

Consultation on Strengthening the Modern Slavery Act 2018 (Cth)

March 2026

The Australian Retail Council (ARC) welcomes the opportunity to contribute to consultation on the Modern Slavery Act 2018 (Cth).

ARC represents a \$444 billion sector, and employs 1.4 million Australians, one in ten workers, making retail the nation's largest private sector employer and a cornerstone of the Australian economy, contributing 16 percent of national GDP.

Our membership spans the full breadth of Australian retail: from family-owned small and independent businesses, which comprise 95% of our membership, to the largest national and international retailers that support thousands of jobs and sustain communities across both metropolitan and regional Australia. Our industry operates more than 155,000 retail outlets nationwide, with the majority of those also represented by an online or e-commerce presence.

A strong retail sector delivers widespread benefits to all Australians, with a significant portion of every dollar spent in retail flowing back into employees, suppliers, superannuation funds, and local communities. We are united in advocating for the policy settings, reforms and collaboration that will drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it.

Executive Summary

The Australian Retail Council (ARC) welcomes the opportunity to contribute to the next phase of consultation on strengthening the Modern Slavery Act 2018 (Cth).

ARC supports harnessing the Modern Slavery Act to clarify risk identification, promote due diligence maturity and supply chain transparency. As the framework evolves, reforms should remain risk-based, proportionate and operationally workable, recognising the complexity of global supply chains and the limits of commercial leverage within upstream production environments.

We do not support the introduction of mandatory modern slavery due diligence obligations. Instead, we support a voluntary, risk-based due diligence framework that aligns with international principles while recognising the nuanced, contextual and often subjective challenges businesses face when identifying and mitigating modern slavery risks.

A voluntary framework should encourage meaningful action and continuous improvement without imposing overly prescriptive or procedural requirements that risk diverting resources from substantive remediation and worker centred outcomes. Effective reform should recognise good faith, proportionate efforts undertaken by reporting entities and support sustained, responsible engagement in higher risk markets, rather than incentivising defensive compliance, box ticking or disengagement.

ARC does not support the introduction of formal high-risk declaration mechanisms. While enhanced government risk guidance and shared intelligence would be valuable, formal designation regimes risk generating unintended consequences, including commercial disengagement, reduced transparency and legal uncertainty, which may not advance improved outcomes for vulnerable workers.

Any strengthened compliance and enforcement framework should adopt a graduated and risk-based approach that prioritises improved practice and continuous uplift, while reserving stronger regulatory action for deliberate or persistent non-compliance.

Consistent application of modern slavery obligations across all entities supplying Australian consumers remains critical. Obligations should apply equitably to domestic and overseas/online market participants to maintain competitive neutrality and reinforce the integrity of the regulatory framework.

ARC looks forward to continued engagement with the Federal Government to ensure reforms enhance Australia's response to modern slavery while maintaining a practical, proportionate and impact-focused regulatory model.

1. Retail Sector Context

The Australian Retail Council (ARC) represents a \$444 billion sector employing more than 1.4 million Australians, making retail the largest private sector employer in Australia and a central contributor to national productivity, consumer access and regional economic activity. Retail businesses operate across extensive national store networks, distribution systems and complex global supply chains that connect Australian consumers to international production markets.

Retailers operate within one of the most regulated sectors of the Australian economy. Across the economy, regulatory compliance costs are estimated at approximately \$240 billion annually, equivalent to around 9 per cent of GDP¹. Within this broader setting, jurisdictional regulatory fragmentation imposes additional and measurable costs on nationally operating retailers. ARC research indicates that fragmentation alone reduces retail sector productivity by approximately \$2.6 billion per year, contributes to around \$940 million in additional annual household costs, and is associated with approximately 90,000 forgone jobs across the economy¹.

Retailers must comply with overlapping Commonwealth, state and territory requirements across workplace regulation, consumer law, product safety, environmental schemes, freight and logistics, planning systems and digital commerce. National operators often maintain parallel compliance systems to meet differing jurisdictional rules. This cumulative compliance burden diverts capital and managerial resources away from investment, innovation and supply chain risk management toward administrative functions.

Since the commencement of the Modern Slavery Act 2018 (Cth) in 2019, retailers have embedded modern slavery governance into procurement practices, supplier engagement programs and corporate risk frameworks. The transparency model has driven substantial organisational uplift across the sector, strengthening board-level oversight and improving visibility across supply chains.

As Government considers further reforms, it is important that any new obligations, if introduced, clarify risk identification and outcomes for workers without adding duplicative or unnecessarily prescriptive requirements within an already complex compliance environment. At the same time, structural shifts in the retail market have increased the role of cross-border e-commerce and digital platforms supplying Australian consumers directly. Ensuring that modern slavery obligations apply consistently across all entities participating in the Australian retail market will be central to achieving both effective human rights outcomes and competitive neutrality.

2. Mandatory Due Diligence

ARC recognises the Federal Government's intention to enhance the Modern Slavery Act and supports efforts to improve the identification and mitigation of modern slavery risks across supply chains. However, the current modern slavery reporting framework remains a relatively young regime, and reporting quality has continued to improve since the Act's introduction, driven by greater awareness, investor scrutiny, and the publication of practical guidance.

¹ Australian Retail Council and Mandala Partners (2026), The Fragmentation Tax: The economic cost of regulatory fragmentation in Australia, February 2026.

Rather than introducing additional onerous statutory obligations, or step-change reforms such as prescriptive mandatory due diligence requirements, the Federal Government should prioritise strengthening and fully embedding the existing framework to ensure it is operating effectively. This includes enhanced regulator guidance and education, greater consistency in the interpretation of existing reporting criteria, more effective use of data collected through modern slavery statements, and targeted compliance action in cases of clear non-compliance.

ARC does not support the introduction of mandatory due diligence obligations under the Modern Slavery Act. The current Act already requires reporting entities to describe the actions they have taken to assess and address modern slavery risks, including due diligence and remediation processes. Corporate entities are generally best placed to understand their own operations, supply chains and risk profiles, and to tailor their due diligence and remediation responses accordingly, including responding swiftly to unforeseen circumstances or emerging risk events.

Only once the existing framework has matured further and been more effectively implemented will Government be in a position to assess whether additional regulatory intervention is necessary, and if so, what form it should take. As outlined in the sector's August 2025 submission, any future reform in this area should remain outcomes-focused, risk-proportionate and sufficiently flexible to recognise the complexity of retail sourcing environments.

Retail supply chains are inherently multi-tiered, global and dynamic. Retailers frequently source through indirect manufacturing relationships involving distributors, agents and multi-layer supplier networks where visibility diminishes beyond first-tier suppliers. A voluntary, risk-based framework is better suited to this operating environment, enabling businesses to prioritise resources toward higher-risk products, regions and suppliers, while recognising the varied, nuanced and often subjective nature of modern slavery risk across different contexts.

ARC notes that certain core concepts within international human rights frameworks, including "cause", "contribute" and "directly linked", remain difficult to operationalise consistently across complex, multi-tiered retail supply chains. If such concepts are codified in legislation, they will require clear statutory articulation to provide legal certainty and avoid unintended compliance ambiguity for entities acting in good faith.

In many instances, downstream retailers do not have operational control over upstream production environments. Expectations regarding "ending impact" must therefore reflect the limits of commercial leverage and recognise that remediation may involve progressive risk mitigation rather than immediate elimination of systemic harm. Retailers can and do address identified non-conformances within their supplier networks through corrective action plans, audit follow-up and supplier engagement. However, structural labour risks within source markets often arise from broader regulatory, economic or social conditions that extend beyond the direct control of downstream entities. Effective reform settings should therefore distinguish between areas where businesses can reasonably be expected to exercise control and areas where progress depends on collective industry action, cross-border cooperation or state-level intervention.

Rather than introducing mandatory due diligence frameworks, reform efforts should focus on clarifying and better embedding the existing regime through clearer regulator guidance, practical education and capability-building, and more targeted action in cases of clear non-compliance. A voluntary, risk-based, proportionate and scalable approach, supported by clear guidance on best-practice due diligence, and aligned with the UN Guiding Principles on Business and Human Rights, would better encourage transparent identification and remediation of modern slavery risks than prescriptive compliance models that may not reflect differing risk profiles or operating contexts.

ARC also notes that meaningful supply chain reform often occurs over multi-year timeframes. Strengthened due diligence settings should recognise that risk mitigation, supplier engagement and remediation processes require sustained implementation rather than annualised procedural cycles or compressed reporting horizons. Legislative settings that mandate frequent formalised effectiveness reviews or highly prescriptive reporting steps may risk diverting constrained

resources toward documentation processes rather than substantive remediation activity. Consideration should therefore be given to aligning review horizons with risk profile and operational complexity.

Where businesses can demonstrate reasonable reliance on credible third-party audits, industry initiatives or collaborative remediation programs, these efforts should be recognised and encouraged. Reform settings should promote transparency and constructive engagement in higher-risk markets, rather than creating incentives for defensive compliance or disengagement driven by liability concerns.

As reforms progress, it will also be important that due diligence expectations apply consistently to all entities supplying Australian consumers. Australian retailers operate within established regulatory frameworks and are subject to transparency and compliance obligations that may not apply equally to overseas sellers operating through cross-border e-commerce channels. Ensuring equivalent expectations across domestic and international market participants will strengthen the effectiveness of the Act while maintaining competitive neutrality.

ARC supports continued collaboration between government and industry to develop clear guidance, transitional support and implementation timelines that allow businesses to embed strengthened due diligence practices effectively.

3. High-Risk Declarations

ARC does not support the introduction of formal high-risk declarations under the Modern Slavery Act.

While declarations may appear to provide regulatory clarity, ARC considers that they risk generating unintended and counterproductive consequences that may not advance improved outcomes for vulnerable workers.

ARC also notes that the current reform package contemplates the introduction of mandatory due diligence alongside the existing transparency reporting framework. Introducing a further layer of formal high-risk declarations at the same time would represent a substantial increase in regulatory expectations within a short timeframe. Businesses that have invested in building transparency and reporting capability since the commencement of the Act would face a rapid escalation in compliance maturity requirements. Reform sequencing should therefore prioritise strengthening existing mechanisms before introducing additional designation frameworks.

Declarations may also incentivise commercial disengagement rather than responsible engagement. Firms facing heightened regulatory, reputational or litigation exposure linked to a declared region or sector may withdraw from those markets altogether. Such disengagement does not necessarily improve conditions for workers and may reduce visibility, leverage and constructive engagement within higher-risk supply chain environments.

Public declarations may create market signalling effects. Where specific countries, regions or industries are formally designated as high risk, suppliers may restructure, re-route or re-label operations to avoid association with declared areas without addressing underlying labour risks. In complex, multi-tiered supply chains, such shifts can reduce transparency and obscure the true source of inputs rather than improve due diligence outcomes.

Declarations may increase legal, operational and personnel risk for entities operating in challenging environments, including those investing in good-faith, risk-based due diligence systems. In some jurisdictions, businesses, auditors and advisers may also face heightened exposure to retaliatory legal or regulatory measures where foreign government actions are perceived to target particular industries, products or regions. This may reduce supplier transparency, impede independent assurance activity, and discourage open reporting and constructive engagement in markets where sustained presence and leverage may otherwise support gradual improvement.

Modern slavery risk is inherently dynamic and multi-factorial. Risk profiles can shift rapidly due to factors such as political instability, conflict, regulatory change or economic disruption. For a declaration framework to remain accurate and useful, designations would therefore require frequent review and updating. It is unclear whether Government could maintain the level of continuous monitoring required to ensure such declarations remain current and meaningful.

A more effective approach would be additional and continuing government guidance, shared risk intelligence and practical implementation support that enables proportionate, risk-based prioritisation by reporting entities. Targeted guidance, sector engagement and improved dissemination of authoritative risk information are likely to achieve greater impact than formal designation regimes.

ARC supports mechanisms that improve information sharing and government-provided risk intelligence. Such tools can assist businesses in identifying emerging risks while preserving the flexibility of individual companies to assess and prioritise risks based on their specific supply chains, sourcing models and operational exposure.

4. Compliance, Enforcement and Market Consistency

ARC considers that the long-term effectiveness of the Modern Slavery Act 2018 (Cth) will depend not only on the design of reporting or due diligence obligations, but on the consistency with which those obligations apply across the Australian market.

Since the commencement of the Act, Australian retailers have invested significantly in governance systems, supplier engagement processes and risk management capability to meet modern slavery reporting requirements. These investments reflect a strong commitment across the sector to improving supply chain transparency and addressing modern slavery risks in practice.

As retail market structures evolve, however, regulatory settings have not always kept pace with the growing participation of overseas-based sellers supplying Australian consumers directly through cross-border e-commerce and digital marketplace models. Differences in regulatory coverage, enforcement visibility and practical compliance expectations risk creating circumstances where entities operating within Australia are subject to more comprehensive obligations than competitors accessing the same consumer market from offshore.

Recent public reporting and regulatory investigations internationally have highlighted serious modern slavery allegations within certain ultra-low-cost global online retail platforms supplying Western consumer markets. Where businesses operating within Australia are subject to modern slavery reporting and due diligence expectations but offshore sellers supplying the same market are not subject to equivalent oversight, this creates both regulatory gaps and competitive distortions. Australian retailers investing in ethical sourcing systems and supply chain transparency may face competition from market participants able to operate at significantly lower cost without comparable compliance obligations.

ARC considers that uneven application of modern slavery obligations may weaken both policy effectiveness and public confidence in the framework. Where reporting, due diligence or risk management expectations apply inconsistently, responsible businesses that invest in compliance may face competitive disadvantage without corresponding improvements in worker outcomes.

Enhancing compliance and enforcement mechanisms represents an opportunity to reinforce the integrity of the Modern Slavery Act. Measures that improve visibility of market participants, clarify jurisdictional application and support proportionate enforcement across all entities supplying Australian consumers would enhance the effectiveness of reforms while supporting a level regulatory playing field.

ARC notes that modern slavery risks arise primarily within global production environments rather than downstream retail operations, while recognising that labour exploitation risks can also occur within certain domestic industries, particularly labour-hire intensive sectors. Effective enforcement settings should focus on improving transparency and accountability across supply chains as a whole, rather than concentrating regulatory burden disproportionately on Australian-based retailers that already operate within established compliance frameworks.

5. Conclusion

ARC recognises the Federal Government's commitment to enhancing Australia's response to modern slavery and supports harnessing the Modern Slavery Act to maintain a risk-based and proportionate regulatory framework.

Retailers have invested significantly in governance systems, supplier engagement programs and risk management capability since the commencement of the Act. Building on this existing foundation will be critical to ensuring that reforms enhance practical outcomes rather than introduce duplicative or procedural compliance burdens.

Rather than introducing mandatory due diligence settings, reform should support a voluntary, risk-based framework that provides clear and operationally workable guidance, recognises the limits of commercial leverage in complex global supply chains, and encourages sustained, responsible engagement in higher-risk markets. Such an approach should incentivise transparency, collaboration and continuous improvement, rather than defensive disengagement driven by compliance or liability concerns.

ARC does not support the introduction of formal high-risk declaration mechanisms. Greater government guidance, shared risk intelligence and practical implementation support are more likely to improve risk prioritisation and worker outcomes than static designation regimes that may generate unintended consequences.

Finally, consistent application of modern slavery obligations across all entities supplying Australian consumers remains essential. A framework that combines reporting obligations, graduated enforcement and equitable market application will strengthen both policy effectiveness and confidence in Australia's modern slavery regime.

ARC looks forward to continued collaboration with the Federal Government to ensure that reforms remain impact-focused, commercially workable and aligned with international best practice.