



# Modern slavery: what Aotearoa New Zealand organisations need to know

Modern slavery is increasingly a risk for businesses, both as they work to align with the ethical values of their shareholders, customers and wider society, and for the risks modern slavery poses to their reputation, legal compliance, and investment outlook. Addressing modern slavery is a key part of the ‘S’ of the ESG landscape, impacting company strategy, business model, and brand – as well as supply chain sustainability.

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# What is modern slavery?

Modern slavery is an umbrella term used to cover slavery, servitude, forced or compulsory labour and human trafficking, which are defined by several international standards, and sit at the extreme end of a spectrum of labour exploitation.

Interconnected global supply chains link modern slavery practices in less regulated or economically developed countries, with manufacturing and consumer markets in developed countries, including Aotearoa New Zealand. Alongside this, global labour migration is a key factor in where and how modern slavery is perpetuated. Due to layers of complex social and economic factors, few countries are free of modern slavery.

However, global interconnectedness is also a driver for change. Increasingly consumers are informed about global issues and feel empowered to use their consumer choices to align with rapidly-developing global social and environmental consciousness.

Responding to these forces, Aotearoa New Zealand consumers and business leaders are supporting the global movement for legislation mandating supply chain transparency and border protections to address modern slavery. Legislative changes are also signalled through New Zealand's ratification of the 2019 international Forced Labour Protocol, which requires signatories to develop a Plan of Action. The New Zealand Government has a proposed legislative response to modern slavery, as part of its five-year [Plan of Action](#) that started in 2021. If adopted, this would see many companies required to report on actions to address modern slavery, and some to conduct and disclose due diligence on modern slavery in their supply chains.

Businesses in Aotearoa New Zealand have the opportunity to proactively consider and robustly manage the risk of modern slavery, before legislation is passed.

# Understanding modern slavery in Aotearoa New Zealand

The New Zealand Government's recent consultation defined modern slavery as: "severe exploitation that a person cannot leave due to threats, violence or deception". It includes "forced labour, debt bondage, forced marriage, slavery, and human trafficking." It also uses a definition of worker exploitation as "non-minor breaches of employment standards in New Zealand".

This means that in Aotearoa New Zealand, modern slavery sits at the extreme end of a spectrum of conditions that are illegal here under employment and immigration law. Being aware of these definitions is an important step to addressing how modern slavery is relevant and important to Aotearoa New Zealand businesses. At one end there are breaches of employment law, such as requiring someone to pay to receive a job, while the other end of the spectrum includes the type of practices described below:



## Forced labour

Any work or service which people are forced to do against their will, under threat of punishment.



## Debt bondage

Workers must repay a debt and are not able to leave until the debt is fully paid.



## Child labour

Work that deprives children of their childhood, potential, and dignity, and that is harmful to physical and mental development.



## Sexual exploitation

Sexual exploitation of adults, imposed by private agents for commercial purposes, and all forms of commercial sexual exploitation of children.



## Human trafficking

The use of violence, threats or coercion to transport, recruit or harbor people in order to exploit them for purposes such as forced prostitution, labour, criminality, marriage or organ removal.

In 2018, the international anti-slavery NGO Walk Free estimated that 3,000 people were at that time in slavery in New Zealand.

Research from Auckland University's Centre for Modern Slavery explores what modern slavery looks like, highlighting sectors and industries in Aotearoa New Zealand where labour exploitation rates remain persistently high. These include agriculture, horticulture and viticulture, construction, hospitality, international education and telecommunications.

This report noted that industries highly reliant on migrant labour are especially susceptible, due to immigration policies that tie a migrant to their employer as a condition of their work entitlements, and cultural drivers where speaking up against an employment hierarchy is discouraged. With post-Covid border openings, domestic NGOs are again concerned that the prevalence of slavery in Aotearoa New Zealand will increase.



## The human face of slavery through migrant labour in Aotearoa New Zealand

Giving modern slavery a human face is important where the language of modern slavery can often be full of legal jargon without capturing the very human impact of the issue.

In 2019, Walk Free reported on the particular risks that migrants face and the factors that make migrants more vulnerable, often because they have a different relationship with the Government and society compared to residents. The report identified that having a system of tied visas – where a migrant can only work for the employee listed on their visa – gives great power, which a minority of employers may abuse.

Aotearoa New Zealand's first case of convicted human trafficking and slavery involved Samoan chief, Joseph Agua Matamata, who brought 13 Samoans into the country with the promise of higher-paid work. They were then forced to work excessive hours without pay, including in Matamata's personal home, and were subject to violence which left scars and created an environment of intimidation and fear. Victims were aged between 12 and 50 years old, with one telling the court "He has taken our dreams and lied to us... He has shattered our dreams." In this case, Matamata exploited the respect that the victims had for him as a Samoan chief which led to the crime going unreported for more than two decades.

## Sustainable supply chains

New Zealanders and New Zealand businesses are also directly – and usually unknowingly – impacted by slavery occurring overseas, through imports and supply chains. [World Vision's 2019](#) research states that households in Aotearoa New Zealand spend an average of \$34 per week on industries with products linked to slavery. This refers to products made in factories or harvesting processes, with slavery in working conditions. This amounts to \$3.1 billion per year, or 5%, of slavery linked products being imported by New Zealanders. World Vision reports that these imports originate predominantly from China, but also Vietnam, Malaysia, and Bangladesh. Worldwide, 40.3 million people are in modern slavery and 24.9 million are in forced labour, based on 2017 estimates from the International Labour Organization.

As an ESG issue, companies should consider modern slavery when they consider the social impact of their operations. For example, combating modern slavery is a component of the Sustainable Development Goals, which are used as a framework for businesses looking to demonstrate their contribution to achieving sustainability. Addressing modern slavery is also part of human rights due diligence, which means identifying, preventing, mitigating and accounting for organisations' modern slavery impacts. One aspect of this is the [United Nations Guiding Principles \(UNGP\)](#), a global standard established for companies in respect to human rights obligations. The UNGP calls on companies to 'know and show' they are upholding human rights through the UNGP Reporting Framework and Guidance for Business and Human Rights.



# Why is modern slavery an important issue for businesses in Aotearoa?

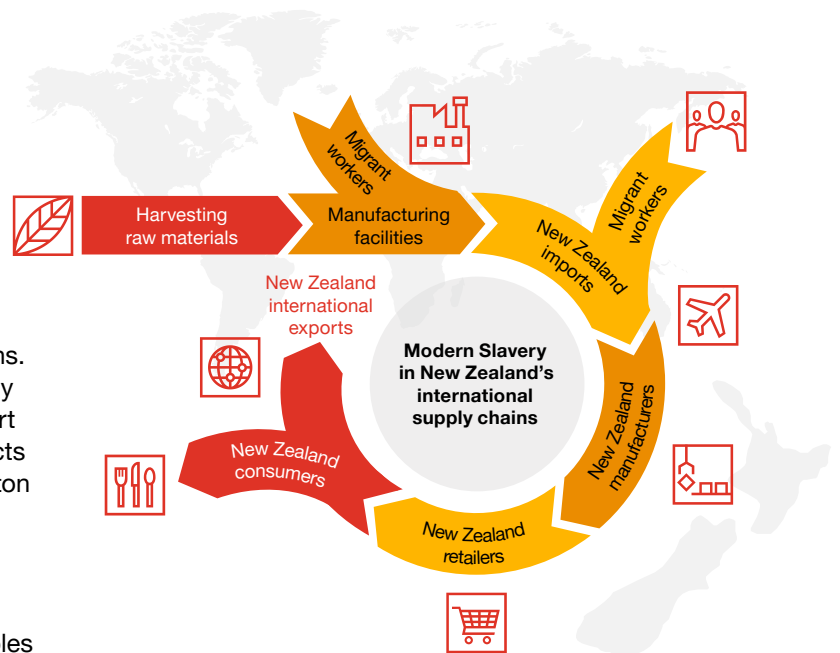
Aside from organisations looking to do the right thing, managing modern slavery risk is important as a means to manage reputational risk, adhere to international standards and laws, meet investor expectations and as part of talent retention.

Because of the higher risks associated with imports, some businesses will be more exposed based on the nature of their overseas supply chains. For example, modern slavery within palm oil supply chains impact New Zealand businesses that import agricultural feedstock or manufacture food products such as chocolate, in Aotearoa New Zealand. Cotton products produced in China's Xinjiang region are now barred from being imported into the USA due to forced labour concerns, which can impact New Zealand businesses importing cotton for products destined for USA markets. These examples illustrate the need to understand if the raw materials in products might be of concern not only here, but to international market destinations.

The importance of these risks to the Aotearoa New Zealand business community was highlighted by a number of influential businesses including ASB, Contact Energy, The Warehouse and Westpac. These organisations joined a World Vision and TradeAid campaign in 2021, [signing a letter to government](#) calling for an inquiry into establishing a Modern Slavery Act in Aotearoa New Zealand.

Reputational risk is coming from consumers, who are increasingly asking for transparency across the supply chain. Consumers want to ensure their purchases meet personal ethical standards and are increasingly sensitive to allegations of modern slavery. In response to consumer demand for transparency, the European Union and Japan are looking towards a mandatory due diligence duty to identify, prevent and mitigate negative human rights impacts in their supply chains.

As well as risk from consumers, there is reputational risk to export-based businesses on the international trade stage. The [Walk Free Global Slavery Index](#) scores Aotearoa New Zealand six out of ten in terms of government action and modern slavery risk factors.



MODERN SLAVERY IN AOTEAROA NEW ZEALAND'S INTERNATIONAL SUPPLY CHAIN.

This was also the message from the US State Department's 2021 Traffic in Persons (TIP) Report, where they [lowered New Zealand's rating](#) from tier one to tier two, signifying a failure to meet their minimum standards, and recommending we strengthen our approach. These rankings represent international signals that Aotearoa New Zealand has improvements to make, and suggests a competitive disadvantage could occur when competing for trade with higher-ranking countries such as Australia, France, the Netherlands, Sweden, the UK and USA – which all get top marks in both systems.

There are also concerns around competition – companies ensuring modern slavery is not part of their supply chain feel they are at a competitive disadvantage without tougher checks and balances on modern slavery in place. This is recognised in the Government's current Plan of Action workstream.

The risks that modern slavery poses are also being [recognised by investors](#), who are putting more pressure across their investment portfolios to manage modern slavery risks. As an indication of the size of this trend, the ['Coalition of 88' investor group](#), which represents \$5.3 trillion assets under management, has adopted the UNGP Reporting Framework to manage and reduce modern slavery risks across their portfolios.





## Legislation on the horizon

With legislation approaching, businesses should proactively consider how modern slavery could show up in their business. While Aotearoa New Zealand doesn't yet require companies to have transparency on slavery within their supply chain, key trading partners including Australia, the USA and the United Kingdom do. Legislation was proposed by the Canadian Government in 2020, the European Commission has adopted a proposal for a Directive on corporate sustainability due diligence, and forms of due diligence legislation are emerging in France, Germany, Japan, the Netherlands and Norway.

Proposals in the Aotearoa New Zealand government consultation signal a push towards stronger measures. In both Australia and the UK, current measures are seen as insufficient, with legislation in Australia criticised by some as allowing companies to shirk mandatory reporting requirements, and responsibilities to identify, disclose and address obvious modern slavery risks. For Aotearoa New Zealand businesses, these act as clear indications of what businesses need to focus on for a future-proof approach to modern slavery.

The Aotearoa New Zealand government consultation proposes revenue-based graduated requirements with the strongest applying to entities with over \$50 million annual revenue. Proposed scope includes both modern slavery as well as worker exploitation, and reaches to companies within large investment management entities' portfolios. Entities in the >\$50m category will have due diligence obligations to prevent, mitigate and remedy modern slavery and worker exploitation. What 'remedy' means and whether it should be required is a subject of the consultation.

Proposed scope includes both modern slavery as well as worker exploitation and reaches to companies within large investment management entities' portfolios. These proposed changes are similar to legislation already in place in the UK and Australia, but notably expand on the scale and scope of reporting. This makes them more in line with international trends for stronger legislative action focused more on due diligence requirements, such as those proposed in France and Norway.

# Future-proofing business against modern slavery: from reporting, to business integration – first steps for business

## Build understanding

The first step is to start with your own understanding including a basic awareness of the issues, emerging market trends, oversight requirements and how modern slavery issues can manifest in operations and supply chains (see Red Flags, in the box below). This will help set the pathway towards business integration.



### RED FLAGS FOR BUSINESS

#### Recruitment & hiring

- Long chain of labour recruiters
- Excessive recruitment fees
- Significant debts incurred through fees paid during recruitment

#### Contracts

- Absence of formal contract
- Irregular contract provisions, e.g. no holiday leave, no indication of normal work hours
- Irregular salary deductions

#### Employment

- Excessive working hours
- Restriction of communication, e.g. confiscating mobile phones
- Restriction on freedom of movement, e.g. removal of passports, locking workers in the workplace or living quarters

#### Financial transactions

- Relatively high or recurrent expenditure on items inconsistent with stated business activity
- Payments to labour agencies or recruiters
- Payments to hotels, airlines, car rental or travel agent which are inconsistent with customer's business activity

Note: based on [Walk Free Foundation](#)

## Analyse and set your pathway

Set your pathway and your expectations for progress. How does your company compare to your industry? What emerging practices are important for your company to integrate and adapt? What are your expectations for progress and leadership?

The processes of integration will take time, require new skills and will be built on standards, systems and practices. Building a progressive roadmap with an eye on your desired end-state is key. This process can begin with a maturity assessment involving supply chain mapping, supply chain risk assessment, or suppliers and material issue engagements.

## Begin to think about what you will tell stakeholders

Start to consider how your organisation might want to describe its journey to stakeholders through public disclosures, what might this look like?

The actions outlined above (as well as other actions) provide the foundation of work to disclose via modern slavery and corporate ESG reporting. The measures taken, learnings, timelines and pathways all illustrate progress towards modern slavery elimination.

# How PwC can help

More than ever, businesses are being judged by a wide range of stakeholders on how they deal with ESG issues. There are a number of steps businesses can take to prepare for upcoming modern slavery legislation. Taking measures to future-proof supply chains from modern slavery issues presents challenges and opportunities for business.

We have the resources and expertise to assist your organisation with upskilling staff and senior management, mapping supply chains, and assessing and delivering strategies to manage organisational risk.

Please contact us to discuss how we can support your organisation.

## Sustainability and Climate Change



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CHARTRES**  
Partner



**ANDREW  
JAMIESON**  
Partner



**VICTORIA  
HATTON**  
Director



**JEREMY  
PREPSCIUS**  
Managing Director  
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**JADE  
COLLINS**  
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**CHRIS  
BALDROCK**  
Director



**ELENA  
KIM**  
Director

## Risk

## Legal



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