

## Property Council New Zealand

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Submission on

# Modern Slavery and Worker Exploitation

7 June 2022

Submitted via email: [modernslavery@mbie.govt.nz](mailto:modernslavery@mbie.govt.nz)

<b>For more information and further queries, please contact</b>
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## **Legislative Response to Modern Slavery and Worker Exploitation, Forced Labour, People Trafficking and Slavery**

### **1. Summary**

- 1.1 Property Council New Zealand (“Property Council”) welcomes the opportunity to provide feedback on the proposed legislative response to modern slavery and worker exploitation.
- 1.2 Property Council New Zealand supports the proposed legislation and understand it is critical that New Zealand entities do their parts to help reduce modern slavery and exploitation.
- 1.3 We have some concerns around the implementation and regulation side of the proposed legislation. In particular, the requirement for large entities to undertake due diligence within their international operations and supply chains. We recommend changes to the proposal that can best achieve the intent of the legislation such as a well-managed and staged approach to bring all entities along in the journey towards freedom, fairness and dignity.

### **2. Recommendations**

- 2.1 We recommend that:
  - Initial legislation be aligned to the Australian Commonwealth Modern Slavery Act;
  - Due diligence requirements for international supply chains be implemented in a staged approach, concentrating on domestic supply chains initially; and
  - Legislation should clarify that tenants are not required to look into how existing buildings they want to occupy were constructed (i.e., historic supply chains) and that landlords are not required to enquire into their tenant’s practises (i.e., goods / services sold from their buildings).

### **3. Introduction**

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.
- 3.2. The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3. Property is New Zealand’s largest industry and fastest growing source of employment. There are nearly \$1.6 trillion in property assets nationwide, with property providing a direct contribution to GDP of \$41.2 billion (15 percent) and employment for around 200,000 New Zealanders every year.
- 3.4. We connect over 10,000 property professionals and represent the interests of over 650 members organisations across the private, public and charitable sectors.

### **4. The proposed legislation should have international alignment where possible**

- 4.1. The current proposal is based on an entities annual revenue and seeks to require large entities (<\$50 million approximately 1,450 entities) to undertake due diligence to prevent, mitigate and

remedy modern slavery in their international operations and supply chains. Medium entities (\$20-\$50m approximately 2,200 entities) are required to disclose the steps they are taking to address modern slavery in their international operations and supply chains. Whilst small entities (below \$20m approximately 495,500 entities) are required to report when modern slavery is identified.

- 4.2. It is our understanding that many of the New Zealand entities classified as a large entity, already partakes in such requirements, particularly if they have operations within the Australian market. With other jurisdictions (i.e., United Kingdom and California) implementing modern slavery legislation, it is highly likely that New Zealand entities will need to comply in order to trade with international jurisdictions.
- 4.3. We support the proposed legislation as it will enable New Zealand entities to align and comply with other international modern slavery and exploitation legislation.
- 4.4. However, we have concerns around the proposal to incorporate due diligence on international supply chains. New Zealand's proposal goes further than the Australian Commonwealth Modern Slavery Act, the United Kingdom Modern Slavery Act and the California Transparency in Supply Chains Act. International jurisdiction requires companies to disclose their compliance activities. They are not required to adopt policies, procedures, trace their supply chains, source responsibly or take other remedial actions to address modern slavery risks. We have reservations that the proposal to immediately seek to incorporate due diligence in international supply chains and operations for large entities could have unintended compliance consequences.
- 4.5. New Zealand's geographic nature and scale results in us being a small player internationally. The logistics around investigating international supply chains and operations could be much more difficult than anticipated. Investigating international supply chains will likely increase regulatory costs which are passed onto the end-consumer. For example, a building company would have to investigate all international suppliers for each building component. The extent to which an entity is required to investigate the activities of complex overseas supply chains is complicated, especially when going beyond the first or second level. This would be a lengthy and costly process which would get more complicated the more level of investigation is required. However, we are not saying that this could or should not be aspired too.
- 4.6. We recommend that initial legislation be aligned to the Australian Commonwealth Modern Slavery Act for consistency purposes with a stepped process on advancing requirements to incorporate international supply chains in the years to come. This would ensure consistency for our large entities that also report under the Australian Commonwealth Modern Slavery Act and combine their reporting requirements where possible.
- 4.7. We recommend taking a stepped approach to introducing due diligence requirements on international supply chains could be in our interest from an ease of implementation point of view. For example, aligning New Zealand's international due diligence requirements with other international legislative changes could reduce upfront costs on New Zealand large entities (who are small players on the global stage). It would also provide an opportunity to evaluate the legislation and make any amendments to ensure that maximum compliance is achieved at this level prior to extending the requirements to international supply chains and operations.

## 5. General Comment

- 5.1. We believe it is important that any legislation in this field clarifies the relationship between building tenants and commercial property owners. Therefore, we recommend that legislation highlight that tenants are not required to look into how existing buildings they want to occupy were constructed (i.e., the historic supply chains) as well as clarifying that landlords are not required to enquire into their tenant's operations and supply chains. We are of the view that correct monitoring of modern slavery and worker exploitation would take place on a company by company basis going forward.

## 6. Conclusion

- 6.1. We support the proposed legislation. However, we recommend that amendments are made to better align with Australian regulations. Namely, that larger entities are not required to complete due diligence for international supply chains upfront but recommend a phased approach to ensure that large entities can be brought along for the journey. We also recommend clarification around landlord/tenant requirements to avoid overly prescriptive complexity.
- 6.2. Any further enquires do not hesitate to contact Katherine Wilson, Head of Advocacy, via email: [katherine@propertynz.co.nz](mailto:katherine@propertynz.co.nz) or cell: 0278708150.

Yours Sincerely,



Leonie Freeman

CEO Property Council New Zealand