



1 December 2023

Sustainable Finance Unit
Climate and Energy Division
Treasury
Langton Cres
Parkes ACT 2600
sustainablefinanceconsultation@treasury.gov.au

Dear Sir or Madam,

We are writing in relation to the Australian government's Sustainable Finance Consultation¹ and to advocate strongly that social issues, including modern slavery, should be included in the Sustainable Finance Strategy alongside climate issues.

Walk Free is an international human rights group working to accelerate the end of all forms of modern slavery. Walk Free is the creator of the Global Slavery Index,² the world's most comprehensive data set on modern slavery. Walk Free uses this data to mobilize powerful forces for change against these human rights abuses. Walk Free works with governments and regulators, businesses and investors, and faith and community leaders to drive systems change and partners directly with frontline organizations to impact the lives of those vulnerable to modern slavery. Walk Free works with survivors to build the movement to end modern slavery, recognising that lived experience is expertise and that survivors are central to identifying lasting solutions.

In 2022, Walk Free, with the International Labour Organization (ILO) and International Organization for Migration (IOM), released the latest *Global Estimates on Modern Slavery* (GEMS).³ GEMS found there were 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 had 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, 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 – which together serve to heighten the risk of all forms of modern slavery.

Walk Free welcomes the Australian government's commitment to developing a Sustainable Finance Strategy. We believe guiding all types of investment activities more overtly and comprehensively to achieve much-needed sustainability outcomes is essential to meeting the world's major environmental, economic and social goals, such as a green economy, the just transition and decent work for everyone. Many of the countries where we work have introduced or are considering adopting some or all the generally recognised elements of a thorough sustainable finance strategy; for example, mandatory sustainability reporting for listed companies,⁴ human rights and environment due diligence law for large companies,⁵ and green, social or sustainability taxonomies.⁶

We understand the government's initial approach is to build frameworks for climate-related issues, which can be expanded to other thematic issues in time. However, we argue all important social issues, including modern slavery, should be built in from the start. Environmental, social and

governance (ESG) issues are too closely linked to address them separately or sequentially. The concept of the just transition in climate instruments, for instance, is clear recognition from the international community that climate change impacts workers, their families and communities.

We recently published two reports that highlight the linkages between climate change and modern slavery. Our *Bridging ESG Silos: The Intersection of Climate Change and Modern Slavery* report, with AllianceBernstein, identifies seven pathways between climate change, the energy transition and modern slavery.⁷ It offers a framework for investors to conduct integrated risk assessment going forward. Our *Beyond Compliance in the Renewable Energy Sector* reviews renewable energy company modern slavery statements and finds that both legal compliance and reporting quality is extremely poor.⁸ We found renewable energy-only companies perform worse than mixed energy companies. There are well-known human rights risks, including child and forced labour, associated with renewable energy supply chains – from solar and wind technologies to battery storage. Renewable energy supply chains will need to scale-up substantially to meet decarbonisation goals and it is essential that these widespread social impacts are considered alongside climate-related risks as part of the Sustainable Finance Strategy.

Accordingly, we request the Australian government move forward expeditiously on the following:

1. Strong minimum social safeguards provisions in the planned sustainable finance taxonomy that include modern slavery safeguards based on the relevant international standards, particularly the UN Guiding Principles on Business and Human Rights,⁹ ILO Declaration on Fundamental Principles and Rights at Work,¹⁰ Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children,¹¹ OECD Guidelines for Multinational Enterprises on Responsible Business Conduct,¹² and IFC Performance Standard 2.¹³
2. Standardised mandatory disclosure of social financial opportunities and risks to complement the forthcoming mandatory climate reporting requirements. There are numerous good practice references for developing social indicators including modern slavery. For example, the Global Reporting Initiative standards include social topics on child and forced labour.¹⁴ The Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) initiative published core modern slavery metrics.¹⁵ Prospectively, the International Sustainability Standards Board might prioritise researching human capital or human rights in its two-year agenda.¹⁶
3. A social taxonomy to support the sustainable finance taxonomy, with a mandatory reporting requirement for greater transparency on all investments. Given the EU recently shelved its proposed social taxonomy, Australia has a unique opportunity to become a global leader in setting a benchmark for social taxonomy.¹⁷

In closing, we further request these social elements be incorporated into the Sustainable Finance Strategy, with clear timelines and consultation procedures for development and implementation.

Yours Sincerely,
Matthew Coghlan
Financial Sector Engagement Manager

¹ [Sustainable Finance Strategy | Treasury.gov.au](#)

² <https://www.walkfree.org/global-slavery-index/>

³ <https://www.walkfree.org/reports/global-estimates-of-modern-slavery-2022/>

⁴ See the SSE initiative Stock Exchange Database for stock exchanges with ESG reporting required as a listing rule: [Stock Exchange | Sustainable Stock Exchanges \(sseinitiative.org\)](#)

