

**Australia's Modern Slavery Act came into effect on 1 January 2019. While the first reporting period is not until 2020, there are several actions companies should begin now to help effectively meet reporting requirements.**

Australia now has Modern Slavery Reporting requirements at the Commonwealth level and in New South Wales via state legislation. Reporting guidelines were released for public comment closing on 19 May and give further detail on the expectations for compliant reporting.

Understanding and documenting key risks within companies and their supply chains and conducting a thorough risk assessment now will help assess the complexity of the task ahead. It will also set a roadmap for protecting and enhancing business reputation among diverse stakeholders.

### What's involved

Reporting requirements and coverage of the Commonwealth & NSW Acts are similar, but not identical, meaning several discrepancies will need to be worked through. This includes:

- The size of company – more than 3,000 companies are likely to be required to report under the Commonwealth Act with a number of others captured by the lower revenue threshold for the NSW Act.
- Application of penalties for non-compliance differs between the two Acts creating an unclear situation on compliance risk for those companies captured by both Acts.

Modern slavery is a global human rights issue. According to the Global Slavery Index, the Asia-Pacific region has the highest prevalence of modern slavery and accounts for:



	Commonwealth Act	NSW Act
<b>Legislation</b>	<i>Modern Slavery Act (2018)</i>	<i>Modern Slavery Act (2018) No. 30</i>
<b>Who is covered</b>	Any company with revenues above \$100 million that: <ul style="list-style-type: none"> <li>• is an Australian company; or</li> <li>• carries on business in Australia</li> </ul>	Any company with revenues above \$50 million that: <ul style="list-style-type: none"> <li>• has employees in NSW</li> <li>• provides goods or services for profit</li> </ul>
<b>Reporting requirements</b>	The identity, structure, operations and supply chains of the reporting entity, including: <ul style="list-style-type: none"> <li>• the risks of modern slavery practices in operations and supply chains the entity owns or controls</li> <li>• actions taken to assess and manage the risks including due diligence and remediation processes</li> <li>• details of how the effectiveness of such is assessed</li> <li>• the process of consultation with entities owned or controlled by the company</li> <li>• any other information the company considers relevant</li> </ul>	<ul style="list-style-type: none"> <li>• The organisation's structure, business and supply chains</li> <li>• Due diligence processes in relation to modern slavery</li> <li>• The parts of the business exposed to risk of modern slavery and the steps taken to assess and manage the risk</li> <li>• The training given to employees about modern slavery</li> </ul>
<b>Timeline</b>	Within 6 months of the end of the company's financial year starting from 30 June 2020	To be defined in regulations
<b>Oversight</b>	Public register of statements to be maintained either by the government or a third party	Public register of statements maintained by an independent modern slavery commissioner
<b>Penalties</b>	No penalties for non-compliance	Penalties of up to \$1.1 million for non-compliance

Preparation is key to understanding the true reach of your supply chain and where the risks are. While the reporting deadline remains some way off, there are several actions you can do now to prepare.



- **Review & update** internal policies and supplier codes of conduct to address modern slavery.



- **Establish** a framework for governance and accountability over issues of modern slavery and gain senior management buy in.



- **Conduct a comprehensive risk assessment** of new and existing suppliers against the key geographical, industry and labour cycle risk factors for modern slavery.



- **Undertake an initial review** to identify high and medium-risk areas and consider the value of contracts involved. Higher value contracts will give you more leverage in later discussions.

## DO NOW

## DO NEXT

## FUTURE STEPS



- **Map** of your supply chain by collecting detailed information across the multiple tiers and country of origin. Most companies have little visibility of their supply chain beyond tier 1, so don't underestimate the time this might take.



- **Build** the awareness of staff through internal communications and training.



- **Engage** with suppliers, particularly those in high and medium risk categories, and set expectations and standards required. This might involve reviewing supplier agreements or independent due diligence.



Once you identify and understand the risks, a tailored response could include:

- **Procedures** for auditing suppliers and conducting due diligence.
- **Undertaking corrective action** of identified issues.
- **Maintaining ongoing supplier engagement** for new and existing suppliers.

### How we can help

FTI Consulting is a global advisory firm experienced in assisting companies to identify and manage reputational and other risks in global supply chains. Our teams are staffed by experienced investigators who have an in-depth knowledge of the local communities in which they operate. Our experts can help businesses understand the reputational and practical implication of new modern slavery reporting obligations on its business operations, reputation and in its relationships with stakeholders. FTI Consulting, Inc., including its subsidiaries and affiliates, is a consulting firm and is not a certified public accounting firm or a law firm.



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