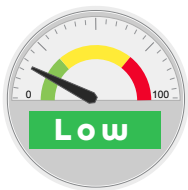




Financial Services

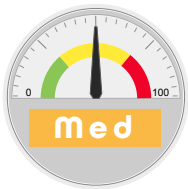
High Risk of Modern Slavery

Direct operational risk



Financial service providers have a minimal risk of modern slavery within their direct business operations as they rely on a highly skilled professional workforce.

Supply chain risk



Companies are exposed to modern slavery risk through the corporate and operational procurement of their goods and services.

Servicing customers



Financial services providers have a high risk of unintentionally facilitating modern slavery through the servicing of their customers.

Risk Factors

Lack of transparency in supply chains

Financial services providers are exposed to modern slavery risks within their supply chains (IT procurement, E-waste disposal and the purchase of promotional merchandise). This also extends to the outsourcing of services including the management of facilities, logistics and the “off-shoring” of business processes (e.g. call centers).

Low-tier suppliers in high-risk geographies

Modern slavery risks are most prevalent in the procurement of IT hardware in which the raw material extraction, manufacturing and disposal stages often involve a vulnerable workforce in high-risk countries.

Customers utilising services for criminal purposes

Financial institutions are at risk of inadvertently facilitating modern slavery, as illegal profits are often laundered through legitimate financial services. This extends to lending and insuring customers that may have hidden risks of modern slavery within their business practices.



Building on Business Practices



Engage

Education and commitment

- Provide **training** for staff and suppliers to build awareness about modern slavery risks and impacts.
- Create a **working group** to action changes within a company's processes, systems, and supply chains.

Assess

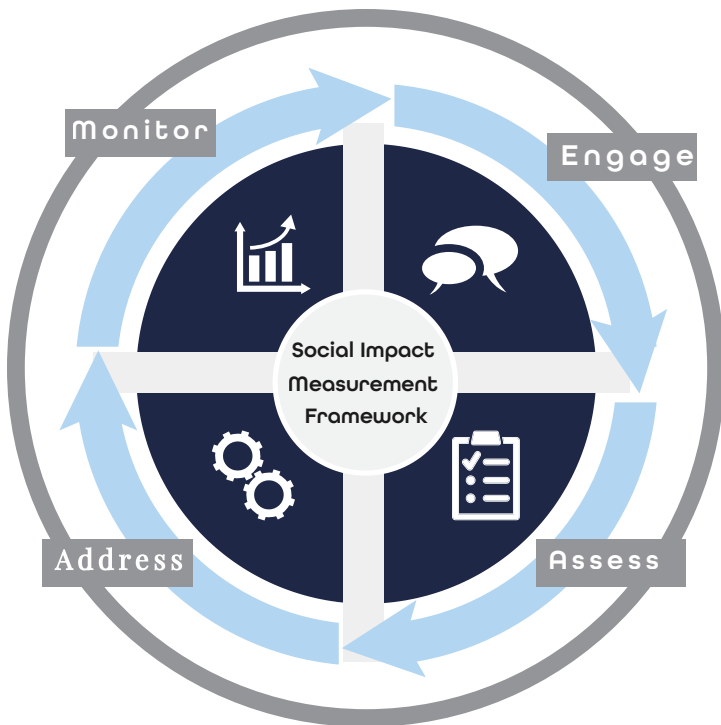
Map operational and supply chain risks

- **Map** the organisation's structure, businesses, and supply chains.
- Perform a **risk assessment** – identifying those parts of the business operations and supply chains where there is a risk of modern slavery.
- **Investigate** high-risk suppliers by carrying out further due diligence.
- Formulate **policies** in relation to modern slavery – this will involve collating current policies, identifying gaps, adapting existing policies and formulating new policies, as needed.

Address

Mitigate risk and build capacity

- **Engage** with suppliers to strengthen understanding of modern slavery and build capacity.
- Improve **purchasing practices** (such as forecasting, contract negotiations, and prompt payment to suppliers) to alleviate undue pressure on suppliers.
- Use **positive leverage** and incentives to encourage and reward the provision of stronger labour standards by suppliers.
- Ensure **third-party recruitment agencies** are ethical and certified.
- Develop **remediation** policies to outline actions required and carrying out those remedial steps if cases of modern slavery are identified.



Monitor

- Elevate worker's voice (both internally and externally) through access to credible grievance systems including whistle-blower mechanisms.
- Establish processes and KPIs to monitor the effectiveness of the steps taken to address modern slavery risk.



Case Study



Partnerships to prevent human trafficking

According to the U.S. Department of State, in recent years the sharing of information between law enforcement and financial institutions, as well as survivors of human trafficking has improved the understanding of the strategies of human traffickers.

PayPal and Polaris - an NGO based in the U.S - partnered to create its Financial Intelligence Unit (FIU), which combines communities of anti-money laundering, banking, and law enforcement with expertise in the anti-trafficking field to prevent trafficker cash flows and enable prosecutions for financial crimes.

The FIU holds regular meetings that representatives of financial institutions attend to analyse case studies, industry trends and potential solutions to inform stakeholders of anti-money laundering investigations related to human trafficking.

Opportunity

Financial sector providers have unparalleled influence over global business and can actively disrupt modern slavery practices by identifying red flags, carrying out due diligence on customers, reporting suspicious transactions and working closely with law enforcement agencies and anti-money laundering task forces. Companies within this sector are uniquely positioned to go beyond eliminating risk to actively fighting against the role slavery plays in today's economy.

Sector Collaboration:

Finance Against Trafficking and Slavery has high-quality resources available to assist businesses aspiring to fight modern slavery within the financial sector.

[READ MORE](#)



Obligations under the Australian Modern Slavery Act

While the Australian Modern Slavery Act does not currently require institutions to report on risks relating to their customers, there is growing pressure on financial service providers to address modern slavery risks across their entire value chain, including their investments, insurance products and customers. Reflecting this concern, some banks are reporting under the UK Modern Slavery Act on what measures they have introduced in this area.

 READ MORE

Further questions

1300 317 426

info@unchainedsolutions.com.au



Additional Resources



Modern Slavery: A Resource Guide for the Banking Industry
Mekong Club – Fighting the business of slavery



A Blueprint for Mobilising Finance Against Slavery and Trafficking



Modern Slavery Typologies for Financial Service Providers
Mekong Club – Fighting the business of slavery

Mekong Club, (2016), *Modern Slavery: A Resource Guide For the Banking Industry*. https://themekongclub.org/wp-content/uploads/2017/11/Relationship-Manager-Training-Manual_final.pdf

U.S Department of State, (2023), *2023 Trafficking in Persons Report*. <https://www.state.gov/reports/2023-trafficking-in-persons-report/>.

