Modern slavery in the geopolitical crossfire

What competing laws mean for Australian companies and investors

Rachel Alembakis

When investors frame the conversation about the risks of modern slavery, we tend to cite a common set of facts and a common set of arguments as to why modern slavery and other forms of human rights exploitation can bear a financial cost as well as a pose a moral challenge.

Modern slavery is an umbrella term used to describe serious forms of exploitation, including forced labour, debt bondage, servitude, forced marriage and human trafficking. Under Australia's *Modern Slavery Act 2018* (Cth), reporting entities with more than $100m in annual revenue are required to identify and disclose the risks of modern slavery in their operations and supply chains and describe the actions taken to address those risks.

As a responsible investor, U Ethical considers modern slavery risk as part of its broader assessment of environmental, social and governance (ESG) risks that may affect the long-term sustainability and value of investments.

The statistics are stark and widely acknowledged as estimates at best. According to Walk Free's Global Slavery Index 2023, 50 million people are experiencing modern slavery, with a further 28 million in forced labour as of 2021.[1] Asia and the Pacific are particularly exposed to modern slavery, with Walk Free reporting that in our home region, an estimated 29.3 million people were living in modern slavery and 15 million people experienced forced labour during the same time period.

These are the most up-to-date estimates, but there is no reason to believe that fewer people are experiencing modern slavery and forced labour in 2026 than five years ago.

These facts are marshalled into the arguments as to why investors should have a regard to how portfolio companies manage modern slavery and wider human rights issues across their value chains, as encapsulated in the Responsible Investment Association Australasia's Human Rights in in Global Value Chains Investor Toolkit[2]:

From an investor perspective, some of the key financial impacts include brand damage, which can lead to loss of sales, and reputational issues, which can be hard to quantify. Given that market value is increasingly made up of intangible drivers, including brand and customer / supplier relationships, human rights issues can be material and can therefore impact valuation multiples.

Modern slavery: Global scourge, company-specific risk

Modern slavery and other human rights issues are systemic issues, meaning that they have to be uncovered, fixed and prevented through management action up and down value chains as well as managed through legislation and regulation that mandates that disclosure and management. The Global Slavery Index also noted that as of 2023, US$468 billion of goods imported into G20 countries were at risk of having been manufactured using modern slavery, covering a broad range of goods including electronics, garments, palm oil, solar panels and textiles.

Numerous case studies have shown that companies that do not find, fix and prevent modern slavery in their value chains can suffer reputational damage that distracts management and impacts staff engagement and business to business relationships, and that companies whose value chains rely on exploited or underpaid labour, and illegal activities such as modern slavery are less likely to produce sustainable earnings.

Investors have also commonly cited a third risk of modern slavery and labour exploitation: companies that do not manage these practices can be vulnerable to external shocks such as geopolitical events, natural disasters and other environmental catastrophes and events such as pandemics, as seen during the COVID-19 era.

It is this third risk—particularly geopolitical events—that is the subject of this whitepaper. Events in 2026 have shown that in an increasingly volatile and fragmented global order where economic tools such as tariffs have been deployed and competing approaches to supply chain transparency are on a collision course with modern slavery regimes, companies and investors are left to pick a delicate path.

Competing legislation leading to destabilisation

A quick timeline recap—Australia's Modern Slavery Act (MSA) was brought into effect in late 2018 and has primarily served as a reporting and transparency act, with entities with revenue greater than AU$100m/year disclosing their risks of modern slavery and how those risks are managed. While considered leading edge globally at the time, six years on, success has been mixed in that while entities are disclosing more, it has not led to holistic management of business risk of modern slavery and forced labour in value chains.

In 2023, Professor John McMillan conducted a review of the act and made 30 recommendations to enhance the aims of the MSA. In 2024, the Albanese government accepted 25 of the 30 recommendations of the review, including the establishment of an Australian Anti-Slavery Commissioner, with Chris Evans commencing his first five-year term in December 2024. The other major recommendations were in progress of consultation with stakeholders, but no reform action had been made until earlier this year.[3]

Modern slavery in the trade policy spotlight

In June 2026, the United States Trade Representative (USTR) announced the conclusion of investigations, conducted under Section 301 of the Trade Act of 1974, into Australia and 59 other counties over alleged failure to prohibit imports produced with forced labour. The USTR proposed an additional 12.5% tariff on most Australian products (and products from 53 other countries) under Section 301, while a further six countries were assigned a lower additional tariff of 10%. The new tariffs came into effect in late July 2026.[4]

In mid-July, the Albanese government announced new proposed changes to the MSA, including a criminal 'failure-to-prevent' offence for boards and management of companies that fail to prevent modern slavery, new civil penalties for failing to comply with reporting obligations of the MSA, a new mandatory human rights due diligence requirement, and clauses to empower the Anti-Slavery Commissioner to designate products, service or industries as high risk. The proposed changes did not include an import ban on products deemed made with forced labour.[5]

As of the date of publication of this paper, the proposed changes have not been put to Parliament or passed.

However, the US and Australia are not the only countries changing the rules of the game when it comes to the reporting and management of modern slavery and forced labour.

In April 2026, China issued new Regulations on Industrial and Supply Chain Security (Decree 834) and Regulations on Countering Foreign Improper Extraterritorial Jurisdiction (Decree 835). These measures expand Beijing's powers to investigate companies conducting supply chain investigations and responding to foreign sanctions, including those relating to modern slavery and forced labour.

Law firm Linklaters recently provided analysis of the impact of the regulations, noting that Decree 834:

Prohibits illegal supply chain investigations and information-gathering by foreign entities in China. This is relevant for multinationals conducting supply chain due diligence - for instance, under the EU Corporate Sustainability Due Diligence Directive. Standard questionnaires and on-site inspections should be reviewed to avoid soliciting sensitive information (for example, important data, core data, or state secrets) that could attract scrutiny under national security rules.[6]

We see it as almost Newtonian in its anticipated outcome—immovable force meets immobile object. As we analyse how Australian companies respond to what we regard as three competing and potentially irreconcilable legal requirements, RMIT University has noted:

- Australia is potentially moving from a transparency-based Modern Slavery Act towards mandatory due diligence and criminal liability.
- The Trump Administration has made forced labour enforcement a trade policy issue by threatening additional tariffs on countries that do not adequately prevent imports made with forced labour.
- China's new national security and supply chain security regulations that make human rights due diligence and supply chain investigations significantly more complex for multinational companies operating in China.

The quote

Events in 2026 have shown that companies and investors are left to pick a delicate path as competing approaches to supply chain transparency collide with modern slavery regimes.

Rachel Alembakis, U Ethical

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The quote

Implementing a strict border ban to avoid US tariffs risks triggering Chinese countersanctions, meaning navigating this environment requires a highly calculated strategy.

There is a potential conflict of laws, according to Professor Shelley Marshall, deputy dean at the School of Law at RMIT University:

If Australia introduces a border-level import ban to mitigate the 12.5 per cent US tariff, domestic entities will face contradictory legal mandates from their primary security ally, the US, and their principal trading partner, China, Marshall said.

Implementing a strict border ban to avoid US tariffs risks triggering Chinese countersanctions, including local contract lawsuits, asset freezes, or executive exit bans because China has recently passed Supply Chain Security and Counter-Extraterritoriality Regulations to counter EU and US forced labour trade bans and human rights due diligence laws. Navigating this environment requires a highly calculated strategy.

Implications for companies and their investors

In an era where it is challenging to see multilateral negotiations leading to treaties on modern slavery and forced labour that are implemented evenly, companies and investors are exposed to greater geopolitical risks. The actions thus far in 2026 confirm the need to closely monitor the changing landscape and ensure that globalised value chains are de risked where possible.

For Australian businesses and investors, the 12.5% US tariff is an immediate short-term impact—will businesses pass those costs on to customers or chose to fund the tariffs via the balance sheet, and how long will it take for those costs to impair earnings? Will the Australian government propose an import ban on product made with forced labour to seek reprieve from the tariff and potentially run into conflict with its other major trading partner China?

Over the longer term, companies and stakeholders including investors will have to navigate disclosure that is robust and recognises the legal constraints of China's decrees. It will be more difficult for companies to collect, verify and disclose information about suppliers, labour practices and operations in China—particularly where Xinjiang or state labour transfer programmes may be involved.

Australian investors can potentially manage this by asking for due diligence disclosure such as:

Governance over modern slavery risks:

- How they identify high-risk sourcing regions
- Supplier onboarding and screening processes
- Contractual requirements placed on suppliers
- Escalation procedures when concerns arise
- Remediation processes, and
- How boards oversee these risks.

Further, investors could seek information on how companies manage conflicting legal obligations and acknowledge where there are genuine conflicts in managing them.[7]

Investors do not have to stop engaging with companies on modern slavery and forced labour-related issues and pressing to see how companies are finding, fixing and preventing instances of modern slavery. In fact, there is heightened need to assess these risks and communicate with companies to seek these outcomes. But engagements will of necessity be tailored to meet the fractured and competing legal obligations of the moment.

The next round of Australian Modern Slavery Statements, for FY26, will be published in 2027, and those disclosures will show investors in practice how companies are disclosing while managing these risks.

Conclusion

Even as companies and investors strategise on how to manage the risks of modern slavery in their value chains, it is worth remembering that behind all these facts are stories of misery and exploitation, which is why taking a survivor lens to evaluating proposed approaches to ameliorate modern slavery is essential. It grounds us in the human beings behind the statistics.

As FS Sustainability noted[8] in its May coverage of the Responsible Investment Association Australasia (RIAA) RI Australia conference:

Migrant worker advocate Jennifer Alonso held the room still as she put a human face to exploitative labour practices that heighten modern slavery risks.

Alonso, the worker engagement officer at Cleaning Accountability Framework (CAF), shared her testimony about wage theft and unsafe workplace conditions when she worked as a cleaner. "During COVID, my coworker behaved in a very intimidating way to me, making inappropriate comments… I was scared, so I stayed quiet".

Through all of this, investors such as U Ethical will continue to engage with portfolio companies on their human rights risks—events such as those described in this paper only enhance the case for risk mitigation, although instruments to identify those risks may become more complicated to use. **FS**

Notes

1. Global-Slavery-Index-2023.pdf
2. Investor toolkit: Human rights in global value chains—Toolkits
3. The Australian Government's response to the Modern Slavery Act Review | Australia | Global law firm | Norton Rose Fulbright
4. https://www.wsj.com/economy/trade/trump-unveils-new-tariffs-designed-to-withstand-legal-scrutiny-21ef4093
5. Albanese Government combatting modern slavery | Our ministers—Attorney-General's portfolio.
6. https://www.linklaters.com/insights/blogs/digilinks/2026/may/china-new-rules-on-supply-chain-security-and-measures-to-counter-extraterritorial-jurisdiction
7. https://www.mofo.com/resources/insights/260713-developments-of-china-s-counter-sanctions-regime-in-2026
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