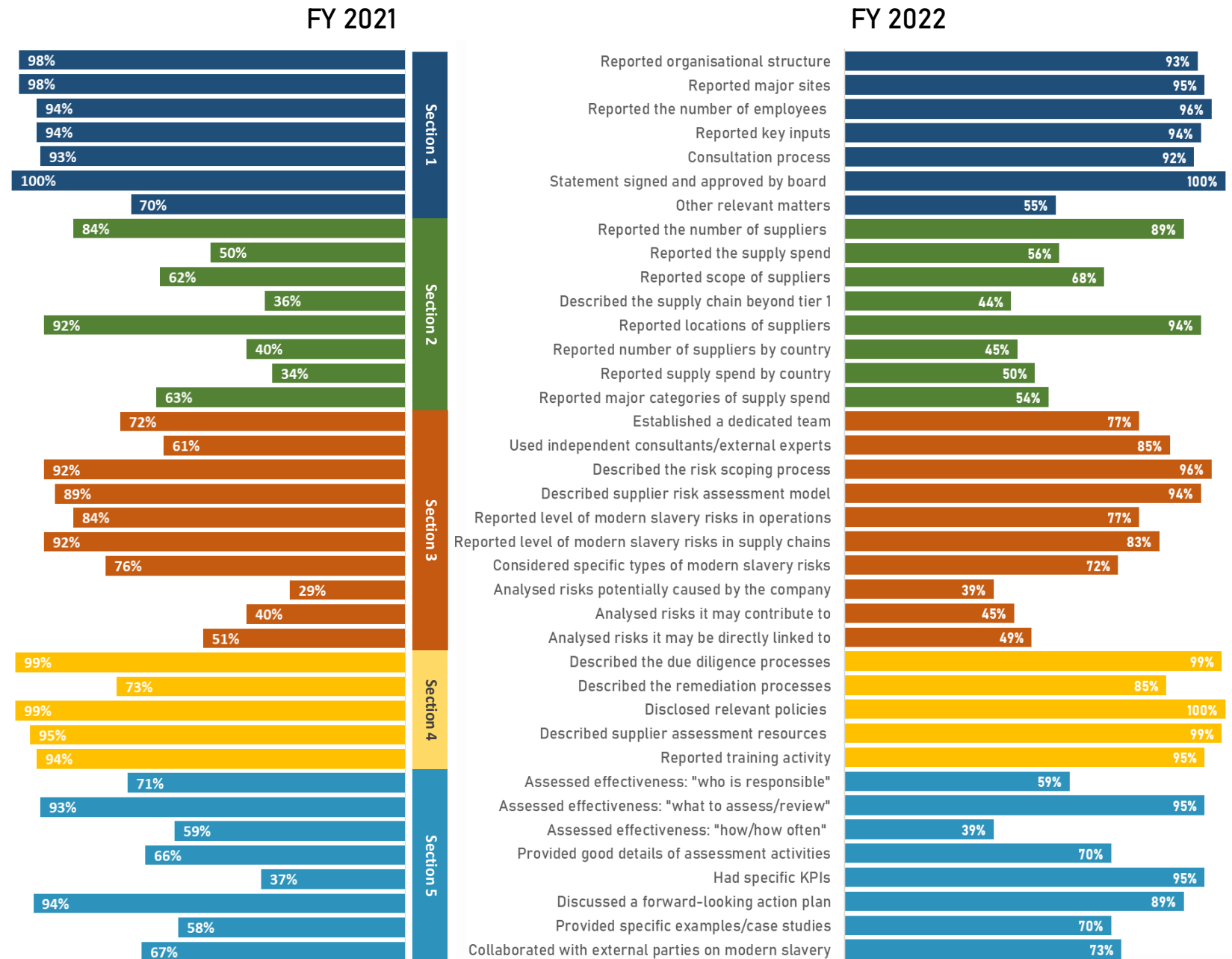


Figure 5: Disclosed information in FY2022 compared to FY2021 statements

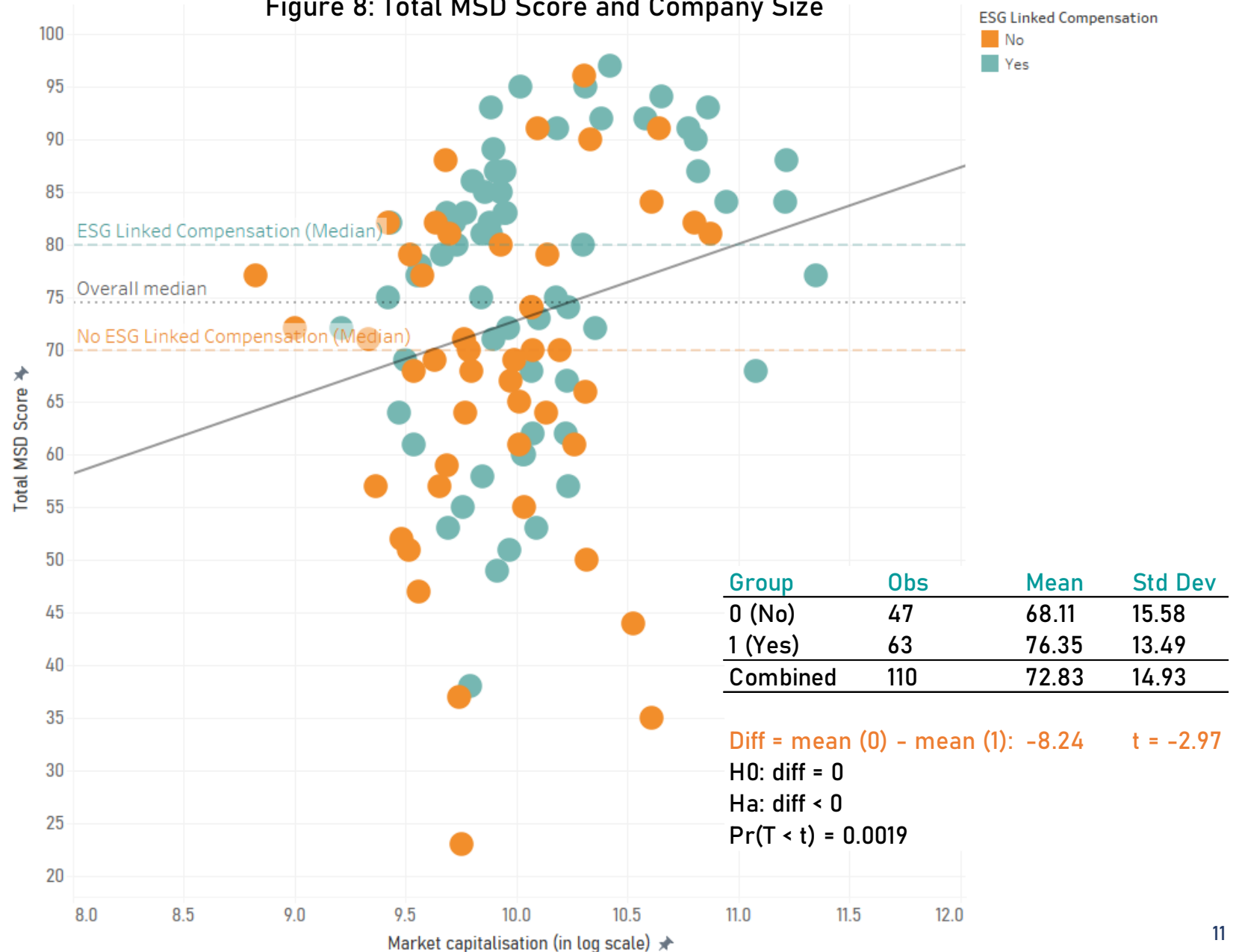
Special observations

Modern slavery disclosure quality correlates with size and compensation structure.

A positive correlation is evident between the overall MSD score and company size as measured by market cap.

Regarding compensation structure, 57.3% of the companies in this analysis linked executive compensation to ESG performance. Notably, this group achieved a significantly higher MSD Score, with a mean difference of 8.24 points.

Figure 8: Total MSD Score and Company Size



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We welcome further discussion of the findings in this report.

Please feel free to contact us at

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THANK YOU

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thank you