



IJM

SPOT FIRES IN SUPPLY CHAINS

An analysis of Australian corporate modern slavery statements and recommendations for extinguishing risk through protecting workers in South Asia.





GLOBAL SURVIVOR NETWORK

Foreword by The Global Survivor Network

The Global Survivor Network (GSN) is leading a movement to protect communities from violence. The Leadership Council is building up this network and elevating the voices of survivors all around the world.

We endorse the key recommendations in the report, *Spot Fires in Supply Chains*, released by IJM Australia in 2022. Australian corporations – and corporations everywhere – can take these practical steps to ensure supply chains are clean and in good faith, so people will never be enslaved as a way of doing business.

In particular, we want to highlight the importance of:



Engaging directly with communities:

When you listen to us, you will come to know the needs of the community. We have lived experience to help corporations understand where the gaps are, and how vulnerable people are exploited.



Demanding justice in our communities:

When our legal systems adequately protect everyone, particularly people living in the most vulnerable conditions, slavery will finally end. Corporations can call on institutions to enforce the laws in source countries so workers are protected.

Finally, we wish to elevate the work of one of the GSN members: *The Released Bonded Labourers Association (RBLA)*. This is a group of **more than 2,000 survivors of bonded labour slavery**, with chapters across four states in India. RBLA members have successfully advocated for their own rights, and they have mobilized **rescue for nearly 300 people** by working hand in hand with Indian government officials. International corporations can learn from this partnership and see how engaging survivors directly promotes real solutions to end slavery.

Find out more at: globalsurvivornetwork.org



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IJM Australia acknowledges the **Traditional Owners of Country** throughout Australia upon which this study was carried out, and recognises their continuing connection to land, waters and community. We pay our respects to the Traditional Owners of Country and their cultures; and to Elders both past and present.

Top line overview

An analysis of corporate modern slavery statements and recommendations for extinguishing risk through protecting workers in South Asia.



This research reveals a **shocking gap in corporate understanding** of both the problem of modern slavery in supply chains and what are effective and sustainable co-ordinated responses to address it. Almost all current actions taken by corporations reporting under the *Modern Slavery Act 2018 (Cth)* (MSA), particularly those who source from or operate in South Asian countries like India, are not substantively reducing their risk of – let alone protecting people from – modern slavery in their total value chains.



As **Australia's seventh-largest trading partner, India** is in a region that is a key growth corridor for Australian business and government investment. However, South Asia is also considered high-risk for modern slavery due to the scale and prevalence of a form of forced labour – bonded labour slavery. In 2020-2021, Australia is estimated to have imported up to **\$2.1 billion** worth of commodities (out of \$5.5 billion in total) from India that is potentially at high risk of being a product of bonded labour.



International Justice Mission (IJM) is working to **protect more than 350 million men, women and children** from forced labour slavery in South Asia by 2030.



A team of researchers analysed a sample of **404 company modern slavery statements** submitted to the Australian Government's Online Register for Modern Slavery Statements. Of the 404 statements reviewed, 332 indicated that the company either sourced from, or operated in, India.



The objectives of this study were to determine whether Australian companies are aware of the extent to which their products and profits are tainted by modern slavery practices, and to assess whether company actions are commensurate with, and **effective against, modern slavery in supply chains**, business operations and investments.



Corporations must now begin to focus on what will have a meaningful impact in actually protecting people from this crime in South Asia (and around the world). **IJM has produced key recommendations in this report to help guide this planning to reduce risk of slavery to their employees, suppliers and their families.**

About International Justice Mission Australia

IJM is a global organisation that protects people in poverty from violence. IJM Australia joins this global team of lawyers, social workers, community activists and other professionals in 33 offices across 23 countries.

IJM partners with local authorities to **combat slavery, violence against women and children, and police abuse of power against people in poverty**. IJM works to rescue and restore victims, hold perpetrators accountable, and help strengthen public justice systems.

Cumulatively, IJM, our partners and trained governments have:

Relieved **76,000+** victims from violence and oppression

Convicted **4,600+** perpetrators in local courts

Since 2012, trained

305,000+ people, including:

115,000+ justice system officials (such as police, prosecutors, judges and social workers)

190,000+ church and community members to recognise and respond to violence

IJM's successful programs in Cambodia, the Philippines, Uganda and Guatemala have sustainably protected 7.3 million vulnerable people from targeted types of violence.

For nearly 25 years, IJM and our partners have worked alongside local authorities to build communities where all people can expect to be safe and protected. Together, we have learned how to design improvements within justice systems that measurably reduce violence and serve survivors with dignity.

We have seen again and again that strengthening justice systems to enforce the law deters criminals and protects people from violence. For example, IJM studies in the Philippines measured a remarkable **decrease of between 75 percent and 86 percent** in the number of children sold for commercial sexual exploitation in two cities where we worked alongside authorities to bring criminals to justice. And in Kampala, Uganda, the prevalence of land theft **dropped nearly 50 percent** after IJM's work to strengthen the justice system's response to this crime and its capacity to serve widows evicted from their land.

Learn more at ijm.org.au

Executive summary

This study highlights that almost all current actions taken by corporations reporting under the *Modern Slavery Act 2018 (Cth)* (MSA), particularly those who source from or operate in South Asian countries like India, are not substantively reducing their risk of – let alone protecting people from – modern slavery in their total value chains.

As Australia's seventh-largest trading partner, India is in a region that is a key growth corridor for Australian business and government investment. However, South Asia is also considered high-risk for modern slavery due to the scale and prevalence of a form of forced labour known as bonded labour slavery.

South Asia has the largest number of people in bonded labour – an estimated 15.5 million.¹ In 2020-2021, Australia is estimated to have imported up to **\$2.1 billion** worth of commodities (out of \$5.5 billion in total) from India that is potentially at high-risk of being a product of bonded labour.

India has in recent years made great strides to address this urgent problem.³ Nonetheless, the crime of bonded labour is still widely prevalent.

Despite the bonded labour system being formally abolished and criminalised under the *Bonded Labour System (Abolition) Act 1976*, data from India's National Crime Records Bureau indicate that **23,117 people were rescued in India from human trafficking in 2016** – with the majority (10,509 people) having been trafficked for the purposes of forced labour.⁴

IJM has more than **20 years of experience** combatting human trafficking and bonded labour in India and around the world.

23,117 people
were rescued from human
trafficking in 2016.

The findings of this study confirm what IJM witnesses in thousands of cases of modern slavery every year:

That **accountability for perpetrators exploiting workers in upstream supply chains from high-risk regions is critical**. It is also key to the sustainability of long-term business investment, because criminal accountability creates community-wide deterrence, driving down slavery rates and preventing workers from being exploited in the first place.

Australian corporations must clean up their supply chains and most corporations openly acknowledge this.



Our research indicates that more than
91 percent
of corporations had identified potential modern
slavery risks in company supply chains.

However, corporations have no authority to release workers held in slavery or apprehend and punish those responsible for it. As reflected in the first principle of the *United Nations Guiding Principles (UNGPs)* on Business and Human Rights, only sovereign governments can take on that role.⁵ Prosecution and justice for traffickers can work to deter traffickers when the state is adequately resourced and supported to do so. This is where civil society organisations and the private sector can collaborate to address this systemic challenge.





While **7 out of 10 companies** in this study did not provide any details on modern slavery risks beyond the first tier of their supply chain, earlier on-the-ground IJM research in two states in southern India found the potential incidence of slavery in supply chains to be extensive. On average, **30 percent** of agricultural, brick, construction, and textile workers were victims of bonded labour.

There are great opportunities for corporations to take effective action to protect people – and their business – from modern slavery. The investments IJM and our partners received enabled the training and mentoring of local Indian authorities in these two southern states. This resulted in the release and restoration of tens of thousands of bonded labourers, and in the districts where IJM partnered with the government in this way, the rate of bonded labour was not 30 percent – it was just **6 percent**.

The challenge for corporations who have supply chains or operations in regions without a supportive rule of law environment is that they are at risk of being undermined by criminal actors—thus ultimately falling short of their stated zero-tolerance position on slavery.

Australian corporations have an important role in protecting people from modern slavery in regions with developing justice systems and poorly regulated markets. For these protections to be successfully realised it requires a proactive, rather than reactive, approach.

Investing in sustainable solutions, such as government ownership of enforcing anti-trafficking and worker protection laws, and prosecuting human trafficking and slavery can **reduce forced labour risk for corporations** by changing the entire ecosystem in which they operate.

Recommendations to corporations

Based on the gaps identified in modern slavery statements from reporting corporations in this study, and through the learnings from IJM's frontline anti-slavery work in India and other high-risk countries, **IJM makes the following recommendations to corporations:**

1. Engage with stakeholders

from directly affected communities (including survivors), and representative civil society organisations

2. Invest in sustainable solutions

that reduce slavery rates in high-risk regions and that increase perpetrator accountability

3. Ensure responses

to modern slavery are effective and have a proven impact

Recommendations to government

IJM also recognise the leadership role the Australian government can play in supporting corporations as they respond to modern slavery risks in global supply chains. **This report recommends the Australian government:**

1. Equip businesses

to better understand and address modern slavery risks

2. Partner with Governments

in high-risk regions to improve justice system responses to modern slavery

3. Ensure that goods imported

into Australia are not the product of modern slavery



1 S. Kara, Modern Slavery: A Global Perspective. New York: Columbia University Press (2017).

2 See in this report, Case study: Australian companies sourcing from India, Table 4 – Top 10 High Risk Export Commodities, India to Australia by export value and corresponding references.

3 According to an Indian official in 2016, India was committed to rescuing 18.4 million bonded labourers by 2030. And a recent example of strong leadership was the Tamil Nadu State Government, a state of almost 70M people, who in February 2021 directed that February 9 of every year be observed as Bonded Labour System Abolition Day. The Chief Minister declared the necessity to 'break the shackles of the suffering bonded labourers.'

4 National Crime Records Bureau 2017, Crime in India 2016 Statistics, Ministry of Home Affairs, p. 512-518. Available from: <http://ncrb.gov.in/StatPublications/CII/CII2016/pdfs/NEWPdfs/Crime%20in%20India%20-%202016%20Complete%20PDF%20291117.pdf>. [18 May 2018], cited in Global Slavery Index 2018.

5 From the Guiding Principles on Business and Human Rights, The State Duty to Protect Human Rights: "States must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. This requires taking appropriate steps to prevent, investigate, punish and redress such abuse through effective policies, legislation, regulations and adjudication."

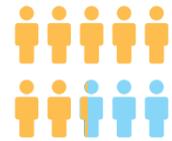
Key findings

The key findings from this study are divided into two parts. **Part 1** outlines findings relevant to any company modern slavery statement assessed. **Part 2** sets out findings relevant to only those companies who declared that they either source from or have business operations in India.

Part 1: Key findings for Australian corporations



1. More than **9 out of every 10** (91.1%) company statements identified potential modern slavery risks in company supply chains.



2. More than **7 out of every 10** company statements (72.3%) did not provide any details on modern slavery risks the reporting entity had identified beyond the first tier of their supply chain.



3. Corporations who have been transparent and did provide details on their modern slavery risks beyond the first tier of suppliers (**27.7%**) are more likely to have due diligence and remediation processes in place. They are far better prepared to identify and respond to future instances of modern slavery if and when these are identified in their supply chain.



4. **84.7% of company statements** did not indicate a single instance where a company responded to instances or allegations of modern slavery in their operations or supply chains.



5. The highest risk factor identified by corporations for modern slavery is the **high-risk region** from which they procure their goods or services. However, this study was unable to identify trends across those statements assessed as to whether corporations had clear plans or partnerships to specifically address the root cause of this risk factor and protect vulnerable workers.



6. Only **18.8%** or **less than 1 in 5** corporations consulted at least one potentially affected group or stakeholder (e.g. survivors or trade unions) as part of their modern slavery risk assessment.



7. Australian corporations are, for the most part, **limited in their due diligence practices** on suppliers, and have been slow to establish trusted remediation and grievance mechanisms for people in modern slavery.



8. **40.6%** of corporations in this study have no formal process to integrate findings from completed risk assessments and **almost half (47.3%)** did not indicate who is responsible within the company governance structure for addressing modern slavery risks.

Part 2: Key findings for corporations operating in or sourcing from India



1. **48.5%** of company statements failed to specify any relevant modern slavery practices in their supply chains, despite sourcing and/or operating from India, a known high-risk region.



2. The actions corporations have taken on the balance of available evidence are **not commensurate** to the risk of modern slavery that is directly or indirectly in the supply chains of Australian corporations sourcing from India.



3. The **five most common** modern slavery practices identified in company statements were, in order of prevalence:

1. None / No modern slavery practice identified (48.5%)
2. Forced labour (35.5%)
3. Child labour (33.4%)
4. Human trafficking (20.5%)
5. Debt bondage (16.9%)



4. In 2020–2021, Australia is estimated to have imported up to **\$2.1 billion** worth of commodities (out of \$5.5 billion in total) that is potentially at high risk of modern slavery – in particular bonded labour – from India. Company risk assessments did not gather sufficient information or delve deeply enough into their supply chain in India to adequately assess the nature and scale of the risk of modern slavery within these company supply chains.



5. The **textile and garment manufacturing industry** has been known as a high-risk sector with links to global supply chains. However, **40.7%** of the corporations who operate in or source from India and who are exposed to this sector did not identify any relevant modern slavery practices. These corporations are likely to have significantly underestimated their exposure to modern slavery directly or indirectly in their supply chains.

6 See in this report, Case study: Australian companies sourcing from India, Table 4 – Top 10 High Risk Export Commodities, India to Australia by export value and corresponding references.

Report recommendations

Australian corporations can do much more than simply report on how they are dealing with the risk of modern slavery affecting their business, employees and suppliers. Reporting is a starting point for an informed and meaningful response.

Major Australian corporations, particularly those operating in or sourcing from regions with weaker justice systems and underregulated markets, can play a significant role in protecting people from modern slavery. Based on the gaps identified in company responses through this study and learnings from IJM's frontline anti-slavery work in India and other high-risk countries, we make the following recommendations:

Recommendations for corporations

Recommendation 1— Engage with stakeholders from directly affected communities (including survivors), and representative civil society organisations

1.1 Corporations should prioritise consultations with groups that represent workers in communities at high risk of modern slavery.

1.2 When formulating plans to address modern slavery, corporations should prioritise the views, perspectives and insights of survivors, workers from communities at risk of modern slavery and expert civil society organisations.

Recommendation 2— Invest in sustainable solutions that reduce slavery rates in high-risk regions and that increase perpetrator accountability

2.1 Corporations should focus their modern slavery response on sustainable solutions that reduce slavery rates in high-risk regions and local communities, and that increase perpetrator accountability. A systemic approach would be to create safe sourcing zones for all business and safe recruitment corridors for migrant workers.

2.2 Corporations should work with local partners in the high-risk regions from which they source to improve the enforcement of laws that protect workers from exploitation. Effective law enforcement is a proven solution to modern slavery and the most sustainable approach to ensure that Australian businesses can source goods and services with confidence.

Recommendation 3—Ensure responses to modern slavery are effective and have a proven impact.

3.1 Corporations must regularly assess the effectiveness of their modern slavery due diligence measures. These include reviewing whether ethical supplier agreements, modern slavery policies, audits and staff training are in fact helping to protect workers in their supply chains from modern slavery.

3.2 Corporations must ensure that there are practical measures and mechanisms in place to provide a remedy to victims of modern slavery in their supply chains. Grievance and remediation mechanisms must be available - including access to justice - to workers throughout their supply chain, and workers must trust these mechanisms and have easy access to them (eg. the mechanisms are in a language they sufficiently understand).



Recommendations for the Australian Government

Recommendation 1—Equip businesses to better understand and address modern slavery risks:

1.1 Government departments should provide regular updates to corporations highlighting modern slavery risks in high-risk regions and high-risk sectors. One way to do this is by maintaining a current list of industry sectors that are high-risk for forced labour and child labour.

1.2 Government should help corporations implement effective due diligence practices to address risks of modern slavery in their supply chains. Practical guidance should include specific recommendations regarding the due diligence process, remediation measures and responsible disengagement with suppliers or business partners.

1.3 Government should help corporations assess the effectiveness of their response to modern slavery, by providing principles and/or frameworks for assessing their due diligence and remediation measures.

Recommendation 2—Partner with governments in high-risk regions to improve justice system responses to modern slavery:

2.1 The Australian government should engage proactively to partner with governments in high-risk regions in South and South-East Asia to make sustainable improvements that protect people from slavery. This must include an increase in financing for justice aid to partner governments to strengthen local justice system responses to modern slavery. The Australian government has reduced aid for legal and judicial development by 60% since 2015 (the greatest reduction amongst all OECD countries).⁷

⁷ Manuel, M. and Manuel, C. (2021) People-centred justice for all – A route to scaling up access to justice advice and assistance in low-income countries. ODI Report. London: ODI (https://odi.org/documents/7734/FINAL_-_DPF-PoGo_Justice_Finance_-_120421.pdf).

Recommendation 3—Ensure that goods imported into Australia are not the product of modern slavery:

3.1 The Australian government should consider enacting legally binding and enforceable standards that would require corporations to undertake sufficient human rights due diligence to identify, prevent and mitigate the risk of modern slavery in their operations and supply chains and hold corporations accountable when those abuses occur.

3.2 The Australian government should consider the introduction of import bans for goods suspected of being produced with forced labour or child labour, so that no products imported to Australia are linked to slavery. This can be done as part of trade regulations, as in the U.S., or through foreign policy, incorporation into trade agreements or a new legal instrument.



Glossary of terms

MODERN SLAVERY is understood for the purpose of this report as a system of dishonouring and degrading people through the violent coercion of their labour activity in conditions that dehumanize them.⁸

CHILD LABOUR is any work that deprives children of their childhood, their potential and dignity, and that is harmful to physical and mental development. It is defined by the ILO Minimum Age Convention, 1973 (No. 138), and the Worst Forms of Child Labour Convention, 1999 (No. 182), and by the United Nations Convention on the Rights of the Child.

FORCED LABOUR describes situations where the victim is either not free to stop working or not free to leave their place of work. It is defined by the ILO Forced Labour Convention, 1930 (No. 29), as “all work or service that is exacted from any person under the menace of penalty and for which the said person has not offered himself voluntarily.”

HUMAN TRAFFICKING is defined by the United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, as “the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.”

DEBT BONDAGE (BONDED LABOUR) A type of forced labour where the victim's services are pledged as security for a debt and the debt is manifestly excessive or the victim's services are not applied to liquidate the debt, or the length and nature of the services are not limited and defined.

SUPPLY CHAINS are 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. For example, it could include a) Products provided to the entity by suppliers b) Services provided by suppliers c) Products and services used by indirect suppliers in the entity's supply chains (or otherwise referred to as 'upstream').

Note that we have used the terms COMPANY, CORPORATION and ENTITY interchangeably in the survey, study and report.



⁸ S. Kara, Modern Slavery: A Global Perspective. New York: Columbia University Press (2017).

Introduction

Many of the products sold and used in Australia come to us through long and complex supply chains, often from countries where children, women and men are known to be enslaved in factories, farms, fishing boats, construction sites and quarries.

Yet a key finding from this study was that more than **7 out of every 10 company statements** did not provide details on modern slavery risks beyond the first tier of their supply chain. It is in these “upstream” tiers of the supply chain, often involving the extraction of raw materials or agriculture, where corporations have limited visibility, which in turn limits their ability to respond. Indeed, the study results highlight this lack of visibility as the primary reason corporations struggle to identify and address modern slavery risks in their supply chains.

The information disclosed in these statements, together with IJM's frontline experience tackling modern slavery, will help us identify:

- (a) where the ‘spot fires’ are for Australian corporations; and,
- (b) how they might take steps to **extinguish these spot fires** before they flare up into a public relations and corporate accountability (not to mention human rights) ‘bushfire’.

This study reviewed modern slavery statements submitted under the *Modern Slavery Act 2018 (Cth) (MSA)* to evaluate how well current actions being undertaken by Australian companies, as disclosed in their modern slavery statements, go towards reducing and addressing modern slavery risks in their supply chains, business operations and investments.

The objectives of this study were to shed light on whether Australian companies are cognizant of the extent to which their companies’ products and profits are tainted by modern slavery practices such as child labour,⁹ to assess whether company actions are commensurate with and effective against the extent of modern slavery in their supply chains.

To ensure that the analysis went beyond merely assessing the quality of reporting and compliance with the requirement of the MSA, the study examined companies’ disclosure of modern slavery risks in comparison to known risks within particular geographic regions or industry sectors.

7 out of 10

company statements did not provide details on modern slavery risks beyond the first tier of their supply chain.

⁹ For example, in Alliance 8.7 2019 report, Ending child labour, forced labour and human trafficking in global supply chains, it was estimated that as much as 38% of the child labour in Central and Southern Asia, and 43% in Eastern and South-Eastern Asia, contributes to global exports through upstream industries.

Study Methodology

This study analysed a sample of **404 company modern slavery statements** submitted to the Australian Government’s Online Register for Modern Slavery Statements. The statements were reviewed by twenty researchers using a 44-question survey based on the *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*.

A main objective of the study was to examine corporate responses to modern slavery where those corporations have business operations or supply chains in India, a country with a high prevalence of forced labour. Of the 404 statements reviewed, **332 indicated that the company either sourced from, or operated in India.**

Part 1 of the study findings reflect the total number of company statements reviewed, while Part 2 is an analysis of corporations who source from, or operate in, India.



Study trends and insights

Summary of statement trends

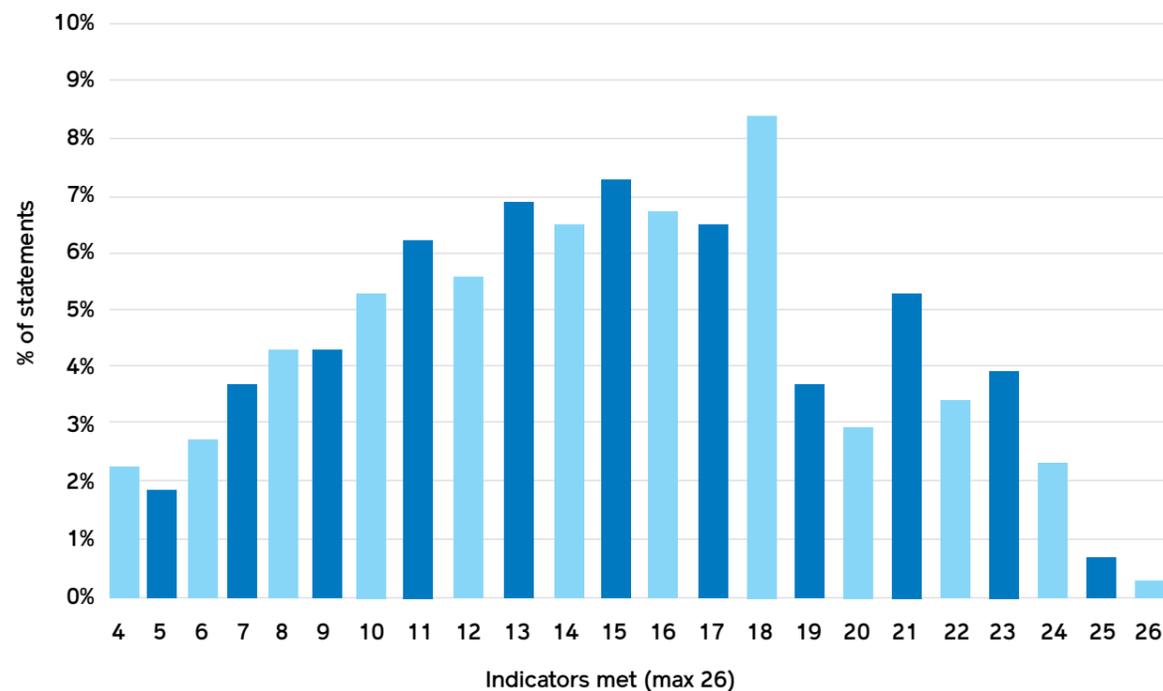
The study reveals that Australian corporations recognise modern slavery is a risk, particularly within their supply chains and business operations. However, it is clear that this risk is not well understood by the vast majority of Australian corporations reporting under the federal MSA.

This is because few businesses have visibility beyond their first tier of suppliers, and almost half do not meet basic or advanced standards for how they conduct their risk assessment, due diligence and remediation processes.

The research found that, out of the 404 modern slavery statements assessed from the Australian Government's Modern Slavery Register, **the average modern slavery statement met:**

- **81%** of indicators on criteria for describing structure, operations and supply chains¹⁰
- **57%** of quality indicators on company risk assessments
- **57%** of quality indicators assessing the effectiveness measures in place
- **53%** of quality indicators that reflect company due diligence and remediation

Chart 1: Percentage of statements against a number of quality indicators met



The statistical analysis of 26 indicators assessing the quality of a modern slavery statement reveals that the majority of reporting entities under the MSA were in the middle of the pack. Some **43% of corporations met half or less** of the studies quality indicators. This trend indicates that after the first full reporting period of the MSA, many Australian corporations are doing only the minimum required under the MSA.

Three distinct types of modern slavery statements

This quantitative analysis of company statements revealed that nearly **three quarters (74%)** of statements either did not satisfy basic reporting obligations or only met the basic reporting obligations:

Table 1: Quantitative Analysis of Modern Slavery Statements

Type	Weak	Average	Strong
Quality Indicators¹¹	< 60% of basic indicators met	≥ 60% of basic indicators met; AND < 60% of advanced indicators met	≥ 60% of basic indicators met; AND ≥ 60% of advanced indicators met
Results	30.2% (122/404) of statements do not adequately satisfy basic reporting obligations	43.6% (176/404) of statements adequately satisfy basic reporting obligations	26.2% (106/404) of statements provided meaningful information beyond the requirements of their basic reporting obligations

There are a small number of exemplary modern slavery statements. Corporations in the top 2% of statements assessed met more than 90% of all quality indicators.

We observed a correlation between the size of a corporation's revenue and the quality of their modern slavery statement:

- The majority of **strong statements (58%)** were larger corporations, with >\$1b revenue.
- The majority of **weak statements (79%)** are smaller corporations, with <\$500m revenue.

Drawing from the above analysis, we can identify the typical characteristics of a modern slavery statement for each type.

¹⁰ The indicators on criteria for describing the corporation's structure, operations and supply chains were not included in the assessment of the quality of the statement. The quality of the statement was determined by the ability of the company to address the risk of modern slavery occurring within the business operations, supply chains and the company response to that risk.

¹¹ See Methodology from page 42 of this report for a list of 26 key quality indicators used to measure:

- Risk assessment
- Due diligence & remediation
- Measuring effectiveness

Table 2: Corporate Modern Slavery Statement Typology



Weak

Not adequately fulfilling their reporting obligations

Broadly identifies modern slavery risks in its own operations and/or supply chains
Most detailed section of the statement is the corporation's own operations and structure
Conducted a risk assessment of the entity's own operations, and possibly its supply chains
Little information on remediation mechanisms
Little evidence of working with suppliers
Does not identify clear future actions or improvements (or does so in vague, non-committal terms)
May have a modern slavery policy or supplier code of conduct, but includes little detail about its practical operation or any further actions taken to address the issue



Average

Satisfying the reporting requirements in the MSA

Identifies modern slavery risks in the corporation's own operations and supply chains
Person/group responsible for assessing and advancing modern slavery policies and responses in the business
Has a remediation process
Risk assessment was performed on its own operations and supply chains
Evidence of working with suppliers
Evidence of engaging with suppliers
Identifies future actions
Includes modern slavery clauses in contracts
Provides modern slavery training to employees
Has a supplier code of conduct
Might engage external expertise
Consultation with other entities



Strong

Providing meaningful information beyond requirements of the MSA

The entity fulfils the majority of the following characteristics:
Provides case studies
Gives details about responding to modern slavery issues or allegations
Identifies clear and specific modern slavery risks
Provides information on suppliers beyond tier 1
Evidence of consulting with other stakeholders as part of their assessment and due diligence (e.g. workers, beyond tier 1 suppliers, local groups)
Provides information about the effectiveness and practical operation of grievance/ remediation mechanisms
Identifies and commits to future action and improvements
Engages external expertise to conduct the risk assessment
Regularly reviews its response to modern slavery



How corporations report on their structure, operations and supply chains

Most corporations were able to describe their general structure, operations and key products/services (including the location of operations and products/services).

For example, of the 404 statements:

- **96.3%** described the basic structure of the business;
- **97.0%** described the operations and key products of the corporation;
- **78.7%** provided the number of employees;
- **24.0%** revealed the status of these workers, for example whether they were part-time, full-time, contractors, skilled or unskilled;
- **93.6%** listed the regions where their operations were taking place;
- **86.4%** identified the regions in which resources were being procured.

An important starting point for understanding a corporation's exposure to risk is being able to confirm the number of suppliers to a corporation and details as far as possible beyond tier 1. The study found that **51.2%** of statements reviewed did not identify the approximate number of tier 1 suppliers, and **66.8%** of statements did not include information on their supply chains beyond tier 1. This indicates that many corporations simply have not mapped their supply chains or have chosen not to disclose those details.

Company risk assessments for modern slavery

Modern slavery—particularly forced labour—is pervasive in corporate supply chains in all regions of the world and amounts to an estimated US\$150 billion in illicit profits a year.¹² The MSA requires entities to describe the risks of modern slavery in its operations and supply chains.

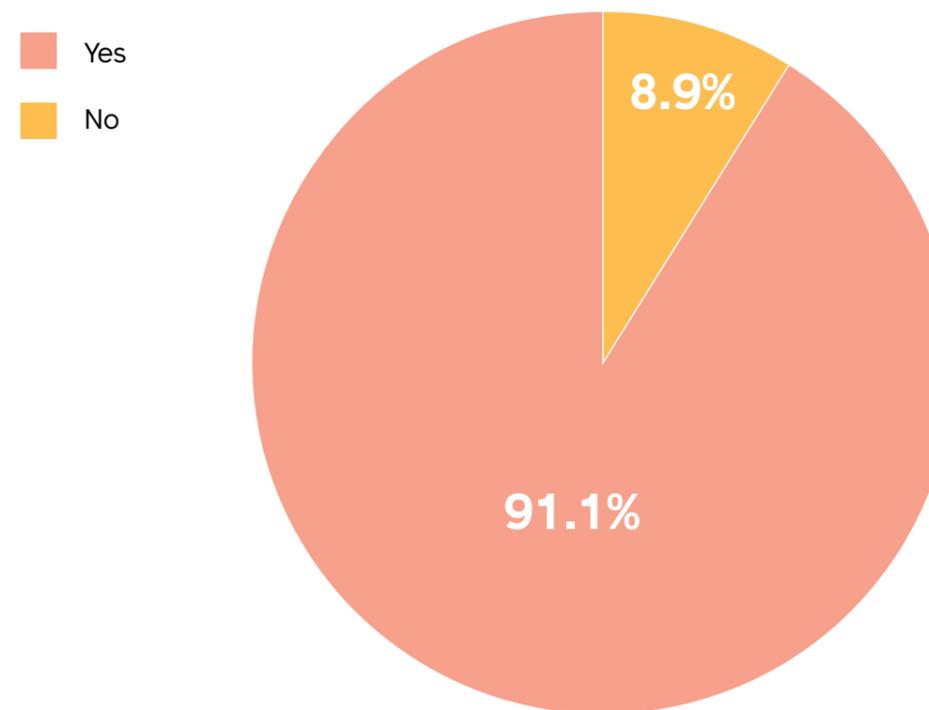
Most corporations we reviewed (81.2%) performed a risk assessment of their own operations, with **46.8% of corporations** identified potential modern slavery risks in their own operations.

A slightly higher number of corporations performed a risk assessment on their supply chains (87.6%) and, in contrast to the risk in their own operations, more than **9 out of 10** (91.1%) companies identified potential modern slavery risks in their supply chains.

A potential explanation for this is that corporations with Australia-based operations identified a lower risk of modern slavery in their domestic operations than in their global supply chains. However, this has not translated to more detail being disclosed on the nature of the risks in global supply chains.

9 out of 10
companies identified potential modern slavery risks in their supply chains.

Chart 2: Does the Statement identify potential modern slavery risks in the corporation's supply chains?



Overall, most corporations do not appear to have a strong understanding of their own supply chains. **66.8% were not able to provide information** on supply chains beyond tier 1. In addition, **72.3% of corporations did not provide any details** on the potential modern slavery risks they have identified in their supply chains beyond the first tier of suppliers.

Corporations who did provide details on modern slavery risks beyond their first tier of suppliers had a more advanced business response across all other key indicators.

It is worth noting that these corporations were twice as likely to:

- Have consulted at least one potentially affected group as part of the risk assessment process;
- Have declared one or more case study to show the company worked to assess and address modern slavery risks in practice.



Table 3: Differences between corporations that did and did not provide details on modern slavery risks beyond tier 1 suppliers

Key Indicators	Company did not provide details on modern slavery risks beyond tier 1 suppliers	Company did provide details on modern slavery risks beyond tier 1 suppliers
Corporation consulted at least one potentially affected group or stakeholder as part of the risk assessment process	14.0%	31.3%
Corporation has a policy relating to modern slavery	74.3%	81.3%
Corporation has a supplier code of conduct	76.0%	87.5%
Corporation has conducted training on modern slavery risks to staff and management	70.2%	76.8%
Corporation has at least 1 concrete future action for itself to enhance its response to modern slavery	72.3%	83.9%
Corporation provided one or more case studies to show how it worked to assess and address modern slavery risks in practice	15.4%	33.0%
Corporation ensures there is a remediation mechanism in the corporation's supply chains that is available to the supplier's workers	39.0%	45.5%
Corporation says how it has responded to instances or allegations of modern slavery in their operations or supply chains	9.6%	30.4%
Corporation did define performance indicators or other measures for assessing the effectiveness of its efforts to combat slavery	47.3%	66.1%
Corporation consulted external expertise to conduct risk assessment	26.7%	45.5%

They were also **three times as likely** to say how they responded to instances or allegations of modern slavery in their operations or supply chains. In addition, many of these corporations are not solely relying on internal legal or human rights expertise but have also engaged external consultants.

Table 3 (above) reveals that corporations who have been transparent and did provide details on their modern slavery risks beyond the first tier of suppliers (**27.7%**) **are more likely to have fulfilled key indicators on due diligence and remediation**. These corporations will be in a better position to deal with future instances of modern slavery if and when these are identified in their supply chain.

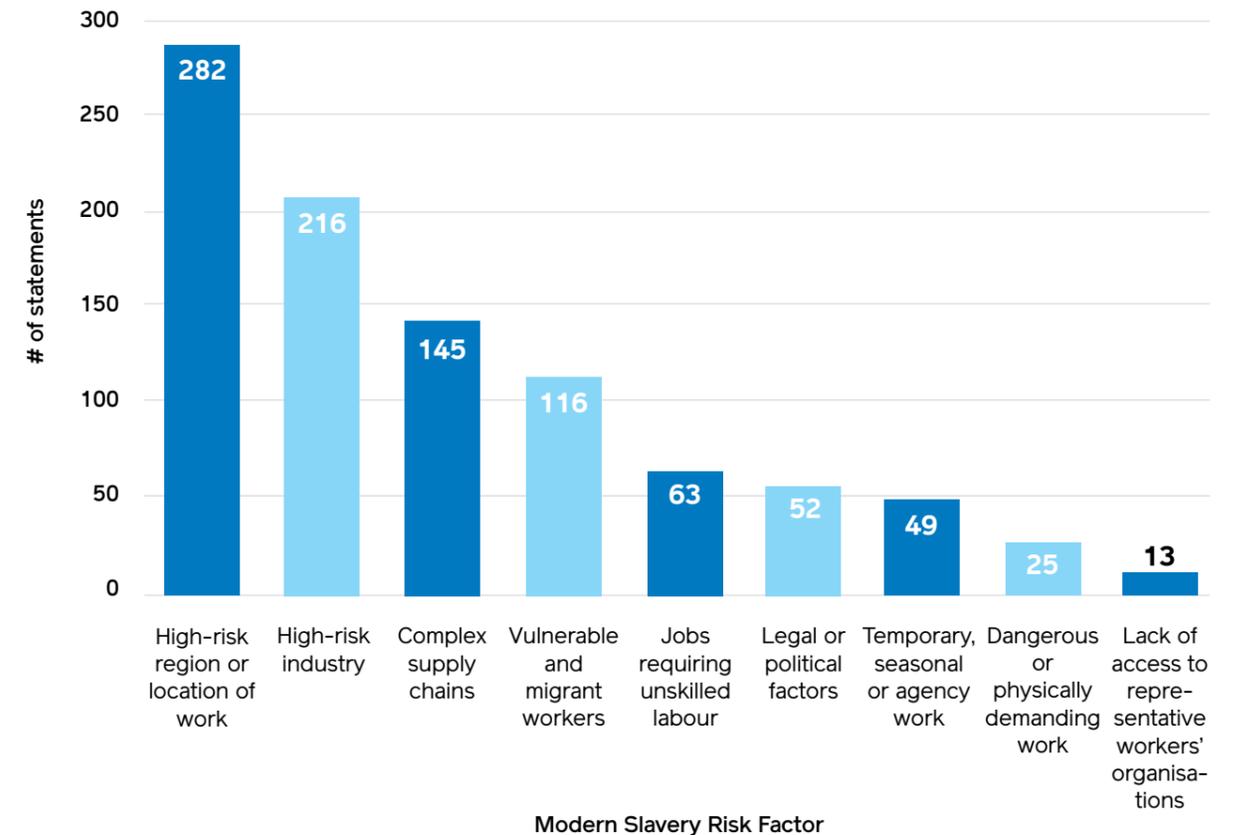
Of the 354 corporations that performed a modern slavery risk assessment of their supply chains:

- **34.7% engaged external consultants** to conduct a risk assessment of their supply chains.
- **64.4%** of corporations appeared to use **credible risk indices** for assessing the nature and materiality of their risk profile on modern slavery in supply chains.
- **28.8% did not engage their suppliers** or business partners in the risk assessments via questionnaires or other methods. And of these, more than 6 out of 10 (61.1%) relied solely on internal expertise.

While a little over 65% of entities did engage their suppliers or business partners in the risk assessment, **more than 4 in 5 (81.2%) failed to consult** at least one potentially affected group or stakeholder at risk of modern slavery. Whether it be trade unions or workers themselves upstream in the supply chain, or known survivor groups, the vast majority of Australian corporations did not indicate that those potentially at risk of modern slavery were consulted as part of the risk analysis.

The most commonly disclosed risk factor for modern slavery was the **high-risk region** where the goods or services were procured from, mentioned by **70.0% of corporations** (283/404). This was followed by **high-risk industry at 53.7%** (217/404) and **complex supply chains at 36.3%** (147/404).

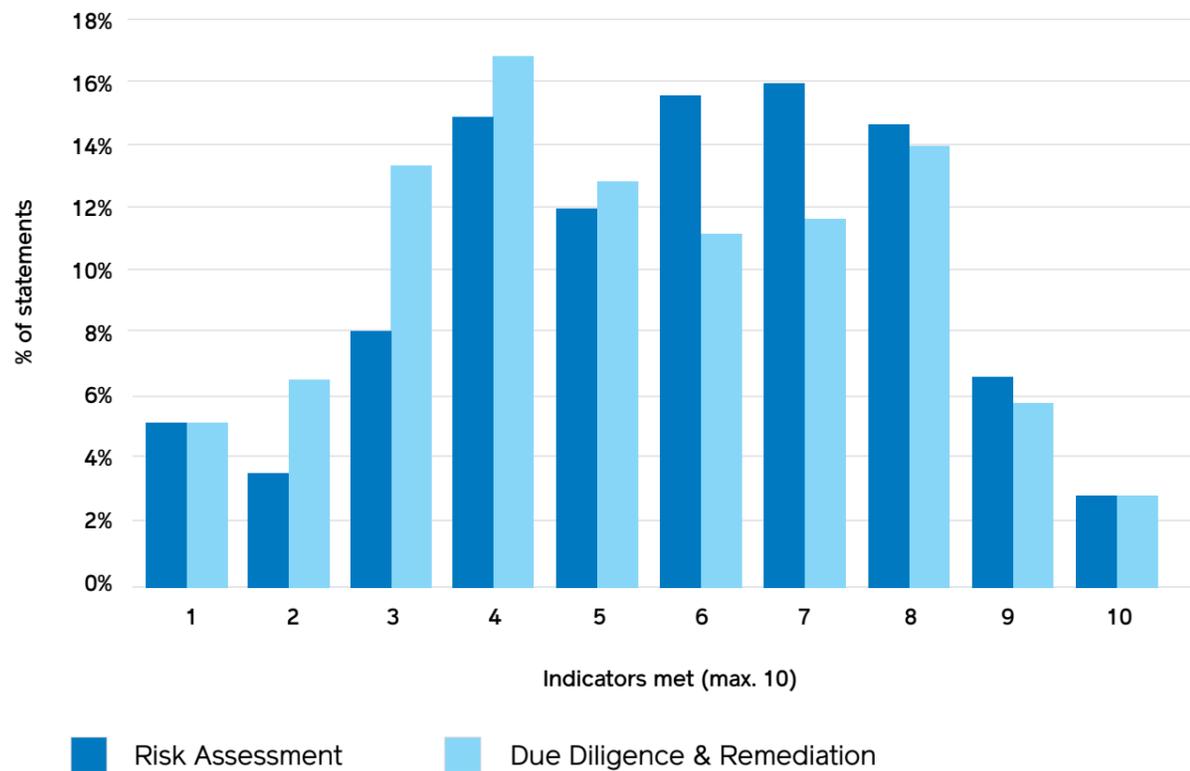
Chart 3: Top disclosed modern slavery risk factors identified by companies



These regions typically may be characterised by weak regulatory enforcement of labour laws, or limited worker protection, particularly for migrants or non-citizens.

Overall, the histogram below plots that the quality of risk assessments was not particularly high, with **59.9% (or 242 out of 404) meeting 60% or less** of risk assessment quality indicators. The quality of company due diligence and remediation was even poorer, with **54.5% (or 220 out of 404)** of corporations meeting **50% or less** of the quality indicators for due diligence and remediation.

Chart 4: Percentage of statements against quality indicators for risk assessment and due diligence & remediation

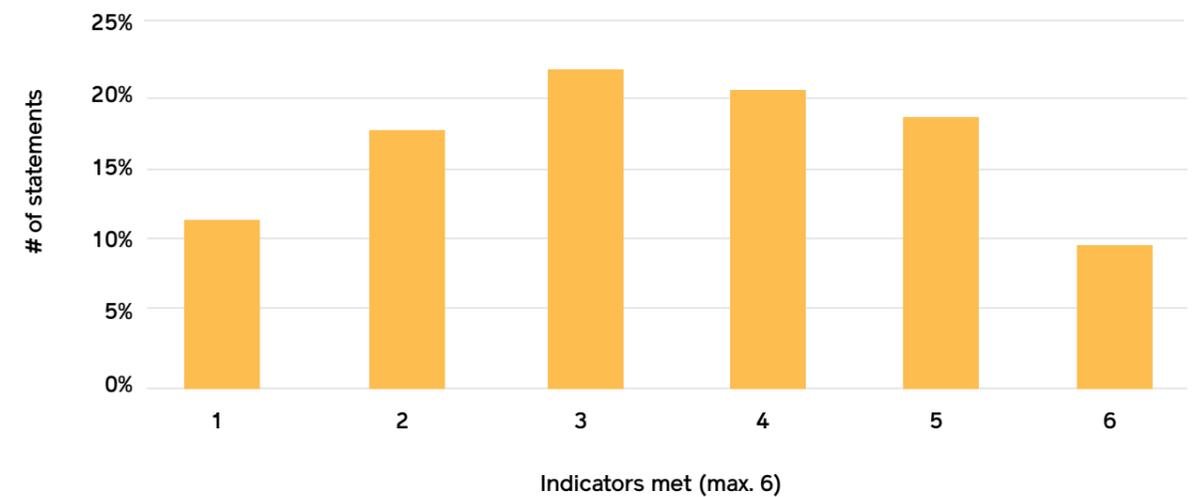


Company self-evaluations on their effectiveness measures

Given the significance of the crime of modern slavery and its pervasive reach across many industries, it is concerning that **almost half of company statements** assessed (47.5%) do not define any performance indicators or measures for assessing the corporation’s efforts to combat modern slavery.

Findings show that **three quarters (75.5%)** of corporations set out at least one future action, but one in four corporations did not indicate a system or process in place to regularly review its response to modern slavery. Further, only **66.6% of corporations** indicated that they work with suppliers to check how they are progressing on addressing risks, likely resulting in many corporations failing to be vigilant in identifying people who may be victims of modern slavery.

Chart 5: Percentage of company statements that met quality indicators on measuring effectiveness



Overall, our study considered six key indicators that reveal how well a company is tracking the effectiveness of its plans to address modern slavery risks in business operations or supply chains, and found **only half (49.3%)** met the basic expectations (by meeting the majority of indicators).



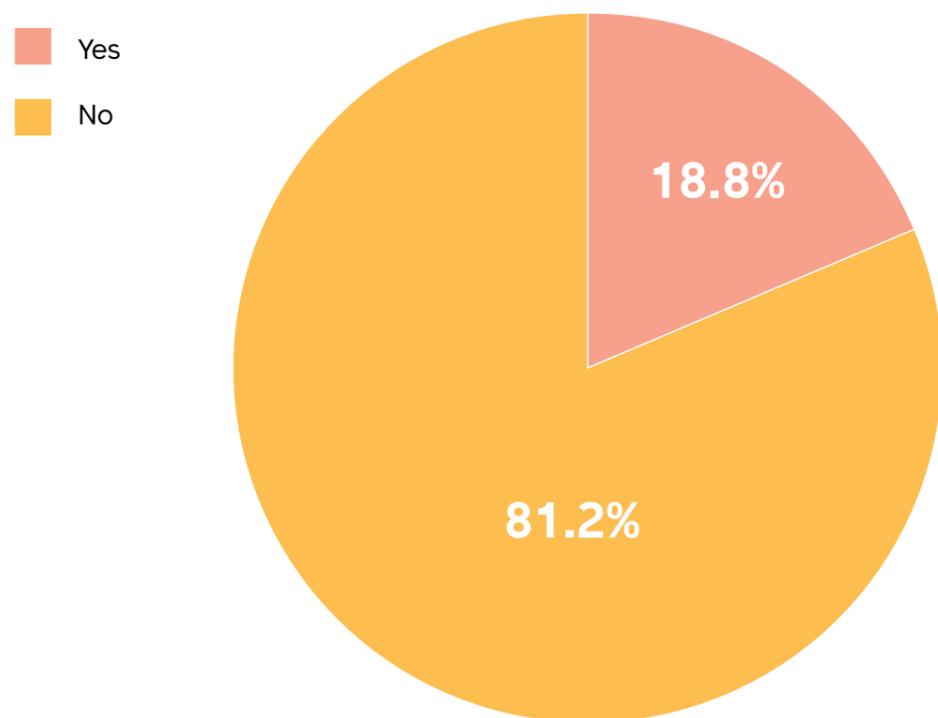
The weakest link—due diligence and remediation

The study found that while a majority of corporations have policies or ethical supplier agreements in place, their ability and willingness to test the efficacy of these instruments or assess their capacity to protect men, women and children in high-risk regions and countries is very limited.

Analysis of due diligence actions found that:

- **76.2%** of corporations have a policy relating to modern slavery.
- **79.2%** of corporations have a supplier code of conduct.
- **75.2%** of corporations have a process to regularly review its response to modern slavery.
- **49.0%** of company statements declared that they had specific and active modern slavery clauses in their supplier contracts.
- **75.5%** identified at least one concrete future action to be taken by the company to enhance its response to modern slavery.
- **72.0%** of corporations conducted training on modern slavery risks to staff and management.

Chart 6: Did the corporation consult at least one potentially affected group or stakeholder as part of the risk assessment process?



These data points reveal that the majority of corporations are only at the beginning of their understanding of their role in protecting workers from modern slavery. This is also reflected in the limited consultation with survivors or workers in supply chains. Just **18.8%** of corporations consulted at least one group of people potentially or highly likely to be at risk of forced labour slavery or other forms of modern slavery as seen above.

The weakest section of most company responses was in due diligence and remediation.

It is clear that Australian corporations are for the most part limited in their human rights due diligence practices on suppliers and have been slow to establish trusted remediation and grievance mechanisms for people in forced labour or other forms of modern slavery.

While **70.3% of entities** identified a process for remediation in their operations, it was a different story when it came to company supply chains. For example:

- Only **40.8%** of entities indicated that they had a remediation mechanism in place for workers in their supply chain.
- Just **over a third or 37.6%** indicated that their remediation was trusted and accessible to workers in the supply chain.
- Very few corporations—as little as **13.4%**—disclosed any data or details on the practical operation of remediation mechanisms.
- **84.7%** of company statements did not indicate a single instance where a company responded to instances or allegations of modern slavery in their operations or supply chains.

On internal governance of modern slavery risks, **52.7% of corporations** indicated a group within the governance structure who is responsible for assessing and addressing modern slavery within the business. 59.4% have a process for integrating risk assessment findings and resulting actions across the business.

This suggests that almost half of Australian corporations in this study, many of whom have identified modern slavery risks in their supply chains, have no formal internal accountability mechanism or process to improve protections for workers in their supply chain.



Case study: Australian corporations sourcing from India

Modern slavery risks in supply chains—India

This study included a case study on corporations whose modern slavery statements identified sourcing from, or operating in, India. As a region, South Asia is considered a high-risk region for various forms of modern slavery. According to an Indian official in 2016, India was committed to **rescuing 18.4 million bonded labourers by 2030**.¹²

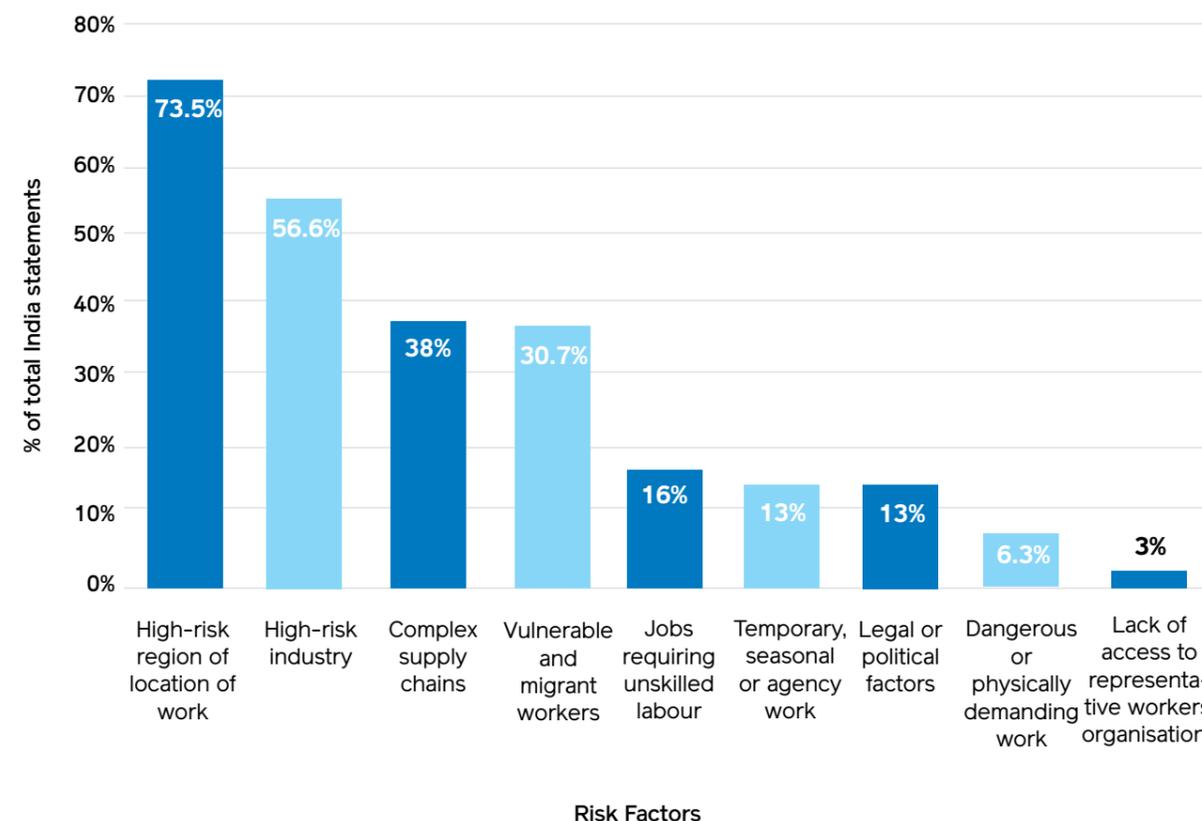
Forced labour, particularly bonded labour (also known as debt bondage) is still widely prevalent in India, despite the bonded labour system being formally abolished and criminalised. For instance, a 2016 report found that in the state of Tamil Nadu, **351 of 742** spinning mills used bonded labour schemes, known as Sumangali schemes.¹³ Data from India's National Crime Records Bureau indicate that in 2016, **23,117 people were rescued** from trafficking situations in India, with the majority (10,509) having been trafficked for the purposes of forced labour.¹⁴

Of the subset of modern slavery statements that indicated India as a source or location of operations, **73.5% (244/332)** of the statements acknowledged that the region or location of work was the most common risk factor identified for potential modern slavery. This was followed by high-risk industry, and then complex supply chains.

73.5%

of the statements acknowledged that the region or location of work was the most common risk factor identified for potential modern slavery.

Chart 7: Corporations who source from India—Top modern slavery risk factors



¹² Financial Express (20 July 2016), "Govt looks to rehabilitate 1.84 cr bonded labourers till 2030", <https://www.financialexpress.com/india-news/govt-looks-to-rehabilitate-1-84-cr-bonded-labourers-till-2030/323585/>

¹³ WalkFree, Global Slavery Index 2018, <https://www.globalslaveryindex.org/2018/findings/country-studies/india/>

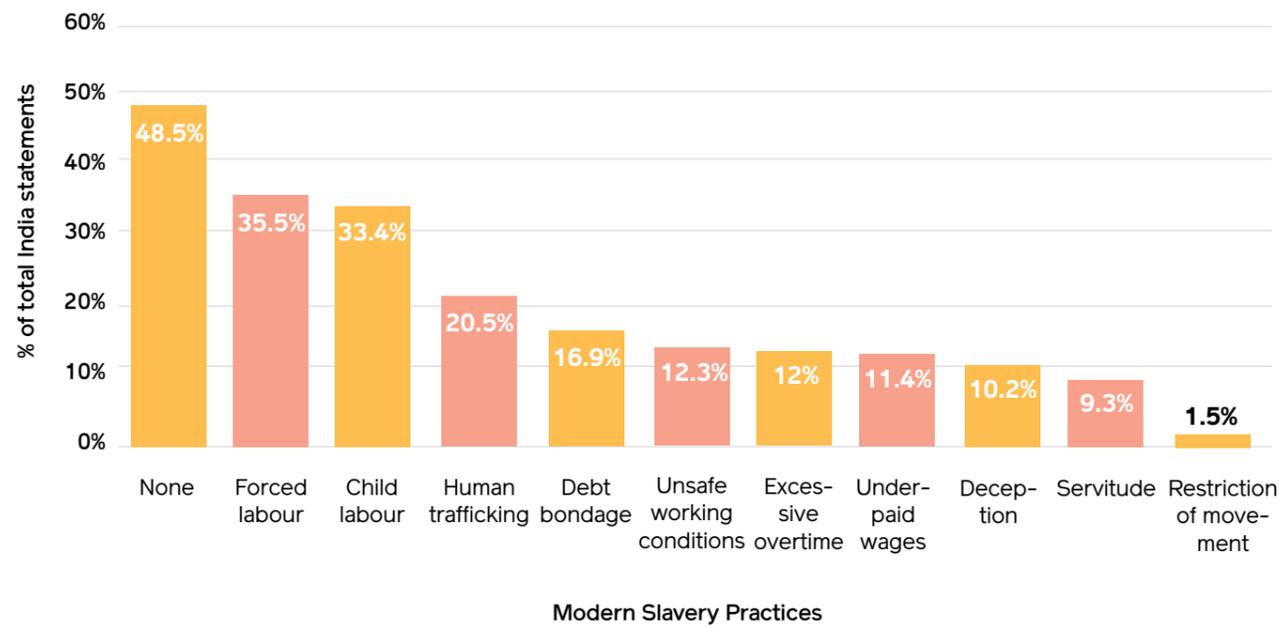
¹⁴ National Crime Records Bureau 2017, Crime in India 2016 Statistics, Ministry of Home Affairs, p. 512-518. Available from: <http://ncrb.gov.in/StatPublications/CII/CII2016/pdfs/NEWPDFs/Crime%20in%20India%20-%202016%20Complete%20PDF%20291117.pdf>. [18 May 2018], cited in Global Slavery Index 2018.

The prevalence of forced labour, bonded labour and trafficking in India was reflected in the statements reviewed. As can be observed in Chart 8 below, corporations who source or operate in India most frequently identified the following forms of **modern slavery practices**:

- forced labour (35.5%)
- child labour (33.4%)
- human trafficking (20.5%)
- debt bondage (16.9%)

However, the most common response to modern slavery practices identified was “none” (48.5%), which suggests that there are weaknesses in the quality of corporations’ risk assessment for modern slavery.

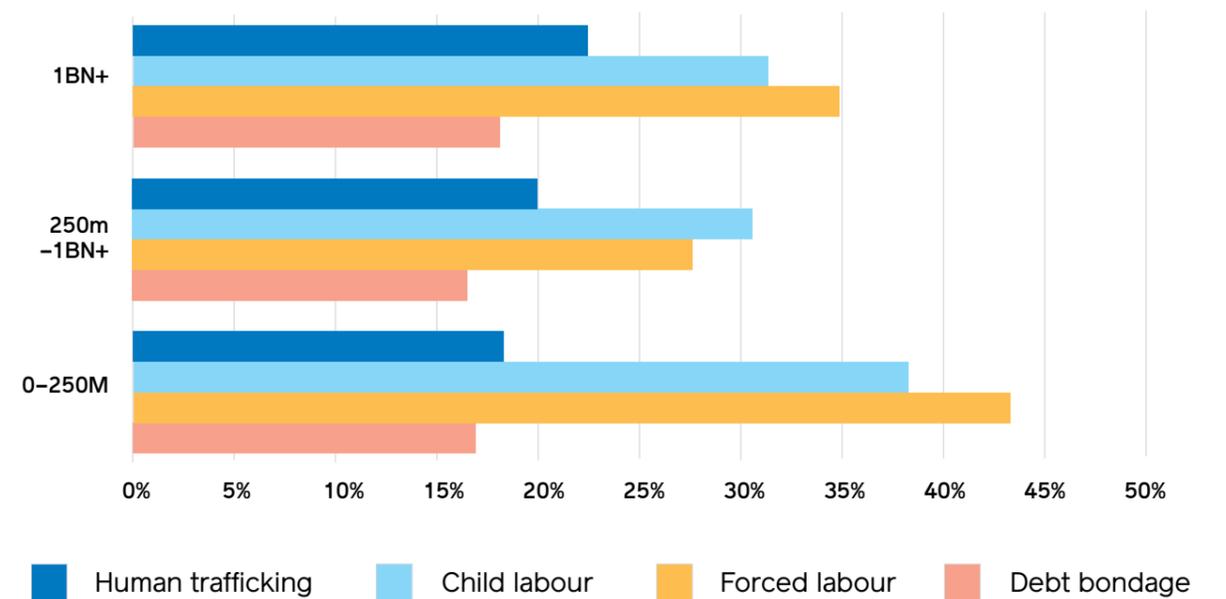
Chart 8: Corporations who source from India—Modern slavery practices identified in company statements by percentage



A **third of corporations** in this study who report sourcing from or operating in India—and identify one or more of the four most common modern slavery practices—had an annual revenue of **\$1 billion** or more. The next largest group by proportion were corporations who report **less than \$250 million** in annual revenue, accounting for about a third of all corporations reviewed in this study.

Overall, as seen in Chart 9, corporations who turn over less than **\$250 million annually** were more likely (than corporations turning over more than \$250 million annually) to report risks of child labour and forced labour, rather than human trafficking or debt bondage.

Chart 9: Top 4 modern slavery practices identified in company statements who have supply chains or operate in India, as a percentage of companies and grouped by company annual revenue



High-risk commodities and industries

Of the statements reviewed, where the corporation sources or operates in India, **56.6% indicated** that modern slavery risks were significant in particular industries.

According to the Alliance 8.7 report *Ending child labour, forced labour and human trafficking in global supply chains* (2019)¹⁵, the exporting industries with the **highest risk of child labour** in their supply chain (direct and indirect contributions) in South Asia were:

- Textiles and apparel
- Agriculture
- Wholesale and retail
- Transport and storage
- Food products

Other reports highlight a range of raw materials at high risk of child labour and forced labour, including rice, stones and sandstone.¹⁶

When these industries are mapped across the commodities exported from India to Australia in 2020-2021, as much as **\$2.1 billion** (out of \$5.5 billion in total exports) worth of commodities were at risk of being potentially connected to modern slavery. The following table shows the **10 export commodities from India** to Australia with the highest risk potential for modern slavery in upstream supply chains. On average during the Covid-19 pandemic between financial years 2019-20 and 2020-21, the combined export value of these commodities grew by **17%**.

Table 4: Top 10 High Risk Export Commodities, India to Australia, by export value

The commodities in this table carry a high risk of bonded labour, child labour, and human trafficking.¹⁷

Commodity	2019-2020 (\$AUDm)	2020-2021 (\$AUDm)	%Growth
Natural or cultured pearls, precious or semiprecious stones, pre-metals	\$ 353	\$ 380	7.5
Other textile articles, worn clothing and worn textile articles	\$ 165	\$ 205	23.9
Vehicles other than railway or tramway rolling stock	\$ 118	\$ 156	32.0
Articles of apparel and clothing accessories, not knitted or crocheted	\$ 175	\$ 153	-12.6
Articles of apparel and clothing accessories, knitted or crocheted	\$ 119	\$ 127	6.6
Carpets and other textile floor coverings	\$ 93	\$ 121	29.2
Cereals	\$ 84	\$ 103	22.5
Coffee, tea, mate and spices	\$ 70	\$ 91	29.3
Articles of leather, saddlery, and harness; travel goods and handbags	\$ 91	\$ 91	-0.4
Furniture, bedding, mattresses, mattress supports, cushions and similar, lamps	\$ 60	\$ 79	30.3
Rubber and articles thereof	\$ 66	\$ 77	16.3



56.6%
of corporations who source from or operate in India indicated that particular industries have a high risk of modern slavery.

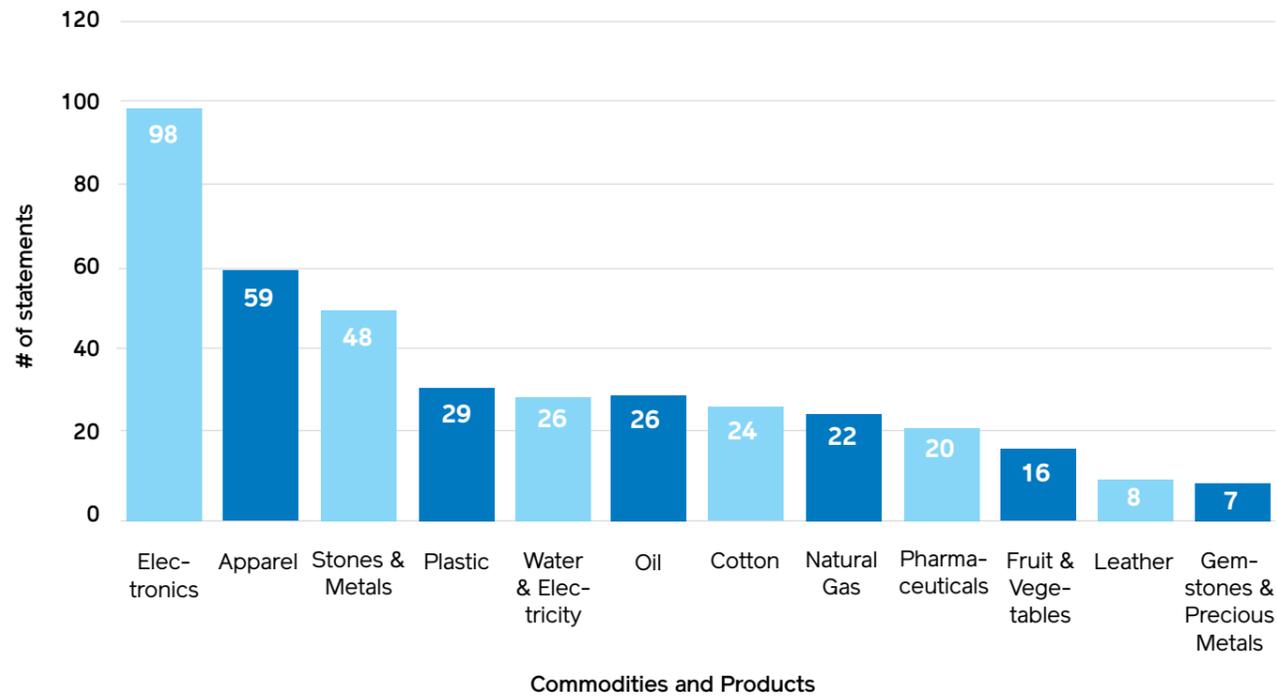
¹⁵ International Labour Organization, Organisation for Economic Co-operation and Development, International Organization for Migration, and United Nations Children's Fund, *Ending child labour, forced labour and human trafficking in global supply chains* (2019), https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipecc/documents/publication/wcms_716930.pdf

¹⁶ US Department of Labor, Bureau of International Labor Affairs, *2020 Findings on the Worst Forms of Child Labor*, <https://www.dol.gov/agencies/ilab/resources/reports/child-labor/india>

¹⁷ We used a deductive approach to determine high-risk commodities using sources such as the ILO report "Ending child labour, forced labour in global supply chains" (see footnote 15) and the US Dept. of Labor's 2020 Findings on the Worst Forms of Child Labor" (see footnote 16), as well as cross-referencing with data from the World Bank's World Integrated Trade Solution Trade Statistics by Product, <https://wits.worldbank.org/trade/country-byhs6product.aspx?lang=en#void>

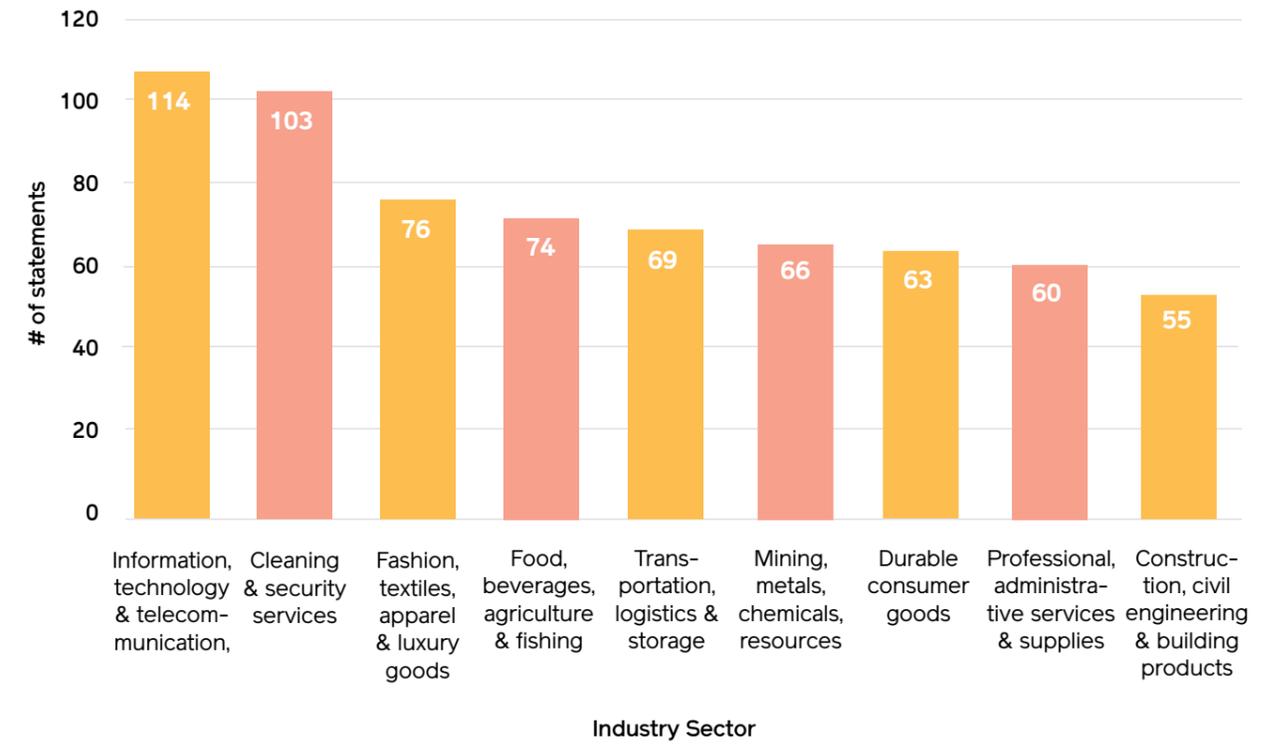
The study found that Australian corporations who source from India have identified a high risk of modern slavery in the production of electronics, apparel, and stones and metals.

Chart 10: Companies who source from India—Number of statements by commodities referenced in supply chains



The high-risk industries identified by the statements were information technology and telecommunication, cleaning and security services, fashion, textiles, apparel and luxury goods, and food and beverages, agriculture and fishing.

Chart 11: Corporations who source from India—Number of statement by high-risk industry



Quality of risk assessment and company responses

The majority of Australian corporations with operations or supply chains in India did not outline effective responses to the modern slavery risks they identified in their risk assessments. According to the survey data, of the 332 modern slavery statements that referenced India, **310 (93.4%)** corporations identified potential modern slavery risks in their supply chains. **85.2%** of these corporations identified country/region as the highest risk factor for modern slavery in their supply chains, indicating that Australian corporations sourcing from India possess some understanding of the prevalence of modern slavery in India.

Despite this, the company statements generally did not adequately identify the specific risks of modern slavery in their operations or supply chains:

- **161 (48.5%)** statements failed to specify any relevant modern slavery practices in their supply chains, despite sourcing and/or operating from India, a known high-risk region.
- Only **16.9% of corporations** sourcing/operating in India identified debt bondage as a relevant modern slavery practice, contrary to multiple studies that indicate the high prevalence of debt bondage/bonded labour in India.

For example:

- A 2014 study conducted by IJM found that nearly **30% of manual labourers** working in 11 different industries in the state of Tamil Nadu, India, are bonded (an estimated 463,000 people).¹⁸
- An IJM study in 2018 found that in regions near Bangalore, bonded labour was highly prevalent in the labour market: **33.4% of all workers were subject to bonded labour**.¹⁹
- Between 1993 and 2017, the National Human Rights Commission received **over 14,600 bonded labour cases** from states across India.²⁰ Industries that are identified as having high exposure to bonded labour include brick kilns, textiles, agriculture and rock quarries.
- Only **20.5% of corporations** sourcing/operating in India identified human trafficking as a relevant modern slavery practice; however, IJM's (2018) analysis of the labour market in three districts of Karnataka indicated that **30.5%** of all labourers exhibited signs of trafficking and that 59.3% of bonded labourers had evidence of trafficking.²¹

93.4%

corporations that referenced India, identified potential modern slavery risks in their supply chains.

¹⁸ See IJM, Justice Review (2018), "Bonded Labour in Tamil Nadu State, India: Prevalence and Migrant Labourers' Experiences", p. 45, IJM-Justice-Review.pdf

¹⁹ See IJM, Justice Review (2018), "Bonded Labour in Karnataka State, India: Prevalence and Migrant Labourers' Experiences", p. 37, IJM-Justice-Review.pdf

²⁰ The Economic Times (14 February 2017), "14,614 bonded labour cases from 1993 to January 31 this year: NHRC", 14,614 bonded labour cases from 1993 to January 31 this year: NHRC - The Economic Times (indiatimes.com)

²¹ See IJM, Justice Review (2018), "Bonded Labour in Karnataka State, India: Prevalence and Migrant Labourers' Experiences", p. 37, IJM-Justice-Review.pdf

Company risk assessments did not gather sufficient information or delve deeply enough into their supply chains to adequately assess where the risk of modern slavery lies and the nature of their potential exposure to modern slavery.

The study found that of those corporations who sourced from India:

- **66.9% did not include** information beyond tier 1 of their supply chains and 72.6% did not provide details on modern slavery risks identified in different tiers of their supply chains beyond tier 1.
- **34.3% of assessments** did not engage directly with suppliers or partners, for example by using questionnaires.
- **84.0% of statements** did not consult a potentially affected group or stakeholder as part of the risk assessment process.
- Many statements did not gather data or insight from firsthand experiences of actual workers or their families, or they were not willing to share this information.
- Only **31.9% of corporations** engaged external expertise or consultants to conduct their risk assessment.

The adequacy of due diligence processes implemented by corporations to mitigate the risk of modern slavery in their supply chains was mixed. From the sub-set of **310 corporations** who identified potential modern slavery risks in their supply chain, **235 (75.8%)** had a policy relating to modern slavery and **239 (77.1%)** had implemented a supplier code of conduct. However, only **146 (47.1%)** included modern slavery clauses in supplier agreements. Further, only **157 (50.6%)** defined performance metrics used to track progress.

Although the majority of Australian corporations operating or sourcing from India have not provided responses that are likely to be effective in mitigating modern slavery risks, a number of corporations have given responses which are more likely to be effective at mitigating modern slavery risks. These statements outline key measures taken to address the risks identified in their assessments, including enforcing a supplier code of conduct, consulting with high-risk suppliers, engaging external expertise for risk assessments and mitigation processes, and providing effective remediation processes.



Company actions not commensurate to the risk of modern slavery

Company responses were lacking in the area of remediation—that is, taking appropriate and adequate measures to address instances where the modern slavery risk became a reality.

Although **225 (72.6%)** of corporations sourcing or operating in India who identified modern slavery risks had a grievance mechanism in place, **58.7% failed to identify** steps taken to ensure there was a remediation mechanism in their supply chain made available to the supplier's workers. Only **38.1% took steps** to ensure that remediation mechanisms were both trusted by workers and accessible to them. Further, only **20.0%** provided one or more case studies to show how the company worked to assess and address modern slavery risks in practice.

The modern slavery statements were also weak in identifying actual instances of modern slavery and indicating how a grievance mechanism would function. Only rarely would a statement provide substantive information about its practical approaches to combatting modern slavery, such as through a detailed case study outlining how an instance of modern slavery was both identified and remediated (see example, below).

Case study: Telstra Corporation Ltd.

Modern slavery statement #2899 (p. 13) - Responding to findings of bonded labour

Telstra engaged an independent third party to conduct site audits of one of our suppliers' labour practices. The audit revealed evidence of practices resembling debt bondage in their Hyderabad operations in India. Under the arrangements, employees were bound to repay training costs incurred as part of their recruitment. While the supplier asserted such practices were both common and legal in India, we took the view that it was not acceptable and in breach of our Supplier Code of Conduct.

We wrote to the supplier and asked them to remove this bond immediately for all employees delivering services to Telstra and all new hires. The supplier agreed to this request. We also asked that the bond be removed for all other employees of the supplier including those who do not perform Telstra work. The supplier agreed not to take any action to enforce the service bond provisions under existing employment contracts and to issue all employees with new contracts that do not contain service bond provisions. A follow-up audit found the changes we requested had been implemented. We were also pleased to see evidence that throughout the COVID-19 pandemic, the supplier has continued to pay all employees 100 per cent of their wages.

On the balance of the evidence, given the known high risk and IJM's own experience of addressing forced labour, human and child trafficking in India, the statements (with some notable exceptions) do not indicate that the actions corporations are taking are commensurate to the risk of modern slavery in India.

Industry Example: Textiles and garment manufacturing industry

The textiles and garments manufacturing industry is a known high-risk sector in South Asia for various forms of modern slavery.

However, **40.7%** of the corporations who indicated that they operate in or source from India and are exposed to this industry did not identify any relevant modern slavery practices. These corporations have significantly understated the modern slavery risk, as the pervasiveness of bonded labour in the textiles industry is well documented.

For example, a 2014 IJM study of bonded labour in the state of Tamil Nadu found the prevalence of bonded labour prevalence in the textiles industry to be **61.9%**. The textile industry alone was estimated to have **237,900 bonded labourers** working in the state in 2014.

Of the statements reviewed, **55.9% of corporations** in the textiles sector and sourcing from India did not identify child labour as a relevant practice, despite studies reporting the prevalence of child labour in India's garment manufacturing, where children often work long days, in unsafe environments, under unhealthy and abusive conditions.²²

64.4% of corporations surveyed did not look beyond tier 1 of their supply chain and **69.5%** did not provide details on modern slavery risks identified in different tiers of its supply chains beyond the first tier.

For those corporations within the textiles sector, many conducted risk assessments only of their direct suppliers, such as the apparel manufacturing factories. They failed to consider the raw material supply chain, or the component supply chain involved before the actual assembly of the garment, where much of the bonded labour and child labour occurs.

²² See for example, Verité, Help Wanted: Hiring, Human Trafficking and Modern-Day Slavery in the Global Economy, Help_Wanted_2010.pdf (verite.org)



Methodology

In order to assess how corporations are responding to the problem of modern slavery in supply chains, IJM designed a 44-question survey based on the *Commonwealth Modern Slavery Act 2018: Guidance for Reporting Entities*. The data set was gathered from analysis of the survey questions based on observations of individual corporate modern slavery statements.

The selection of modern slavery statements was taken on the 23rd of July 2021 from the *Australian Government's Online Register for Modern Slavery Statements*. Since a core part of this study was to analyse the modern slavery statements of entities who reported business operations or supply chains in India, a word search was made for all statements in the online register containing the word 'India'. At the time there were over 2000 statements from reporting entities lodged on the public register, from which we extracted a data set of 506 statements referencing India for analysis.

Twenty researchers reviewed **404 of the 506 statements** in the data set. The margin for error based on the sample size of 404 statements out of a total of **2452 statements** (as of 25th August 2021) is 4%. Of the 404 statements reviewed for the study, **332** indicated that the company either sourced from, or operated in, India. As a result, findings have been compiled to reflect the total number of statements analysed (Part 1), as well as a case study analysis of corporations who source from India (Part 2).²³

After IJM began to observe preliminary data and trends, it became clear that the modern slavery statements were generally falling into one of three categories: weak, average and strong.

²³ Note: the study was not conducted on companies who only source from India, but where India was one of the countries or regions from which they source or operate.

To test this hypothesis, IJM developed **26 key indicators** that would reflect the basic and advanced quality of a modern slavery statement and ran these indicators over the survey data of 404 modern slavery statements.

These 26 indicators were broken up into three groups:



1. Risk assessment

(5 basic and 5 advanced indicators = max score 10)



2. Due diligence and remediation

(5 basic and 5 advanced indicators = max score 10)



3. Measuring effectiveness

(3 advanced and 3 basic indicators = max score 6)

For a company to fall into a designated type, the following framework was applied:

Weak — those who met less than 60% of basic indicators;

Average — those who met 60% or more of basic indicators, but less than 60% of advanced indicators;

Strong — those who met 60% or more of basic indicators and 60% or more of advanced indicators;

The 26 indicators were used to generate a quality score (a percentage score out of 26) of all modern slavery statements assessed. All quality indicators can be seen in Appendix 1.



Appendix 1

Quality indicators used to generate quantitative analysis of modern slavery statements and histograms



Indicators of risk assessment quality (For a percentage score out of 10)

Basic

1. Does the Statement identify potential modern slavery risks in the entity's own operations?
2. Does the Statement identify potential modern slavery risks in the entity's supply chains?
3. Was a modern slavery risk assessment performed on the entity's own operations?
4. Was a modern slavery risk assessment performed on supply chains?
5. Did the entity engage with suppliers or business partners in the risk assessments? (e.g. through supplier assessment questionnaires)

Advanced

6. Does the Statement provide details on modern slavery risks identified in different tiers of its supply chains (beyond tier 1)?
7. Did the entity use credible tools (such as risk indices) to conduct the risk assessment?
8. Did the entity use internal expertise (e.g. human rights team) or external consultants to conduct the risk assessment?
9. Did the entity consult at least one potentially affected group or stakeholder as part of the risk assessment process? (e.g. trade unions, survivors, workers and their families, tier 4 or 5 suppliers, community groups)
10. Does the company have a process for integrating findings from risk assessments and resulting actions across the business (e.g. business-wide action plan, cross-functional working group)?



Indicators of due diligence and remediation disclosure quality (For a percentage score out of 10)

Basic

1. Does the company have a supplier code of conduct?
2. Has the company conducted training on modern slavery risks to staff and management?
3. Does company use modern slavery clauses in their contracts?
4. Does the Statement identify a process for remediation (eg. a grievance mechanism) in entity's own operations?
5. Does the Statement identify steps taken by the company to ensure there is a remediation mechanism in the entity's supply chains that is available to the supplier's workers?

Advanced

6. Does the company have a policy relating to modern slavery?
7. Does the Statement identify at least one form of supplier engagement (e.g. supplier assessment questionnaire, training on modern slavery risks, 'deep dives' with suppliers)?
8. Does the Statement take steps to ensure remediation mechanisms are trusted and/or accessible to workers? (eg. promote/explain to workers; consult with stakeholders on design of grievance mechanism)?
9. Does the Statement disclose data about the practical operation of the mechanism—such as the number of complaints received, addressed, resolved?
10. Does the Statement disclose details on how the entity has responded to instances or allegations of modern slavery in their operations or supply chains?



Indicators of how well corporations monitor effectiveness of their modern slavery response (For a percentage score out of 6)

Basic

1. Does the Statement indicate who/what group within the governance structure has responsibility for assessing and addressing MS within the business?
2. Does the Statement identify at least 1 concrete future action to be taken by the entity to enhance their response to modern slavery?
3. Does the entity work with suppliers to check how they are progressing on actions they have put into place to address modern slavery risk?

Advanced

4. Does the Statement provide one or more case studies to show how the entity worked to assess and address modern slavery risks in practice?
5. Does the Statement define performance indicators or other measures for assessing the effectiveness of the entity's efforts to combat slavery?
6. Does the company have a process to regularly review its response to modern slavery? (e.g. monitoring specific steps, conducting internal audits, tracking actions taken and measuring their impact)?



The analysis also sought to assess how well the statements described their structure, operations and supply chains.

This did not contribute to the assessment of the overall statement quality on responding to modern slavery risks, as this section simply explored how well the company described its own business operations.

Business structure, operations and supply chains

The following questions were used for a percentage score out of 10:

1. Does the Statement identify relevant reporting entities?
2. Was the Statement approved by the appropriate governing body of the reporting entity?
3. Does the Statement describe the general structure of the entity and the ownership structure of each of its subsidiaries, brands and other businesses?
4. Does the Statement describe the nature of its operations and the key products and services of the reporting entity?
5. Does the Statement provide number of employees of the reporting entity?
6. Does the Statement provide details on status of workers (full-time/part-time), employee/contract, unionised/non-unionised, skilled/low skilled)?
7. Does the Statement identify countries or regions where operations are located or taking place?
8. Does the Statement identify key products and services procured by the reporting entity?
9. Does the Statement identify the approximate number of tier 1 suppliers?
10. Does the Statement identify the source country or region from where they procure goods and services?



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IJM

**INTERNATIONAL JUSTICE MISSION
AUSTRALIA**
PO Box 124
St Leonards, NSW 1590

☎ 1300 045 669
w IJM.org.au

ABN 56 164 514 694



INTERNATIONAL JUSTICE MISSION AUSTRALIA is a global organisation that protects people in poverty from violence throughout the developing world. IJM partners with local authorities to rescue victims of violence, bring criminals to justice, restore survivors, and strengthen justice systems.

* Pseudonyms have been used and images have been obscured for the protection of these IJM clients.

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