

## **Modern slavery risk rises in wake of COVID-19**

### ***Key points***

- The Australian government has deferred the due date for the initial round of modern slavery statements until March 2021 because of COVID-19.
- The COVID-19 pandemic is potentially exacerbating greater risks to people of modern slavery.
- A growing proportion of fund managers are aware of modern slavery risk but only a minority are yet reporting.

Around two-thirds of Australian equity and property fund managers are aware of the risk that modern slavery may be lurking in their portfolios, according to a Frontier Advisors survey.

However, only about 25% of equity managers and 35% of property managers are currently reporting those risks, with the deadline for companies' first annual Modern Slavery Statements extended by another three months.

The Chair of Frontier Advisors' Responsible Investment Group, Joey Alcock, said rising awareness was important in promoting an industry-wide response to eliminating modern slavery crimes. The COVID-19 pandemic had exposed systemic global fragilities in cross-border supply chains and has potentially increased the risks of modern slavery.

"Companies in a rush to actually make sure that they can have stock on the shelves are not necessarily bothering with the typical checking that they would do on their suppliers and whether or not they are, in fact, taking into account human rights... and that's a concern in terms of the potential for further exploitation."

Modern slavery refers to a crime where people may end up in domestic servitude, forced labour, bonded labour, child labour, and forced marriage. This risk is often hidden in company supply chains which can be complex and hard to unravel.

### **Property managers need to raise awareness**

Frontier surveyed 33 Australian equity managers and found 70% were aware of these risks while only 12% were wholly uninformed.

It also surveyed 23 property managers and found that 65% were aware of the risks, although Alcock said it was a concern that 22% were completely unaware.

"It's interesting, given that the property sector has been somewhat under scrutiny for various labour practice issues on properties. For example, cleaning services."

Frontier Advisors has developed a modern slavery heat map tool to help asset owners identify the risks of modern slavery in their listed equity portfolios using data from the Sustainability Accounting Standards Board (SASB) and the Walk Free Foundation's Global Slavery Index.

The heat map can help identify which fund managers hold securities that may bring increased risk of modern slavery. This data can be presented to investment teams, investment committees, boards or included in Modern Slavery Statements.

"We're intending this to be primarily an engagement tool for asset owners to better understand your portfolios and to support your own approach to assessing and addressing these risks," Frontier Advisors Associate, Laura Daly, said.

Modern Slavery Statements must address seven mandatory criteria. Companies with a year end of June 30, 2020 must now lodge their first statement by March 31, 2021, while those with a December 31, 2020 year end have until June 30, 2021.

"The government is effectively sort of waiting to see what comes out of the statements to identify what it wants to see going forward," Alcock said.

For more information about Frontier Advisor's modern slavery heat map tool please contact [RI@frontieradvisors.com.au](mailto:RI@frontieradvisors.com.au).

***Key questions the panellists answered***

- *(26.20m) Are fund managers' approaches to modern slavery factored into their ESG ratings?*
- *(31.40m) How cognisant are fund managers of asset owners' obligations to report under the Modern Slavery Act?*
- *(33.00m) Should modern slavery become a stronger focus for auditors in the same way they are driving improved disclosure in relation to climate risk?*