

# PRI RESPONSE

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## STRENGTHENING THE MODERN SLAVERY ACT 2018 (Cth)

1 September 2025

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To inform this paper, the following group has been consulted: APAC Policy Reference Group.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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# ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Australian Government's consultation on Strengthening the Modern Slavery Act.

# ABOUT THIS CONSULTATION

Following its response to 2023 Report of the statutory review of the Modern Slavery Act 2018, the Australian Government is [consulting](#) on a set of proposals to update the Modern Slavery Act's framework. The consultation paper presents options to enhance the framework, simplify and improve reporting, and target non-compliance. These options for change draw on and respond to feedback received from the review conducted by Prof. McMillan in 2023, as follow-up to an initial Government consultation that the PRI [responded to](#). The Government is now seeking feedback from stakeholders about the options outlined in the paper, including how they would operate in practice, and whether they would effectively enhance the Modern Slavery Act.

This response will focus primarily on the role of due diligence in addressing modern slavery, and the Australian Government's stated intention to develop a workstream focused on declarations of high-risk matters and obligations for due diligence systems.

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The PRI welcomes the Government's commitment to updating the framework of the Modern Slavery Act 2018 (MSA 2018) in line with the majority of the recommendations under the [Report of the statutory review of the Modern Slavery Act 2018 \(Cth\): The first three years](#) (the Review). In particular, the PRI signatories support the goals to develop a more effective compliance and enforcement framework, while providing increase clarity and simplicity for undertaking, including through effective guidance. The Government's phased approach represents a rational process to achieve these goals.

Modern slavery has been a topic of focus for PRI signatories for several years, as investors recognise that, beyond being a violation of international law, this phenomenon represents a risk for businesses.<sup>1</sup> Human rights violations – of which Modern Slavery is a major element – are widely recognised a material issue for investors. Several investor initiatives, including PRI's [Advance](#) and the [Investors Against Slavery and Trafficking Asia Pacific \(IAST APAC\)](#), have been created to develop frameworks and identify best practices. The PRI 2024 reporting data<sup>2</sup> shows asset owners and investment managers are paying increased attention to human rights and social factors. In 2024, 32% of reporting PRI signatories said they used the UN Guiding Principles on Business and Human Rights (UNGPs) and/or the OECD Guidelines for Multinational Enterprises to identify human rights outcomes.

Recent research on the effectiveness of investors' action in addressing modern slavery in supply chains found that **public policy has a relevant role to play in enabling investors to act on this phenomenon, including by accessing the necessary data.**<sup>3</sup> According to research from IFM Investors, over 70% of major market companies are now subject to modern slavery or human rights-related regulations.<sup>4</sup> A robust modern slavery disclosure framework can be instrumental in supporting investors engage with companies on the issue.

However, significant gaps still remain, and **disclosure is not enough to address the risks connected to modern slavery**, especially for universal owners who may find it challenging (if not impossible) to diversify away from them. For responsible investors, disclosure requirements – especially when combined with proportionate civil penalties and applied as a measure of last resort – represent a good starting point. However, disclosure requirements are not enough to influence a shift in behaviour at the scale necessary. The Review itself noticed that “there is no hard evidence that the Act has caused meaningful change for people living in conditions of modern slavery.”<sup>5</sup> A recent report from the UN Special Rapporteur on contemporary forms of slavery, focusing on the role of financial sector actors, found that “disclosure-only regimes are often inadequate and not holistic enough to effectively combat contemporary forms of slavery”, and that “stronger human rights due diligence that covers a broad spectrum of human rights impacts going beyond slavery-related concerns is essential

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<sup>1</sup> AllianceBernstein (2021) [Modern Slavery Risk: the Investor's View](#).

<sup>2</sup> PRI (2025) [Global responsible investment trends: Inside PRI reporting data](#).

<sup>3</sup> Modern Slavery PEC (2023) [How effective are investors at addressing modern slavery in supply chains?](#)

<sup>4</sup> IFM Investors (2025) [Addressing Modern Slavery in Investment Portfolios](#).

<sup>5</sup> Australian Government (2023) [Report of the statutory review of the Modern Slavery Act 2018 \(Cth\): The first three years](#).

to ensure genuine accountability and foster necessary improvements in corporate practices and supply chain management”.<sup>6</sup>

For this reason, while the proposals in this consultation remain broadly within the boundaries of disclosure **these should be complemented by different policy tools, such as due diligence requirements.**

**Globally, there is increased interest towards due diligence measures**, including in jurisdictions like the UK, where the Joint Committee on Human Rights recently published a paper on Forced Labour in UK Supply Chains.<sup>7</sup> The paper found “a willingness from representatives in the business sector for the implementation of mandatory human rights due diligence requirements for UK companies” and recommends the Government adopt new legislation establishing this kind of requirements.

**Risk-based due diligence aligned with international standards** such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises is a key policy tool allowing corporates and investors to minimise risk while achieving positive sustainability outcomes.

Beyond minimising system-level risks, the significant benefits of corporate due diligence disclosures for investors include:

- Supporting investors’ sustainability assessments;
- Enhancing risk analysis and processes for impact prevention, mitigation, and remediation;
- Providing greater understanding of companies throughout the value chain;
- Enabling responsible investors to conduct better-informed engagement with investees, respect human rights, and provide due consideration to other sustainability issues.<sup>8</sup>

The PRI recently published a [paper](#) explaining the ‘risk-based approach’ to Human Rights and Environmental Due Diligence (HREDD), as defined in the UNGPs and the OECD Guidelines for Multinational Enterprises. The paper shows how **adopting a risk-based approach gives investors and investees the discretion to focus and prioritise their efforts on the areas of the value chain where adverse impacts are, or are likely to be, most severe, and therefore create material risks for investments.** Such an approach ensures due diligence guidance and/or requirements are proportionate, practicable and effective. It **reduces burden on investors/companies conducting HREDD and on investees/suppliers, who are less likely to receive blanket questionnaires, but rather targeted requests.** It also benefits rights holders as those most severely affected, or most at risk of being negatively impacted, will be prioritised.

PRI signatories have been adopting risk-based due diligence processes to tackle human rights and modern slavery risks in their investment portfolios. This includes:

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<sup>6</sup> Report of the Special Rapporteur on contemporary forms of slavery, including its causes and consequences, Tomoya Obokata (2025) [The role of financial sector actors in eradicating contemporary forms of slavery.](#)

<sup>7</sup> Joint Committee on Human Rights (2025) [Forced Labour in UK Supply Chains.](#)

<sup>8</sup> PRI (2023) [Adopting a strategic approach to human rights and social issues policy.](#)

- [VFMC](#), an Australian sovereign wealth fund, which engaged with an external advisory firm to conduct a detailed assessment of over 11,000 investment holdings. This risk assessment sought to identify a potential indicative number of enslaved people at each entity within its investment supply chain based on geographic exposure and industry sector.
- [AP2](#), a Swedish asset owner, who has developed an in-house quantitative model to undertake jurisdiction-by-jurisdiction due diligence. The model operates at various levels of granularity, from the country level down to the sector level, and uses third-party data focused on the actual risks posed by human rights breaches rather than the financial risks.
- [PAI Partners](#), a global private equity investment manager, which maps potential supply chain related risks by using sell-side research, public benchmarks, public information from internet searches, sustainability reports from peers and interactions with the management of the targeted company.
- [Redwheel](#), a UK-based investment manager, whose 'Greenwheel human rights toolkit' comprises of a full human rights risk-mapping tool (a forced-labour risk index across over 170 countries, covering sector and commodity risks) and full in-depth human rights due diligence framework.

Finally, as a complementary measure to any due diligence requirement, the Government could consider the introduction of specific forced labour import bans, as adopted in other jurisdictions such as the US,<sup>9</sup> Canada,<sup>10</sup> Mexico<sup>11</sup> and the EU.<sup>12</sup> Combined with strong due diligence policies, including government guidance for undertakings in scope, this instruments has been proven effective in changing companies' behaviour away from the exploitation of forced labour.<sup>13</sup>

The PRI supports the Government's commitment to initiating targeted consultations on the issue under Stream B. The consultation should be broad to ensure full stakeholder participation. The PRI stands ready to support the Australian Government by presenting our signatories' views on how to ensure that due diligence requirements are proportionate, practicable and effective.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Australian Government further to address key human rights and social issues in Australia.*

Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).

More information on [www.unpri.org](http://www.unpri.org)

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<sup>9</sup> US Government (2021) [Public Law 117 - 78](#)

<sup>10</sup> Government of Canada (2020) [Customs Tariff \(S.C. 1997, c. 36\)](#)

<sup>11</sup> Government of Mexico (2023) [Acuerdo que establece las mercancías cuya importación está sujeta a regulación a cargo de la Secretaría del Trabajo y Previsión Social.](#)

<sup>12</sup> European Union (2024) [Regulation \(EU\) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market and amending Directive \(EU\) 2019/1937.](#)

<sup>13</sup> Modern Slavery PEC (2025) [Effectiveness of forced labour import bans.](#)