



WALK FREE

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Climate Disclosure Unit
Market Conduct Division
The Treasury
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Dear Sir or Madam,

Walk Free is an international human rights organisation working to eradicate modern slavery in all its forms.¹ This begins with building a robust evidence base to hold government and business to account. We engage with political, business, religious, and community leaders and invest in direct implementation through our civil society partners to drive systems change and dismantle the drivers of modern slavery.

Climate change and human rights are inextricably linked. Any reporting framework that considers the impacts of climate change on business must explicitly include the related human rights impacts on workers and communities. This ranges from forced labour supply chain risks as we transition to a green economy, through to increased vulnerability to trafficking and slavery as result of climate-induced displacement and forced migration. Walk Free welcomes the opportunity to provide feedback and comments on the Australian Treasury's climate-related financial disclosure consultation paper. We thank you for allowing us a short extension of time to make our submission.

In September 2022, Walk Free, with the International Labour Organization (ILO) and International Organization for Migration (IOM), released the latest Global Estimates of Modern Slavery (GEMS).² GEMS found that there are 49.6 million people living in situations of modern slavery on any given day in 2021 – an increase of almost 10 million people since 2016. Asia and the Pacific has the highest number of people living in modern slavery compared to any other region, with 29.3 million people – 15.1 million of whom are in forced labour. GEMS was released in the context of compounding crises including climate change, as well as the COVID-19 pandemic and armed conflicts. These crises have led to unprecedented disruption to employment and education, and increases in poverty, forced and unsafe migration and in reports of gender-based violence – together serving to heighten the risk of all forms of modern slavery.

Climate change is the most pressing human rights issue of our era. The physical and transition risks of climate change are already causing adverse human rights impacts on a wide range of fundamental rights like the right to housing, work, food, water, and sanitation. Sudden-onset events like bushfires and slow-onset events like sea-level rises can trigger rapid displacement or ongoing migration. Rising temperatures worsen worker health and safety conditions, creating higher risks of injury and death. Moreover, the transition from a fossil fuel-based to a green economy drives the risk of exploitation. Forced labour of adults and children has been identified at key stages of rapidly growing renewable energy value chains, such as extracting raw materials and manufacturing key components. Closing fossil-fuel industries without providing workers with a just transition to new jobs also harbours the potential to leave them and their communities stranded. These climate-related risks and human

rights impacts can increase vulnerability to human trafficking and other forms of modern slavery like debt bondage and forced labour.

Walk Free believes that meaningful sustainability reporting is one approach by which listed companies can improve assessing and addressing significant and urgent sustainability and environmental, social and governance (ESG) issues such as human trafficking and modern slavery. Ultimately, sustainability issues are connected in many ways and the frameworks for reporting them should not be developed in isolation. We would like to suggest a number of key principles in response to Question 17 of the consultation paper to ensure that flexibility is incorporated into designing climate reporting, and that this flexibility allows for the necessary future evolution of sustainability reporting in Australia.³

- 1. Australia should introduce mandatory sustainability reporting for listed companies that forms the basis for reporting and accompanying standards.** Currently, ASX Listing Rule 4.10.3 requires all listed companies to publish an annual corporate governance statement that discloses the extent to which they have followed the ASX's Corporate Governance Council's Principles and Recommendations. Recommendation 7.4 states that a "a listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks."⁴ Listed entities that do not follow a particular recommendation are only required to disclose that fact and provide the reasons why (i.e. comply or explain reporting). Further, the ASX does not prescribe the reporting standards to be used or provide its own authoritative reporting guide. The UN Sustainable Stock Exchanges Initiative database identifies that many stock exchanges have introduced mandatory sustainability reporting as a listing rule.⁵ For example, the Thailand Securities and Exchange Commission (SEC) mandates sustainability reporting in its 56-1 One Report (One Report) annual public filing. Walk Free has published a modern slavery guidance with the Stock Exchange of Thailand (SET) and Finance Against Slavery and Trafficking (FAST) initiative to assist Thailand listed companies report on modern slavery action under the One Report.⁶
- 2. Reporting standards should integrate the full range of sustainability and ESG issues from the start and be sufficiently flexible to allow new issues to be added as they are identified.** The European Commission (EC) has adopted a more comprehensive approach, for instance, by addressing other sustainability topics in its draft European Sustainability Reporting Standards (ESRS).⁷ More specifically, the draft ESRS contained indicators for modern-slavery related reporting on a company's own workforce, its workers in the value chain, and its consumers and end-users.
- 3. Significant and urgent social issues such as human trafficking and modern slavery should be deemed material from the beginning to ensure that they are subject to mandatory reporting.** The stock exchange community is starting to move towards deeming materiality for certain sustainability topics. Last year, Bursa Malaysia – Malaysia's bourse - published enhanced sustainability reporting requirements incorporating a common set of prescribed sustainability matters and indicators that are deemed material for all listed issuers.⁸ Importantly, these common sustainability matters include labour practices and standards and supply chain management.
- 4. Sustainability reporting materiality assessment should be in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises.** The UNGPs are the most authoritative international framework on the relationship between business and human rights.⁹ They establish that corporations have a

responsibility to respect human rights, including the freedom from slavery and right to liberty and the prohibitions on forced labour and child labour. To implement that responsibility, businesses should put in place a human rights policy, conduct human rights due diligence, and provide access to remedy depending on their relationship to any harm. The human rights due diligence process explained in the UNGPs should be used to identify if actual or potential human rights issues are material (if not already been deemed material). The process should comprise assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. The OECD Due Diligence Guidance for Responsible Business Conduct is also an important reference for designing due diligence.¹⁰

5. **Materiality assessment using human rights due diligence should involve meaningful consultation with stakeholders, including affected workers.** The UNGPs recommend that businesses should conduct “meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation” to identify and assess any actual or potential adverse human rights impacts.
6. **Sustainability reporting standards should be interoperable.** Existing and new international sustainability standards such as Global Reporting Initiative (GRI) and International Sustainability Standards Board (ISSB), and emerging national and regional sustainability standards like this climate reporting disclosure and ESRS, should all be interoperable to ensure comparability between disclosures. Different and competing sustainability standards will increase the burden on business to report and most likely decrease the meaningfulness of their reporting, affect the reliance that investors place on reporting for investment and engagement, and limit the ability of civil society to hold business accountable through greater transparency. With aligned sustainability reporting frameworks, listed companies should make consistent disclosures wherever they are required to report. Moreover, they should then be better placed to invest further resources to go beyond mere reporting to taking effective action to assess and address material sustainability issues in their value chains. With the right standards and guidance, they should also be supported to find, fix, and prevent human trafficking and modern slavery, including in the context of climate risks and climate-related adverse human rights impacts.

We look forward to engaging with Treasury further as this disclosure framework, and other elements of Australia’s approach to sustainable finance, are developed to ensure human trafficking and modern slavery issues are integrated comprehensively.

Sincerely,

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¹ For more detail, see www.walkfree.org. The term modern slavery covers a set of specific legal concepts including human trafficking, forced labour, debt bondage, forced or servile marriage, slavery and slavery-like practices, and the sale and exploitation of children. Although modern slavery is not defined in law, it is used as an umbrella term that focuses attention on the commonalities across these legal concepts. Essentially, it refers to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power.

² Walk Free, International Labour Organization & International Organization for Migration 2022, *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage*. Available from: https://cdn.walkfree.org/content/uploads/2022/09/12142341/GEMS-2022_Report_EN_V8.pdf.

³ Question 17 of the climate-related financial disclosure consultation paper states: “While the focus of this reform is on climate reporting, how much should flexibility to incorporate the growth of other sustainability reporting be considered in the practical design of these reforms?”

⁴ <https://sseinitiative.org/stock-exchange/asx/>

⁵ <https://sseinitiative.org/exchanges-filter-search/>

⁶ Walk Free, *Guidance on Modern Slavery Risks for Thai Businesses*. Available from:

<https://www.walkfree.org/resources/guidance-on-modern-slavery-risks-for-thai-businesses/>

⁷ <https://www.efrag.org/Activities/2105191406363055/Sustainability-reporting-standards-interim-draft>

⁸ Bursa Malaysia, *Bursa Malaysia enhances sustainability reporting framework with new climate change reporting*. Available from:

https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5c11a9db758f8d31544574c6/63312a2439fba20d86ba8e16/files/26Sept_2022_Bursa_Malaysia_Enhances_Sustainability_Reporting_Framework_With_New_Climate_Change_Reporting.pdf?1664169009

⁹ United Nations Human Rights Office of the High Commissioner, *Guiding Principles on Business and Human Rights*. Available from:

https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

¹⁰ OECD, *OECD Due Diligence Guidance for Responsible Business Conduct*. Available from:

<http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>