

Modern Slavery Risk Management

A playbook for Australian SMEs
to identify, manage and mitigate
modern slavery risks

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Global Compact
Network Australia



Acknowledgement of Country

The UN Global Compact Network Australia acknowledges the Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present and emerging and recognise the valuable contributions Aboriginal and Torres Strait Islander peoples make towards all aspects of Australian life. Our vision for reconciliation is a future where all Australians are united by our shared past, present, future and humanity.

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About the Organisation

UN Global Compact Network Australia

As a special initiative of the United Nations (UN) Secretary General, the UN Global Compact is a call to companies everywhere to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals (SDGs) through accountable companies and ecosystems that enable change. With more than 18,000 companies and 3800 non-business participants based in over 160 countries and 65 local networks, the UN Global Compact is the world's largest corporate sustainability initiative – one Global Compact uniting business for a better world.

Locally, the UN Global Compact Network Australia (UNGCA) brings together more than 260 Australian participants to the UN Global Compact, including over 50 listed companies, other businesses, non-profits and universities, to advance the private sector's contribution to sustainable development. We connect, enable and lead businesses and stakeholders to create a sustainable future by supporting businesses to act responsibly and helping them find opportunities to drive positive business outcomes.

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About this Publication

This publication is designed to help small to medium-sized businesses (SMEs) in Australia meet their responsibility to respect the right of all workers within their operations and supply chains to be free from modern slavery. It was written by the UN Global Compact Network Australia (UNGCA).

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Introduction

Globally, small to medium-sized businesses (SMEs) account for 90 per cent of all businesses and up to 45 per cent of total employment.¹ Their presence is also vital to the Australian economy, comprising 98 per cent of the 2.6 million businesses registered in the country.² The Commonwealth Modern Slavery Act 2018 currently requires entities with an annual consolidated revenue of \$100 million or more to publicly report on their efforts to assess and identify modern slavery risks. However, SMEs also have a crucial role in upholding the responsibility of all businesses to respect human rights, including workers' right to be free from forced labour and other forms of modern slavery.^{3,4}

Since the introduction of the Modern Slavery Act 2018 (Cth) in 2018 ('the Act'), Australian businesses have undertaken a significant amount of work to assess and address modern slavery risks within their value chains. This includes many larger Australian companies introducing modern slavery due diligence, risk management and reporting processes.⁵

Most SMEs are not yet required to report under the Act but many are subject to its requirements indirectly through their business relationships.⁶ SMEs are the main supplier of goods and services to approximately 40 per cent of large Australian businesses. SME members of the UNGCNA have indicated that they are often expected to conduct or feed into modern slavery risk assessments, or to complete modern slavery questionnaires as part of tendering or supplier engagement activities.⁷

As larger businesses work to embed respect for human rights throughout their organisations, the expectation for SMEs to be able to show they are also meeting their human rights responsibilities, including by undertaking proportionate due diligence to assess and address their own human rights impacts, will increase. This is particularly important

for SMEs that operate in industries with widespread use of low-skilled labour or a reliance on outsourcing where the risks of involvement in modern slavery or other forms of labour exploitation may be higher (e.g. labour hire, agriculture, hospitality, cleaning, and security).⁸ Over time, SMEs will be expected to identify their own modern slavery risk hotspots, establish targeted control mechanisms, and report on their actions effectively.

All businesses, regardless of size, have an internationally recognised responsibility to respect human rights. However, SMEs face a different set of challenges in meeting this responsibility. Smaller companies typically have less leverage over their business relationships, and often have less available resources to allocate to relevant processes (e.g. risk identification and establishing ethical sourcing programs). However, there are advantages. By function of their smaller size, SMEs typically have greater visibility over their own operations, which means they can often establish targeted control mechanisms and interventions with less complexity.

Considering the high proportion of small businesses within Australia and the fact that many operate in high-risk industries for modern slavery, there is an opportunity for SMEs to make a significant impact toward tackling modern slavery by taking simple but effective action.

¹ The World Bank (2023) *Small and Medium Enterprise (SMEs) Finance*. Available at: <https://www.worldbank.org/en/topic/smefinance> (Last accessed, 13 April 2023).

² Australian Banking Association (2022) *Small Business*. Available at: <https://www.ausbanking.org.au/small-business/> (Last accessed, 23 March 2023).

³ Australian Government (2018) *Commonwealth Modern Slavery Act 2018*. Available at: <https://www.legislation.gov.au/Details/C2018A00153> (Last accessed, 28 April 2023).

⁴ Australian Human Rights Commission. *About Business and Human Rights*. Available at: <https://humanrights.gov.au/our-work/business-and-human-rights> (last accessed, 23 March 2023).

⁵ Australian Government (2018). Op Cit.16.

⁶ Note: For the purposes of this publication, small to medium-sized businesses (SMEs) refers to those with an annual consolidated revenue of under \$100 million.

⁷ Ridgway, A (2018) *What small and medium businesses need to know about addressing modern slavery in their supply chains and operations*, InterMondo, 2018. Available at: <https://intermondo.com.au/wp-content/uploads/2018/01/InterMondo-Unaware-and-Unprepared-White-Paper.pdf> (Last accessed, 30 March 2023).

⁸ Australian Government, Australian Border Force (2018) *Modern Slavery Key Facts and Figures*. Available at: https://modernslaveryregister.gov.au/resources/MODERN_SLAVERY_INFOGRAPHICS.pdf (Last accessed, 30 March 2023).



About this publication

This publication provides SMEs with practical guidance on how to assess and address the risk of modern slavery occurring within their operations or supply chains. Readers of this report will obtain an overview of modern slavery, how it can manifest within the value chains of SMEs, and how SMEs can set themselves up to assess and address their risk of being involved in modern slavery.

As SMEs make up 98 per cent of the 2.6 million registered Australian businesses, they are uniquely placed to advance meaningful societal action towards a number of Sustainable Development Goals (SDGs). These include:

- > Gender Equality (SDG 5)
- > Decent Work and Economic Growth (SDG 8)
- > Reduced Inequalities (SDG 10).

SDG 8 calls for immediate and effective measures to eradicate modern slavery, forced labour and human trafficking, and demands the prohibition and elimination of the worst forms of child labour by 2025.¹²

This publication therefore also forms part of the United Nations Global Compact's SME Engagement Strategy to enhance SME engagement and action through targeted and cross-cutting programmes and digital tools.¹³

⁹ United Nations Office of the High Commissioner for Human Rights (2011) *Guiding Principles on Business and Human Rights*. New York and Geneva: United Nations (UN) 2011. 14. Available at: https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf (Last accessed, 7 June 2023).

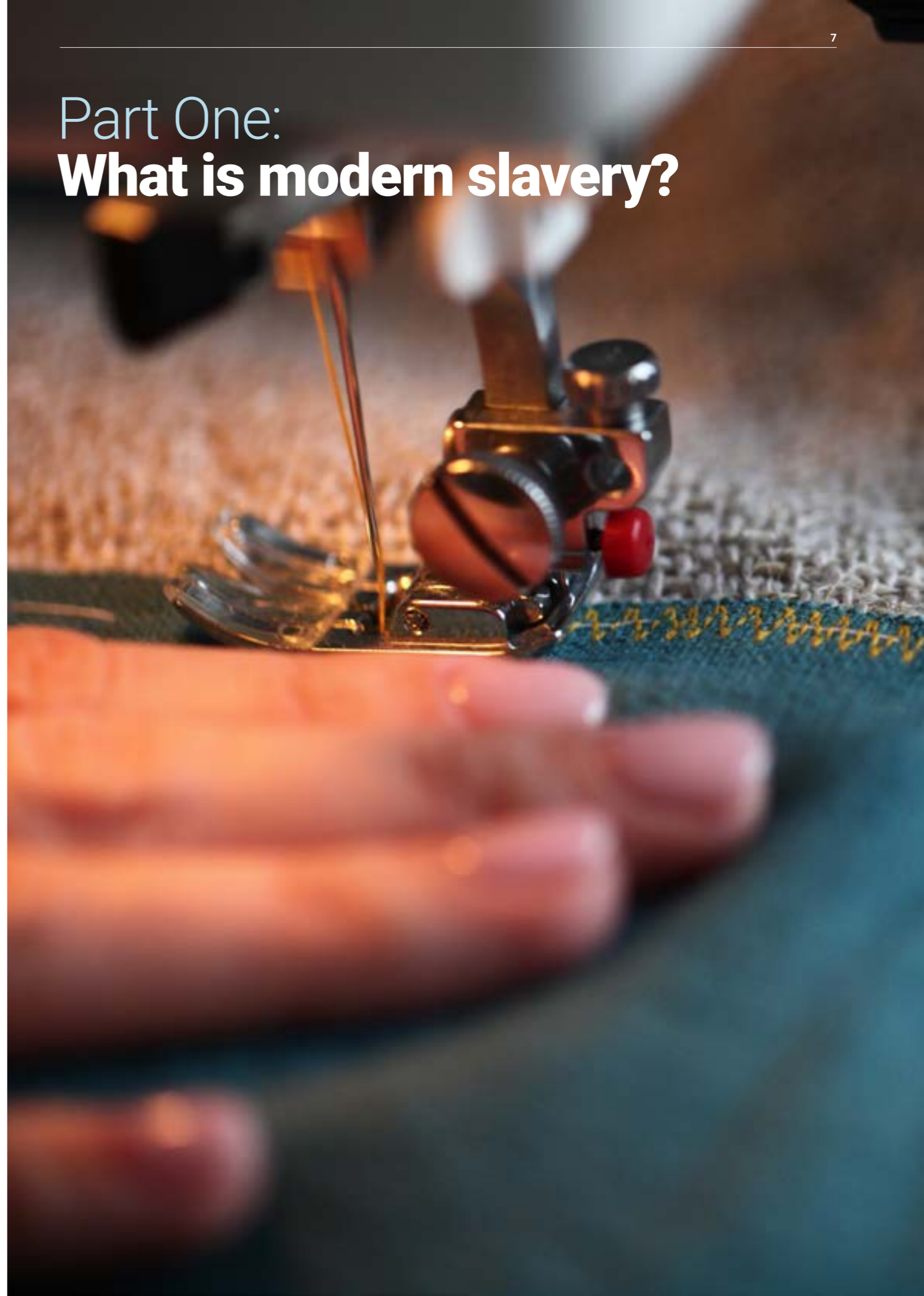
¹⁰ NSW Government (2021) *Modern Slavery: Information for small business*. Available at: https://www.smallbusiness.nsw.gov.au/sites/default/files/2022-02/15799_SBC%20PP%20Modern%20Slavery%20Fact%20Sheet%20ACCESSIBLE.pdf (Last accessed, 23 March 2023).

¹¹ Australian Bureau of Statistics (2023) *Australian Industry*. Available at: <https://www.abs.gov.au/statistics/industry/industry-overview/australian-industry/latest-release#industry-analysis> (Last accessed, 30 May 2023).

¹² Ibid.

¹³ UN Global Compact (2022) *SME Engagement Strategy*. Available at: <https://unglobalcompact.org/library/6049> (Last accessed, 1 January 2023).

Part One: What is modern slavery?



Part One: What is modern slavery?

Modern slavery refers to extreme forms of labour exploitation. Managers within SMEs need to understand how different types of exploitation could impact workers within their own teams, their supply chains, and their partners, especially when operating within high-risk industries. This section outlines what modern slavery is, how converging factors can lead to modern slavery, and how they can manifest within an SME value chain.

Modern slavery and SMEs

Modern slavery describes situations where 'offenders use coercion, threats or deception to exploit victims and undermine their freedom'.¹⁴ It is an umbrella term used to encompass a number of exploitative practices including forced labour, slavery, servitude, debt bondage, human trafficking, deceptive recruiting for labour services, the worst forms of child labour and forced marriage.¹⁵

The Global Slavery Index (GSI) estimates that up to 41,000 people are living in conditions of modern slavery in Australia.^{16,17} Understanding how modern slavery can manifest is crucial for SMEs because they may operate in many of the industries at highest risk, including agriculture, construction, cleaning, manufacturing and hospitality.^{18,19} This is also particularly important for SMEs that employ migrant workers, who are more than three times as likely to be subject to forced labour compared to non-migrant workers.^{20,21}

Forced labour is a significant problem in the Asia-Pacific. It refers to work or service that any person is compelled to perform under the threat of any penalty, and for which they have not offered themselves voluntarily.²² Research suggests that the Asia-Pacific region is host to more than half the global total of forced labour, with approximately 15 million people - or 1 in every 1000 - estimated to be subjected to forced labour.²³



Example: Understanding risks associated with temporary labour migration programs

Temporary labour migration programs (TLMs) are frequently used within the Asia-Pacific region and allow many migrant workers to take up fixed-term, low-wage work in high-risk sectors such as construction, agriculture, or the service industry. The temporary nature of the program can be used to justify restrictions on human rights, such as employment and residence permits that tie migrant workers to a specific employer, leaving migrants increasingly vulnerable to situations of labour exploitation.¹⁸

¹⁴ Australian Government, Attorney-General's Department (2023) *Modern Slavery* Available at: <https://www.ag.gov.au/crime/people-smuggling-and-human-trafficking/modern-slavery> (Last accessed 7, June 2023).

¹⁵ UN Global Compact Network Australia (2021) *Implementing Effective Modern Slavery Grievance Mechanisms: A Guidance Note for Business*. Available at: https://unglobalcompact.org.au/wp-content/uploads/2021/03/4261-UNGC-Grievance-Mechanisms-GUIDANCE-DOC_28pp-9-FA.pdf (Last accessed, 23 March 2023).

¹⁶ Walk Free (2023) *Global Slavery Index /, Country Study: Australia*. Available at: <https://www.walkfree.org/global-slavery-index/country-studies/australia/> (Last accessed, 6 June 2023).

¹⁷ Australian Government, Attorney-General's Department *Right to freedom from slavery and forced labour*. Attorney-General's Department. Available at: <https://www.ag.gov.au/rights-and-protections/human-rights-and-anti-discrimination/human-rights-scrutiny/public-sector-guidance-sheets/right-freedom-slavery-and-forced-labour> (Last accessed 30, March 2023).

¹⁸ International Labour Organisation (ILO) (2023) *Forced Labour in Asia and the Pacific*. Available at: https://www.ilo.org/asia/areas/forced-labour/WCMS_634534/lang-en/index.html (Last Accessed 7, June 2023).

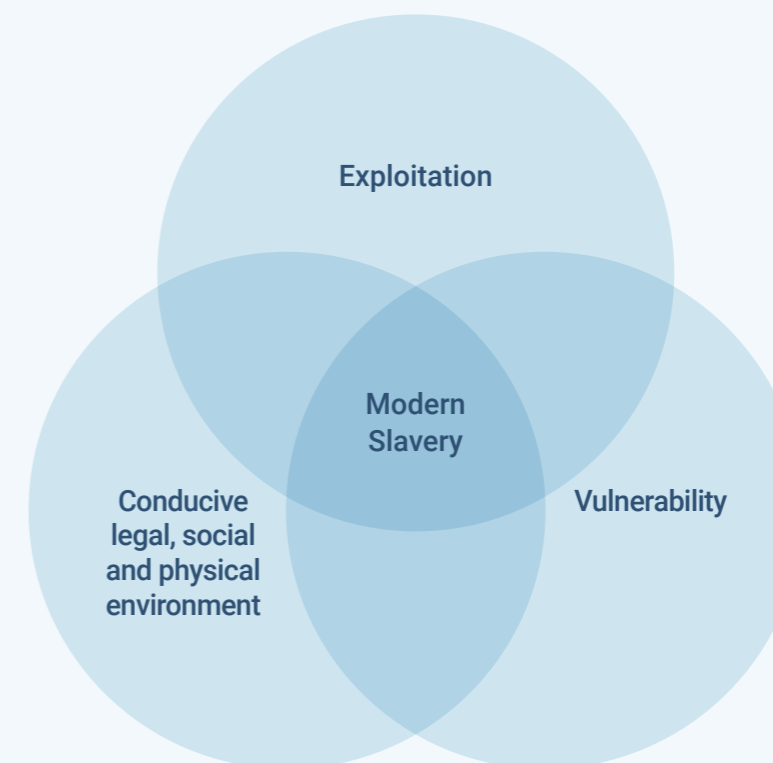
¹⁹ Australian Bureau of Statistics Op Cit.

²⁰ Office of the High Commissioner for Human Rights (OHCHR) (2022) *'We wanted workers, but human beings came': Human rights and temporary labour migration programmes*. Available at: <https://bangkok.ohchr.org/wp-content/uploads/2023/01/Report-on-temporary-labour-migration-programme-final-250123.pdf> (Last Accessed 7, June 2023).

²¹ Walk Free et al. Op Cit.

²² United Nations Office of the High Commissioner for Human Rights (1930), *Forced Labour Convention, 1930 (No. 27)*. Last accessed March 2023. Available at: <https://www.ohchr.org/en/instruments-mechanisms/instruments/forced-labour-convention-1930-no-29> (Last accessed 30, March 2023).

²³ Ibid.



How does modern slavery manifest?

Modern slavery can occur when the following three drivers converge:²⁴

- > the presence of vulnerability
- > a conducive legal, social and physical environment
- > exploitation.

In practice, these three factors are inextricably linked and a change to any can result in someone falling into a situation of modern slavery. For example, a worker's individual vulnerability may be influenced by a sudden life change, such as the loss of income, family disruption or unexpected health costs.²⁵ Vulnerability can also be introduced by changes to an individual's environment, such as legal, social, or geographical, including the impacts of natural disasters, precarious living conditions related to climate change, or the eruption of armed conflict. Exploitation occurs when a criminal perpetrator identifies this vulnerability and applies pressure to exert value for profit and power.²⁶

Own operations versus external value chain

SMEs need to be aware that modern slavery risks can arise within their business' own operations, as well as in their broader value chain, such as through suppliers and franchisors. The Australian Government requires entities

reporting under the existing Modern Slavery Act to identify and report on modern slavery risks occurring in both their global and domestic operations, as well as within their supply chains.^{27,28}

This distinction is important because actions taken to address modern slavery risks within the business can be different to those taken to address risks with external suppliers or other business partners. Practical guidance including steps that SMEs can follow is outlined in Part Two of this publication.

What's the difference between operations and supply chain?

The *Commonwealth Modern Slavery Act 2018* Guidance for Reporting Entities defines operations as an 'activity undertaken by the entity to pursue its business objectives and strategy in Australia or overseas'.

Supply chains is defined as 'the products and services (including labour) that contribute to the entity's own products and services. This includes products and services sourced in Australia or overseas and extends beyond direct suppliers'.

²⁴ United Nations University Centre for Policy Research, Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST Initiative) (2020). *Fighting Modern Slavery and Human Trafficking, Online Training Certificate*. 16. Available at: <https://www.acams.org/en/training/certificates/fighting-modern-slavery-and-human-trafficking> (Last accessed, 23 March 2023).

²⁵ Ibid.

²⁶ Ibid.

²⁷ Australian Government (2018) *Commonwealth Modern Slavery Act 2018*. Op Cit.

²⁸ Australian Government, Department of Home Affairs (2018) *Commonwealth Modern Slavery Act Guidance for Reporting Entities*. 22. Available at: <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf> (Last accessed, 1 May 2023).

Examples of how modern slavery can occur within Australia

The following table shows hypothetical examples of modern slavery and the corresponding indicators of exploitation.²⁹ A comprehensive list of indicators is published by the Australian Federal Police and can be found in Appendix I.

Hypothetical high-risk situation	Indicators of exploitation
<p>As a result of increased customer demand at a small retail company, employees have been required by their employer to work additional hours on top of their rostered hours. One employee is currently studying in Australia and is unable to work the additional hours as they exceed the allowable work conditions associated with their visa. When presented with this information, the employer responds that "You've worked it before – if you can't cover next week, we'll report you for being in breach of the permit".</p> <p>That same week, the employee receives a notice of rental increase and will be unable to meet payments without income from the role.</p>	<ul style="list-style-type: none"> > Be forced to work under certain conditions/unable to negotiate working conditions. > Work excessively long hours over long periods > Be in a situation of dependence.
<p>As part of a commercial office building company's latest supplier due diligence exercise, it has discovered that its SME cleaning provider has breached its contract by outsourcing the delivery of cleaning services at its five main office sites to smaller subcontractors. Upon further investigation, the company discovers that subcontracted cleaners have been working excessive hours over long periods of time under the threat of non-payment of wages if they refuse.</p>	<ul style="list-style-type: none"> > Have no access or control of their earnings. > Received no or little payment for employment. > Work excessively long hours over long periods. > Not have days off or adequate breaks. > Have little to no understanding of work rights and entitlements.

For some real-world examples, see the real-world examples published by [Anti-Slavery Australia](#).³⁰

Why does this matter for SMEs?

Actively addressing the risk of being involved in modern slavery provides SMEs with a number of competitive advantages.

Firstly, it provides potential customers with evidence of the SME's approach towards addressing modern slavery risks, which may also indirectly reduce the customer's own risk of being involved in modern slavery.

Secondly, while many SMEs are not yet required to report under the *Modern Slavery Act*, they are often requested to provide similar information to larger companies they contract with to enable the larger companies to meet reporting obligations. Taking proactive action, such as having a risk assessment or internal policies and procedures on hand, can significantly reduce organisational inefficiencies driven by responding to multiple questionnaires and enquiries.³¹

Finally, collaborating with other businesses to address modern slavery risks can serve to build trusted long-term business relationships.

Failing to address modern slavery risks introduces significant reputational and operational risks, including disruption caused by being required to address any involvement in worker exploitation.³² Research suggests that consumers are increasingly aware of the presence of worker exploitation. In a recent study conducted by Walk Free, two-thirds of consumers said they would stop buying a product if they knew its manufacture involved exploiting workers, and more than half stated they would pay up to 10 per cent more for goods that were 'slavery-free'.³³

Ultimately, the fact that SMEs also represent a high proportion of companies operating in high-risk industries means that they have a significant opportunity to take meaningful action towards addressing modern slavery.

²⁹ Australian Federal Police (2023) *Human trafficking & slavery indicators*. Available at: <https://www.afp.gov.au/what-we-do/crime-types/human-trafficking/human-trafficking-slavery-indicators> (Last accessed, 7 June 2023)

³⁰ Anti-slavery Australia (2022) *Modern Slavery*. Available at: <https://antislavery.org.au/modern-slavery/> (Last accessed, 13 June 2023).

³¹ Veen, Micha (25 February 2022) *Why SME's need to think about Modern Slavery in 2021*. Active Directions. Available at: <https://activedirections.com/why-smes-need-to-think-about-modern-slavery-in-2021/> (Last accessed, 3 May 2023).

³² Guilbert, Kieran (12 March 2015) *Can consumers help tackle forced labour?* World Economic Forum. Available at: <https://www.weforum.org/agenda/2015/03/can-consumers-help-tackle-forced-labour/> (Last accessed, 3 May 2023).

³³ Guilbert (2015). Op Cit.

Part Two: UN Guiding Principles on Business and Human Rights (UNGPs)



Part Two: UN Guiding Principles on Business and Human Rights

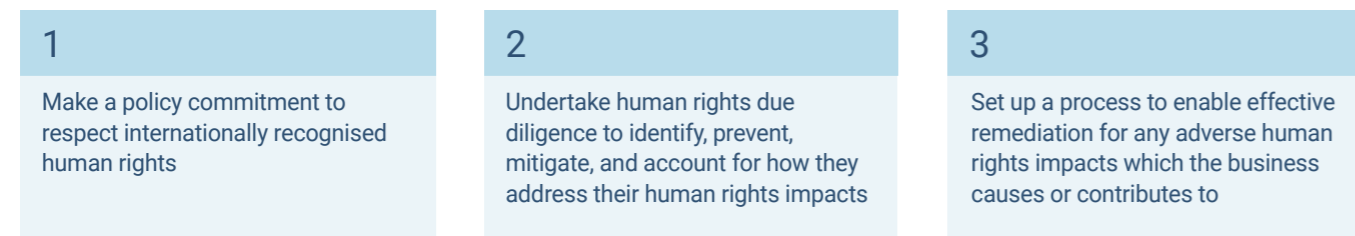
This section contains a brief overview of the UN Guiding Principles on Business and Human Rights (UNGPs), including why they are relevant to SMEs. This includes committing to action, identifying and assessing risks, undertaking targeted employee, supplier and customer engagement, and communicating with broader stakeholders.

Overview of UN Guiding Principles on Business and Human Rights within (UNGPs) small business

The UNGPs are the global standard for integrating respect for human rights into businesses and contain a three-pillar framework, known as the Protect, Respect, Remedy Framework. These pillars refer to the State duty to protect human rights including from harm by business, the corporate responsibility to respect human rights, and that where business-related human rights harms occur, rights-holders must have access to effective remedy.³⁴

The UNGPs have been designed to integrate into existing business processes, policies, and procedures.

Businesses must take the following three steps to 'respect human rights'.³⁵



While SMEs often operate with less resources than larger organisations, the responsibility to respect human rights still applies. However, it is also accepted that SMEs can take steps that are proportionate to their size to meet that responsibility.³⁶

What are the UN Guiding Principles on Business and Human Rights (UNGPs)?

The UNGPs are the global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. They provide a framework for businesses to identify, prevent, mitigate, and account for their human rights impacts, and guidance on how to enable remediation for impacts when they occur.

Why are they relevant to modern slavery?

Businesses have an obligation to respect all internationally recognised human rights, including freedom from forced labour and other forms of human rights harm.

In practice, this could mean:

- > Incorporating the policy commitment to respect human rights (including the right to be free from forced labour and other forms of modern slavery) into other existing policy documents, such as human resources or procurement policies or procedures, or employee handbooks or codes of conduct.
- > Integrating human rights due diligence steps into other related processes, for example, assessing human rights impacts within a broader organisational risk assessment exercise, or assessing supplier risk and performance on human rights issues as part of a broader supplier engagement exercise.

³⁴ United Nations Office of the High Commissioner for Human Rights (2011). Op Cit.

³⁵ Ibid. 15.

³⁶ Ibid. 14.

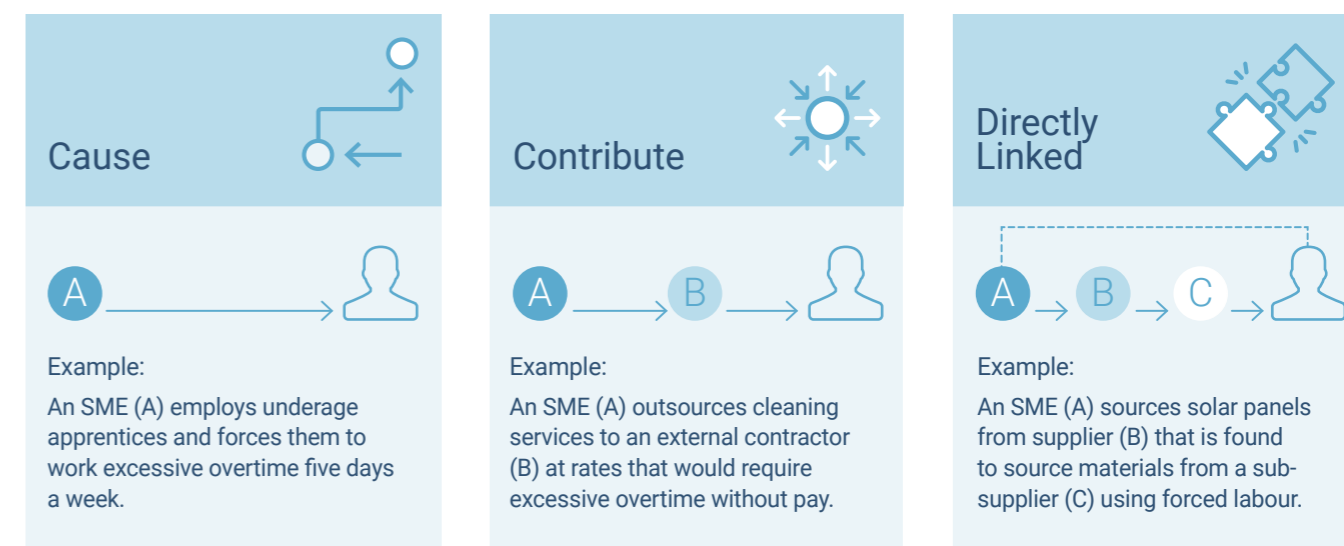
Causing, contributing or directly linked to modern slavery

Given that companies may be involved in adverse human rights impacts in various different ways, the UNGPs contain a 'continuum of involvement' which specifies three distinct categories of company involvement:

- > **Cause:** The business' operations directly result in modern slavery practices.
- > **Contribute to:** The business' operations or actions in its supply chain may contribute to modern slavery, including through acts or omissions that facilitate or incentivise slavery.
- > **Directly linked:** The business' operations, products or services may be connected to modern slavery through the activities of another entity it has a business relationship with.

For each level of involvement, the UNGPs specify expected actions for businesses to take.³⁷ In the Modern Slavery Act 2018 Guidance for Reporting Entities, the Australian Government encourages companies to use this continuum to better understand and identify their modern slavery risks.³⁸

The below table outlines hypothetical examples of how SMEs could be involved in adverse human rights impacts, such as modern slavery, using the 'continuum of involvement'.³⁹



³⁷ Ibid. 22.

³⁸ Australian Government Department of Home Affairs (2018). Op Cit.

³⁹ © Pillar Two. All rights reserved.

Part Three: The SME Playbook – five practical steps to identify, manage and mitigate modern slavery risks



Part Three: The SME Playbook – five practical steps to identify, manage and mitigate modern slavery risks

This section outlines five practical steps SMEs can follow to identify, manage and mitigate their risk of being involved in modern slavery. These playbook steps have been designed to be action oriented and tailored for an SME audience. They do not represent an exhaustive application of the UNGPs. The five playbook steps are:

1. Make a public policy commitment.
2. Know the signs and understand your risks.
3. Take targeted action to address risks.
4. Listen to your team and workers in the supply chain.
5. Communicate effectively.

Practitioners working with SMEs should document any assessment or finding made throughout the process.

1. Make a policy commitment to meet the responsibility to respect human rights

The first step in managing modern slavery risks is making a policy statement that the company is committed to respecting internationally recognised human rights, including the right to be free from forced labour and other forms of modern slavery.⁴⁰ This is step one in the UNGPs' three steps to meet the responsibility to respect human rights.

What should I do?	Why is it important?
<p>Make a public policy commitment to respect internationally recognised human rights, including the right to be free from forced labour and other forms of modern slavery, and embed the commitment throughout the organisation.^{41, 42}</p> <p>The commitment needs to be made or approved by the most senior level of the company and must publicly outline the SME's expectations of its personnel, suppliers, and other business partners.⁴³ Where possible, it should also be informed by relevant human rights expertise.⁴⁴</p> <p>Internal communication of the policy commitment is important including clearly conveying who is accountable for the different elements. The communication should also be supported by training, for example, by using materials developed by the UNGCNA and Anti-slavery Australia.⁴⁵</p> <p>Many UN Global Compact participants have reflected this commitment in standalone human rights policies or statements that publicly outline the company's commitment to respect internationally recognised human rights. However, SMEs with more streamlined governance structures may wish to integrate this policy commitment, including the right of workers to be free from slavery, into their broader policy suite.</p>	<p>Commitments made at a senior level set the tone within the company.</p> <p>Public-facing commitments also demonstrate to broader stakeholders, such as customers and clients, that the company takes its role in respecting human rights of workers within its value chain seriously.</p> <p>They also provide stakeholders, such as rights-holders, with a platform to engage with the company if they identify its potential involvement in adverse human rights impacts.</p>

Follow up actions

Embed the commitment to respect human rights within the business:

- > Ensure the commitment is reflected in other company policies, such as the Employee Code of Conduct or Handbook and any onboarding processes or procedures.
- > Ensure that employees understand how and why human rights, such as freedom from slavery, apply to them.

Consider further good practice recommendations:

- > Assign responsibility for modern slavery risks to a senior representative within the company, such as through a formal delegation from the owner or Managing Director.
- > Consider developing a standalone public human rights policy statement.
- > Consider also assigning responsibility for broader human rights impacts, such as freedom from discrimination or specific rights afforded to First Nations stakeholders.^{46, 47}

⁴⁰ Ibid. 16.

⁴¹ Office of the High Commissioner for Human Rights (16 December 1966) *International Covenant Civil and Political Rights, Article 8*. Available at: <https://www.ohchr.org/%20en/instruments-mechanisms/instruments/internationalcovenant-civil-and-political-rights> (Last accessed, 1 May 2023).

⁴² United Nations Office of the High Commissioner for Human Rights (2011). Op Cit. 16.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Office of the High Commissioner for Human Rights (16 December 1966). Op Cit, Article 24, 26.

⁴⁷ Office of the High Commissioner for Human Rights (13 September 2007). *UN Declaration on the Rights of Indigenous Peoples*. Available at: <https://www.ohchr.org/en/indigenous-peoples/un-declaration-rights-indigenous-peoples> (Last accessed, 1 May 2023).

2. Know the signs and understand your risks

The second step in managing modern slavery risks is to identify any potential or actual adverse human rights impacts related to modern slavery that the SME may cause, contribute to, or be directly linked to or have been involved in already (as highlighted in Part Two).

To achieve this, SMEs should assess their operations and supply chain to identify any modern slavery risk factors. The key to this assessment is identifying whether the business may be involved in any potential modern slavery risks to people, such as the team or supplier staff. This can be done by conducting a simple hotspot risk assessment using the framework below.

The hotspot risk assessment should be updated regularly (such as every 18 months) or following any key changes to the business or its supply chains, or major changes to the geographies the business operates in, buys from or sells to (such as new conflicts emerging).

What should I do?	Why is it important?
<p>Conduct a hotspot analysis to better understand the risk of causing, contributing to, or being directly linked to modern slavery.</p> <p>The aim of this assessment is to identify key areas (or ‘hotspots’) of potential modern slavery risk in your business’ operations and supply chains.</p> <p>The following questions provide an example framework that SMEs can use to identify potential modern slavery risk hotspots. They are not intended to be exhaustive.</p> <p>First, ask the following questions about your business:</p> <ul style="list-style-type: none"> > Does your company operate within a sector that features widespread use of low-skilled labour, or relies on outsourcing? > Does your company operate within a sector identified as high-risk for modern slavery by the Australian Government or credible civil society organisations? These include agriculture, construction, cleaning, domestic work, hospitality, meat processing, textiles production and some types of manufacturing. > Does your company employ migrant workers or other workers who may be vulnerable to exploitation, such as low skilled temporary workers or young workers (aged below 18)?^{48,49} <p>If you answered yes to any of these questions, record the response as a modern slavery risk hotspot.</p> <p>For further considerations, the Australian Federal Police maintains a non-exhaustive list of signs that may indicate a person is living in conditions of modern slavery.⁵⁰ These can be found in Appendix I.</p> <p>Second, ask the following questions about your supply chain:</p> <ul style="list-style-type: none"> > Does your company source products or services from another company with a track record of treating workers poorly (such as media reporting on modern slavery, labour exploitation or underpayment, or public reports to government authorities, such as the Australian Fair Work Ombudsman)? <p>If yes, list the sourcing of these products and services as a potential modern slavery hotspot.</p> <ul style="list-style-type: none"> > Does your company source products or services from sectors that are considered to involve higher risks of being produced using modern slavery, including cleaning and security services, seafood and agriculture, transport and logistics services, catering and hospitality, manufacturing, personal protective equipment (such as rubber gloves and masks), textiles and fashion (such as uniforms), information and communications technology (ICT), and construction materials and labour?⁵¹ 	<p>Understanding what types of modern slavery risks are present in your value chain will help you to target your modern slavery risk management.</p>

⁴⁸ Australian Government (Australian Border Force) (2018). Op Cit.

⁴⁹ Walk Free (2023). Op Cit.

⁵⁰ Australian Federal Police (2023). Op Cit.

⁵¹ Walk Free (2023) *Global Slavery Index, Global Data: Importing Risk (Australia)*. Available at: <https://www.walkfree.org/global-slavery-index/map/#mode=data:dimension=i:compare-country=AUS> (Last accessed, 31 May 2023).



What should I do?	Why is it important?
<p>If yes, list any goods or services from these higher risk sectors as potential modern slavery hotspots.</p> <ul style="list-style-type: none"> > Does your company source specific products made with raw materials sourced from or manufactured in countries generally considered to have higher modern slavery risks due to factors such as:⁵² <ul style="list-style-type: none"> > poor governance > weak rule of law > conflict > socio-economic challenges, such as widespread poverty? <p>If yes, list any relevant products as potential modern slavery hotspots.</p>	<p>Understanding what types of modern slavery risks are present in your value chain will help you to target your modern slavery risk management.</p>

Note: If you are unsure which countries your company sources products from, you may be able to request information from key direct suppliers, such as a wholesalers or distributors. Where this is not possible, you may be able to identify countries where products are sourced based on your knowledge of the sector.

Third, for each potential hotspot use the UNGPs continuum of involvement in Part Two (above) to consider whether your business might cause, contribute to or be directly linked to modern slavery in each hotspot. This should then help you to determine what might be expected of you as a base line level as appropriate action.

Follow up actions
<ul style="list-style-type: none"> > Document the assessment. > Record any identified hotspots and the rationale for each hotspot (i.e. why it is a risk area). > Schedule a regular time to refresh the assessment (such as every 18 months) to identify any changes to your SME's risk profile over time. This can include changes due to your business model or supply chain, as well as broader external factors such as changes to the economic environment, pandemics or global conflicts. > Consider whether anyone else in the business needs to be consulted or briefed on the results (such as any team members working in HR or recruitment).

⁵² Walk Free (2023) *Global Slavery Index, Global Data: Map*. Available at: <https://www.walkfree.org/global-slavery-index/map/>

⁵³ Australian Government, Australian Border Force (2018). Op Cit.

3. Take targeted action to address risks

The third step expects SMEs to take targeted action to address the modern slavery risks identified. This expects SMEs to establish and document control mechanisms for each risk.

What should I do?	Why is it important?
<p>Set up control mechanisms (general and specific) for each modern slavery hotspot area identified within the business.</p> <p>General control mechanisms</p> <p>Controls need to be tailored to the organisation, however the following general control mechanisms may serve to mitigate modern slavery risks. Responsibility for oversight of each control mechanism should be assigned to a member of the team.</p> <ul style="list-style-type: none"> > Ensure that senior leadership and management understand what modern slavery is, why it is relevant to businesses, what it looks like in a business context, and what actions can be taken to manage modern slavery risks. > Consider training the team on the signs of modern slavery relevant to your sector. > Start working on a plan to better screen and monitor suppliers and otherwise help build your business' leverage with the supplier to have more responsible business practices. > Establish a worker engagement plan, including both proactive engagement and appropriate grievance channels, to ensure that employees feel understood, heard, and safe to raise any issues that could indicate the presence of increased vulnerability. <p>Examples of specific control mechanisms</p> <p>Below are some suggested control mechanisms that can be set up for specific hotspots (identified in step two) in your business operations and supply chains.</p> <p>If your organisation operates within a sector that features widespread use of low-skilled labour:</p> <ul style="list-style-type: none"> > Investigate potential partnerships within the sector, such as with civil society, that can provide your organisation with training and support materials – for example, the Cleaning Accountability Framework provides training and supplier certification resources. <p>If your organisation relies heavily on outsourcing to deliver core products and services, or sources from high risk-suppliers</p> <ul style="list-style-type: none"> > Ensure your own team understands how modern slavery can manifest with sub-contractors and suppliers, investigate process touch points with supplier workers or representatives and empower your team to 'check-in' with supplier workers where appropriate and safe; and > Establish a Supplier Code of Conduct that reflects the company commitment to respecting human rights and sets expectations for how suppliers treat their staff. Make sure it's properly integrated into the tendering, contracting and supplier engagement process to ensure that suppliers read and understand what's expected. 	<p>Control mechanisms refer to process steps that can be used to identify and address risks to people. These can take many forms, including training and awareness raising, engaging with workers and suppliers including screening and monitoring them, and providing access to remediation channels for people impacted.</p> <p>Larger companies with existing risk and control frameworks may also be able to categorise controls, with categories such as 'key', 'compensating' or 'detective' controls.</p>



What should I do?	Why is it important?
<p>If your organisation operates within a sector identified as high risk, including cleaning, hospitality, agriculture, textiles production and certain types of manufacturing:</p> <ul style="list-style-type: none"> > Empower line managers to safely and appropriately engage with workers, bearing in mind the risks and vulnerabilities relevant to your industry. <p>If your organisation employs a high proportion of migrant workers:</p> <ul style="list-style-type: none"> > Identify whether any of your team are on temporary visas. If so, ensure that line managers are aware of the limitations of the particular visa and understand how indicators of labour exploitation related to migrant workers can manifest. > If parts of your workforce speak English as a second language, ensure that key documents are translated into multiple languages. > Consider placing signage throughout the workplace in multiple languages outlining employees' human rights in the workplace, including: <ul style="list-style-type: none"> > modern slavery > the company approach to respecting human rights; and > accessible pathways to raise issues and seek help. <p>If your organisation uses labour hire agencies, ensure that they are a reputable supplier, and workers:</p> <ul style="list-style-type: none"> > have contracts that they understand > are in possession of their identity documents and > are not required to pay recruitment fees. 	<p>Control mechanisms refer to process steps that can be used to identify and address risks to people. These can take many forms, including training and awareness raising, engaging with workers and suppliers including screening and monitoring them, and providing access to remediation channels for people impacted.</p> <p>Larger companies with existing risk and control frameworks may also be able to categorise controls, with categories such as 'key', 'compensating' or 'detective' controls.</p>

Follow up actions

- > Schedule regular assessments of the effectiveness of the control mechanisms to ensure that they are appropriately addressing modern slavery risks, and to determine ways they could be improved.

4. Listen to your team and workers in the supply chain

The fourth step involves SMEs establishing a clear reporting and grievance handling process to allow workplace issues to be identified, assessed, and remediated, in order to build trust and transparency. This serves the dual purpose of:

1. providing SMEs with increased visibility of potential modern slavery risks, and
2. providing comfort to larger customers or clients that their own involvement in any actual or potential harm is being addressed.

What should I do?	Why is it important?
<p>Establish or participate in a grievance mechanism to allow your team, suppliers, and suppliers' staff members to raise issues within the workplace.⁵⁴ Create capacity within the team and within business relationships to identify and report grievances raised, both formally and informally.</p> <p>SMEs should establish or participate in an operational-level grievance mechanism for employees to safely raise issues within the workplace.</p> <ul style="list-style-type: none"> > Operational level grievance mechanisms is the term used to describe mechanisms created inside a company to hear and address human rights-related complaints. > These often take the form of whistle-blower hotlines; however, we encourage SMEs to establish their own fit-for-purpose process for listening and responding to grievances. This could include, for example, nominating a trusted colleague outside the employee's direct line management who the employee can speak to. > In many cases, SMEs will also be supplying products or services to larger businesses that have established their own grievance mechanisms. Meet with larger client or customer representatives to understand their expectations and ensure that avenues of reporting and raising grievances are clear for employees, including the ability to use these larger client or customer mechanisms. <p>Create capacity for capturing informal grievances within the team and in supplier relationships</p> <ul style="list-style-type: none"> > Research suggests that, especially within smaller teams, issues within workplaces that could indicate the presence of a grievance are most likely to be raised informally with colleagues.⁵⁵ > SMEs can take advantage of this by educating team members on their rights, including labour rights, ensuring they understand the signs of labour exploitation and modern slavery indicators, and that they know how to identify and report issues raised by other team members safely. <p>Foster a culture of transparency</p> <ul style="list-style-type: none"> > Visibility of issues within the workplace provides all companies with increased ability to manage their modern slavery and broader human rights risks. > SMEs can take advantage of their business model by actively promoting a culture of transparency within their team, partners, suppliers and customers. 	<p>Effective grievance mechanisms support businesses to assess and address their modern slavery risks, offering an important early warning system for businesses. Grievance mechanisms can also provide invaluable insights in relation to third party performance, such as supply chain partners.</p> <p>Actively engaging with larger clients or customers in relation to effective grievance mechanisms demonstrates that the SME understands its risks and is working to manage them effectively.</p>

⁵⁴ OHCHR Office of the High Commissioner for Human Rights (2011). Op Cit.

⁵⁵ KPMG, Property Council of Australia (2022) *Listening and Responding to Modern Slavery in Property and Construction: A practical guide for effective human rights grievance mechanisms*. Available at: <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2022/kpmg-pca-guide-modern-slavery-grievance-mechanisms-property-construction.pdf> (Last accessed, 1 May 2023).

5. Communicate effectively

The fifth step to managing modern slavery risk is communicating the steps undertaken to identify, assess and mitigate the risk of being involved in modern slavery.

What should I do?	Why is it important?
<p>Ensure your recent hotspot assessment, control documentation, grievance processes, and capacity building materials are all in one place.</p> <ul style="list-style-type: none"> > By documenting the company's modern slavery risk management response in one place, it is readily accessible for any existing business partners who need access to the information as part of their own human rights due diligence processes and reporting activities. This information is also particularly important for SMEs going through tender processes with larger customers and clients. <p>Consider producing a voluntary Modern Slavery Statement and filing with the Australian Government</p> <ul style="list-style-type: none"> > The Australian Government Guidance for Reporting Entities provides further information for SMEs looking to produce and file voluntary modern slavery statements.⁵⁶ Establishing these reporting processes can also reduce any reporting burden introduced where a business expands and meets the \$100m threshold. As at May 2023, over 800 voluntary modern slavery statements have been filed with the Australian Government. 	<p>For many SMEs, being able to demonstrate effective modern slavery risk management will provide them with a competitive advantage, as larger business partners are increasingly seeking evidence of business partner engagement in this area.</p>



⁵⁶ Australian Government Department of Home Affairs (2018). Op Cit. 22.



Appendix I: Modern slavery risk factors

The Australian Federal Police publish a list of indicators that relate to human trafficking, slavery, and slavery-like practices on their website: <https://www.afp.gov.au/what-we-do/crime-types/human-trafficking/human-trafficking-slavery-indicators>

Note: The presence of certain indicators in isolation does not suggest that a particular person is experiencing modern slavery.

General Indicators

- > Be subjected to violence or threats of violence against themselves or against their family members and loved ones
- > Have no access or control of their earnings
- > Provided limited or substandard food
- > Be disciplined through punishment
- > Evidence of existing but untreated physical injuries / or illnesses, or application of control measures
- > Show signs their movements are being controlled
- > Show fear, anxiety, distress or nervousness
- > Be threatened with being handed over to the authorities or threatened with deportation
- > Be afraid of revealing their immigration status
- > Not in possession of their passports or other travel or identity documents, as those documents are being held by someone else
- > Not know their home or work address; no key to own address
- > Unexpected financial pressures within the family unit
- > Deceived about the nature of their job, location, migration status or employer
- > Believe they must work against their will
- > Feel they cannot leave their work environment or accommodation
- > Have false identity or travel documents
- > Be unable to communicate freely with others
- > Respond as though coached by a third party
- > Be under the perception that they are bonded by debt and not free to cease work
- > Be under psychological or physical control of or surveillance by another person
- > Allow others to speak for them when addressed directly
- > Be forced to work under certain conditions / unable to negotiate working conditions
- > Transported between accommodation and work by organisers
- > Evidence of economic abuse, dowry abuse or financial gain from the arrangement
- > Noticeable deterioration in a person's self-esteem and appearance
- > Be distrustful of the authorities
- > Have limited or no social interaction

- > Be unfamiliar with the local language
- > Have poor social awareness
- > Have limited or no contact with their families or with people outside of their immediate environment
- > Received little or no payment for employment
- > Have no access to medical care
- > Excessive cost charged for accommodation or living expenses
- > Be in a situation of dependence
- > Have had their travel costs paid for by facilitators, whom they must pay back by working or providing services
- > Work excessively long hours over long periods
- > Not have any days off or adequate breaks
- > Live in poor or substandard accommodation
- > Have acted on the basis of false promises.

Servitude indicators

In addition to the general indicators, people who have been trafficked for servitude may:

- > Live with a family
- > Not eat with the rest of the family
- > Have no private space
- > Have few or no personal possessions or inappropriate clothing for the environment
- > Sleep in a shared or inappropriate space
- > Be forced to take drugs or alcohol to allow for greater control
- > Have experienced sexual assault with partner or others
- > Be subjected to insults, abuse, threats or violence
- > Never or rarely leave the house for social reasons
- > Never leave the house without their employer / guardian
- > Have an instilled fear of engaging with persons outside the household
- > Show signs of domestic or family violence
- > Make excuses for physical injuries incurred at home
- > Be forced to undertake free or low paid domestic or other labour.

Broader labour exploitation

- > Work in unskilled manual labour for little or no pay
- > Be forced to work
- > Have little to no understanding of work rights and entitlements
- > Receive threats against joining a union
- > Work in an environment where labour laws are being breached
- > Be subjected to security measures designed to keep them on the work premises
- > Lack basic training and professional licences

- > Work where notices have been posted in languages other than the local language
- > Be disciplined through fines
- > Have to pay for tools, food or accommodation or that those costs are being deducted from their wages
- > Have no choice of accommodation or accommodation is poor quality, multi-occupancy accommodation
- > Live in groups in the same place where they work and leave those premises infrequently, if at all
- > Work in unsanitary and/or unsafe conditions
- > Not be dressed adequately for the work they do, for example, they may lack protective equipment or warm clothing
- > Forced to open bank accounts controlled by the employer
- > Have their passport and other personal documents kept by the employer and the worker is not allowed to have them when they want them
- > Depend on their employer for a number of services, including work, transportation and accommodation
- > Be in an environment where there are no health and safety notices
- > Have no labour contract
- > Have their movements and accessibility to transport tightly controlled
- > Have an employer or manager who is unable to show the documents required for employing workers from other countries or records of wages paid to employees.

Appendix II: Resources for SMEs

The following resources may assist SMEs in mitigating modern slavery risks. These materials are provided on a generic basis and are not legal advice.

- > Anti-slavery Australia: <http://antislavery.org.au/modern-slavery/>
- > The Work Right Hub – Australian Red Cross: www.redcross.org.au/workrighthub/
- > World Justice Project - Rule of Law Index: worldjusticeproject.org/rule-of-law-index/
- > Walk Free - Global Slavery Index: <https://www.walkfree.org/global-slavery-index/>
- > Walk Free, International Labour Organization and International Organization for Migration, Global Estimates of Modern Slavery: <https://www.walkfree.org/reports/global-estimates-of-modern-slavery-2022/#:~:text=Forced%20Labour%20and%20Forced%20Marriage,that%20they%20were%20forced%20into>
- > International Labor Organization (ILO) Guidance: <https://www.ilo.org/global/topics/forced-labour/lang-en/index.htm>
- > U.S Department of State's Trafficking in Persons Report: www.state.gov/reports/2022-trafficking-in-persons-report/



The Ten Principles of the United Nations Global Compact

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.



Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2: Make sure that they are not complicit in human rights abuses.



Labour

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: The elimination of all forms of forced and compulsory labour;
- 5: The effective abolition of child labour; and
- 6: The elimination of discrimination in respect of employment and occupation.



Environment

- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: Undertake initiatives to promote greater environmental responsibility; and
- 9: Encourage the development and diffusion of environmentally friendly technologies.



Anti-Corruption

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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