



Vol. 2 No. 2 (2024): Pūhau ana te rā 2024

Title: **The Risk of Modern Slavery in the University of Otago's Supply Chains**

Authors: Rebecca Stewart

DOI: 10.11157/patr.v2i2.50

Abstract

This research project aims to identify the risk of modern slavery in the University of Otago's supply chain and to advise the procurement department on how to address this risk. Modern slavery legislation in New Zealand is anticipated in the near future and the University of Otago must be prepared to meet its obligations under this law. This report introduces and advises on four proposals of varying cost and practicability that the University of Otago may implement in its procurement operations. Data to inform these proposals was gathered through a questionnaire sent to all of the University of Otago's suppliers. These findings can not only inform the University's procurement practices but also contribute to broader discussions on corporate responsibility and supply chain ethics. By anticipating and proactively addressing modern slavery risks, the University of Otago can set a precedent for ethical procurement practices in the academic sector and beyond.

Background

Modern slavery reflects exploitative situations that a person cannot leave due to threats, violence, coercion, deception and/or abuse of power.¹ This blanket term includes situations of forced labour, debt bondage, forced marriages, slavery and slavery-like practices.

While the term "*modern slavery*" implies that these exploitative situations are new, they have actually existed for centuries. The use of the term "*modern*" serves to slavery-like

¹ Ministry of Business, Innovation and Employment. (2023). *Modern Slavery and Worker Exploitation: Supply chain legislation*. Page 1.



practices that have emerged since the abolition of legal chattel slavery in the 19th century, from the well-known practices of slavery that occurred before it (Crane, 2013, p. 50).² However, international efforts to resolve this matter are fairly recent, and accordingly, there is very little existing research available on both an international and national scale. This issue was brought to national attention in 2019 when the New Zealand Government ratified the *Protocol of 2014 to the Forced Labour Convention* (2016) into domestic law, and again in 2020 when the Minister of Workplace Relations and Safety released the *Plan of Action* detailing 28 key actions for 2020-2025 to prevent and eliminate modern slavery. One of the main objectives in this plan is to “eliminate forced labour, people trafficking and slavery from supply chains” as supported by the key action of considering introducing legislation requiring entities to report publicly on transparency in supply chains, to help eliminate practices of modern slavery (Ministry of Business, Innovation and Employment, 2020).³ Although modern slavery and worker exploitation within New Zealand entities is regulated, there are no existing regulations to address the broader role that New Zealand entities play in contributing to modern slavery through indirect means. The New Zealand Government subsequently proposed a bill to bridge this legislative gap.

This legislation appears to follow suit with legislation enacted by other member states to the *Protocol of 2014 to the Forced Labour Convention* (2016), by setting out a range of legal obligations for New Zealand entities to address the broader supply chain practices that contribute to exploitation.⁴ Although legal requirements are not yet in place, they will be in the near future and the University of Otago must be prepared to respond to these obligations.

A September 2023 Cabinet paper indicates that these obligations will require:⁵

- (1) All entities to take action if they become aware of modern slavery in their supply chain/s;
- (2) Medium and large entities to prepare and lodge an annual disclosure statement about the steps they are taking; and

² Crane A. (2013). Modern slavery as a management practice: Exploring the conditions and capabilities for human exploitation. *Academy of Management Review* 38(1): 49–69. <https://doi.org/10.5465/amr.2011.0145>.

³ Ministry of Business, Innovation and Employment. (2020). *Plan of Action against Forced Labour, People Trafficking and Slavery 2020-25*. <https://www.mbie.govt.nz/dmsdocument/13568-combatting-modern-forms-of-slavery-plan-of-action-against-forced-labour-people-trafficking-slavery>. Page 17 - action 16.

⁴ Protocol of 2014 to the Forced Labour Convention, 1930, Governing Body of the International Labour Office, November 9, 2016, Office of the United Nations High Commissioner for Human Rights, <https://www.ohchr.org/en/instruments-mechanisms/instruments/protocol-2014-forced-labour-convention-1930>.

⁵ Above n 1 at page 9.



- (3) Large entities to undertake due diligence by identifying risks, taking measures to prevent, mitigate and remedy those risks, and evaluating the effectiveness of those measure.

The annual revenue of the entity will determine whether it is of a small, medium or large nature. A large entity is considered to have more than \$50 million consolidated revenue. In 2022 the University of Otago generated \$810 million in annual revenue.⁶ Even accounting for a slight differentiation in numbers in following years, the University of Otago is highly likely to be a large entity and therefore subject to all obligations.

This research endeavours to initiate the process of identifying the risk of modern slavery in the supply chains of the University of Otago, in anticipation of modern slavery legislation in New Zealand.

Research Methods

Supplier Questionnaire

The method of data collection was a supplier questionnaire. This was sent to all 9,412 suppliers to the University of Otago through the Qualtrics surveys database. This survey was active from the 29th of January 2024 to the 7th of February 2024. Participants had 10 days to complete this questionnaire online. 1008 suppliers started this questionnaire, and 279 suppliers successfully completed it. This reflects an 11% response rate and a 28% completion rate. This survey was specifically designed to assess the risk of modern slavery within the University of Otago's supply chain, and as such, only the results from this supplier questionnaire will be analysed in this research project.

The 3 main factors used to assess risk by the ArcBlue dashboard

ArcBlue software, which is used by the University of Otago to inform its procurement practices, provides an estimated risk rating for each supplier from low (1) to very high (10), based on the following "risk factors":

1. Country risk/ location

⁶ University of Otago. (2022). *University of Otago Annual Report 2022*.
https://www.otago.ac.nz/_data/assets/pdf_file/0015/320118/download-the-university-of-otago-annual-report-2022-0244376.pdf. Page 93.



2. Expenditure
3. Sector

Locations and sectors that traditionally have a high prevalence of modern slavery are rated to have a higher risk, compared to locations and sectors that are considered to have a lower prevalence of modern slavery. The factor of expenditure considers how much the University of Otago invests in goods/ services from each supplier, therefore indicating the financial resources committed and the extent to which the university supports their operations. The results of this report focused on the factors of continent and expenditure to assess how representative the results were.

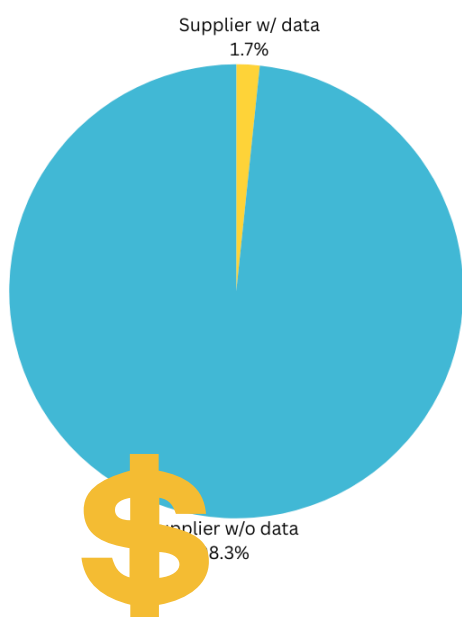
Results

In this section I will examine the representativeness of the sample of survey respondents and assess the makeup of this cohort across risk and location. I then explore the themes in responses relating to practices already in place.

Representativeness – Expenditure

The representativeness of this sample can be evaluated by comparing how much of the University’s expenditure in one year was spent with the suppliers that participated in this survey, and with the total number of suppliers.

The time period used in this research was one year from 1 July 2022 to 30 June 2023 because it was the most recent data available, and therefore presumably the most accurate to the University of Otago’s current operations. However, it must be noted that specific expenditure will vary from year to year.



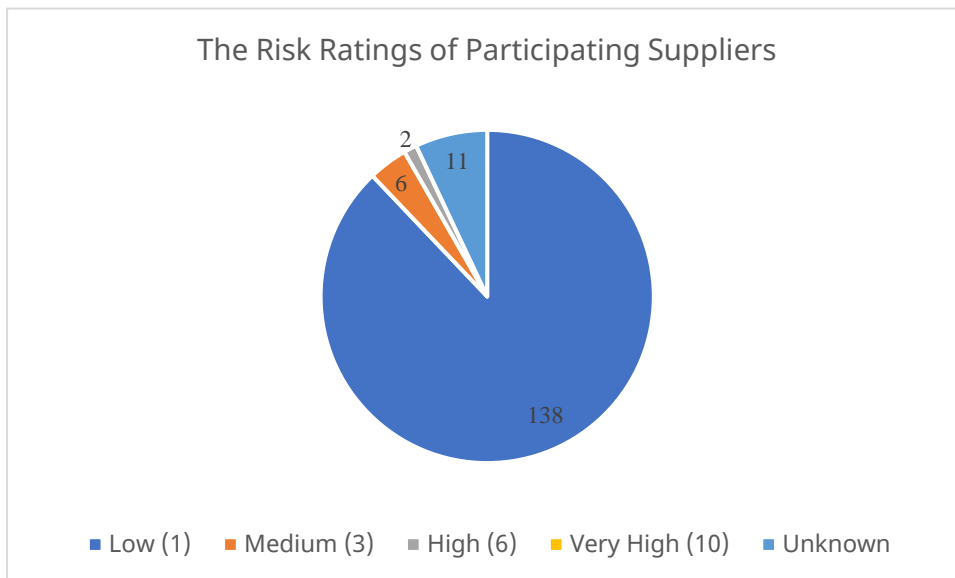
The suppliers that participated in this survey were accountable for \$9.72 million of the total \$578 million of expenditure by the University of Otago from 1 July 2022 to 30 June 2023.

This conveys that participating suppliers were accountable for 1.7% of total expenditure (and their responses are the data analysed in this

research). Although this is a good start for preliminary research, suppliers making up 98.3% of total expenditure were unaccounted for.

Interesting finding: 43.7% of suppliers that participated in this survey were not used as suppliers by the University of Otago between 1 July 2022 to 30 June 2023.

Suppliers' Risk Ratings



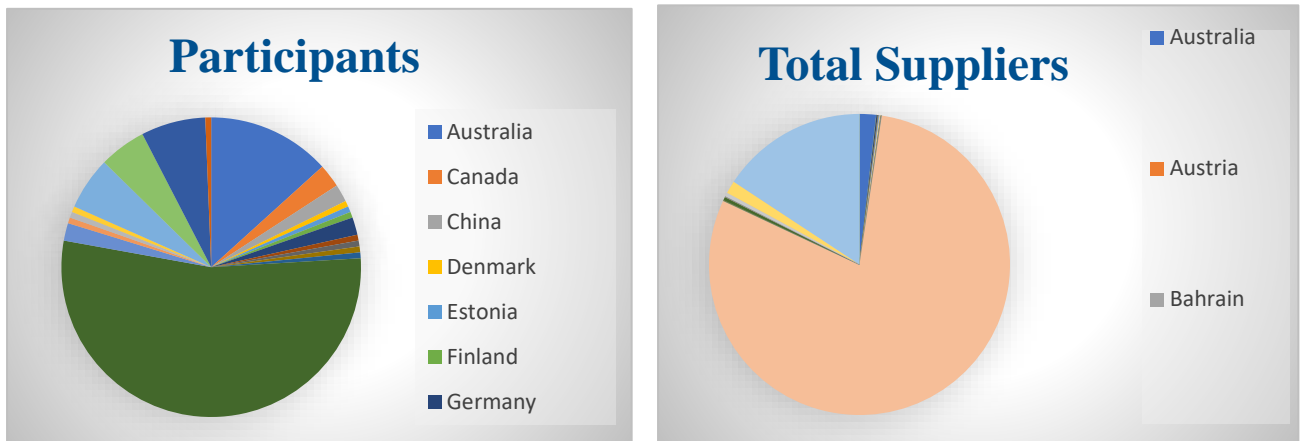
The Risk Ratings of Participating Suppliers vs Total Suppliers [July 2022- June 2023]

	Low (1)	Medium (3)	High (6)	Very High (10)	Unknown	Unknown Country Score (5)
■ Participants	138	6	2	0	11	0
■ Total	6982	236	64	14	14479	48

Key findings:

- The clear majority of participating suppliers had a *low-risk* rating (1).
- No *very high-risk* suppliers answered this questionnaire (10).
- A large number of risk ratings in the total data is unknown, either:
 - Because the country the supplier operates within is unknown – 11 suppliers; or
 - Because the risk-rating could not be calculated for the provided country – 48 suppliers.

Where the Direct Suppliers Operate



Key findings

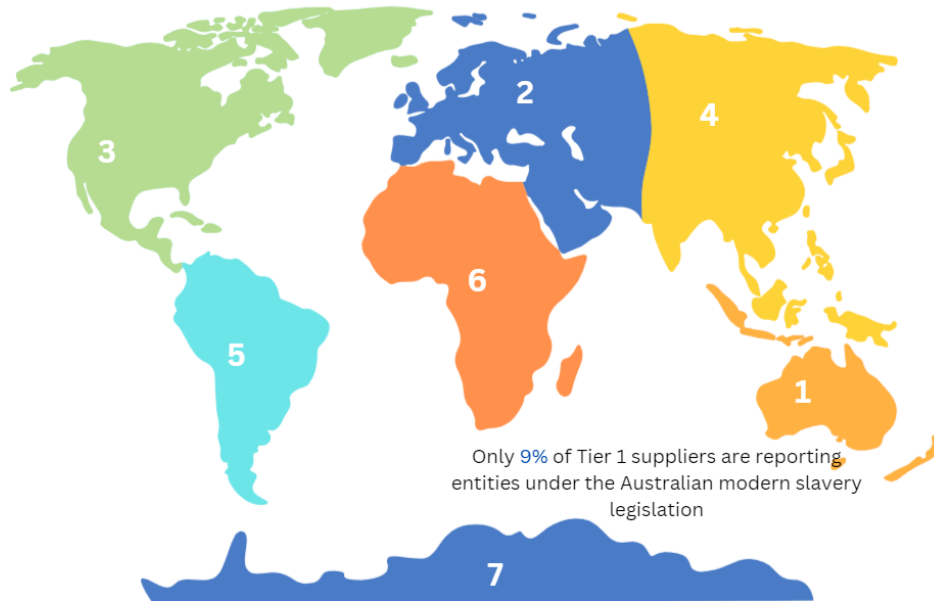
- The majority of participants were based in New Zealand.
- The countries that 80% of total suppliers operate within, is unknown.
 - Knowledge of the countries our suppliers operate within is crucial in order to calculate an accurate modern slavery risk.

Where the University of Otago's Tier 2 Suppliers Operate (Suppliers' suppliers)

In procurement, tier 1 suppliers are the direct suppliers, whereas tier 2 suppliers are those that provide goods and/or services to tier 1 suppliers. Until now, we have only held locations of the University's tier 1 suppliers, but the supplier questionnaire probed further to elicit the locations of their (tier 2) suppliers, in an attempt to begin "mapping" out our supply chains and understand how far-reaching they are on an international scale.

The below visualised data refers to the tier 2 suppliers of the (tier 1) responders to the questionnaire.

1= where the largest number of Tier 2 suppliers are
7= where the smallest number of Tier 2 suppliers are



Locations of our Tier 2 suppliers

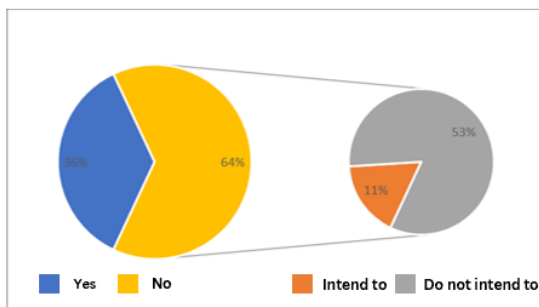
Key findings:

- The University of Otago has tier 2 suppliers in every continent.
 - The largest number of tier 2 suppliers operate in Australasia.
 - The smallest number of tier 2 suppliers operate in Antarctica.
- Only 9% of suppliers are reporting entities under the Australian modern slavery legislation.

Practices Suppliers Already Have in Place

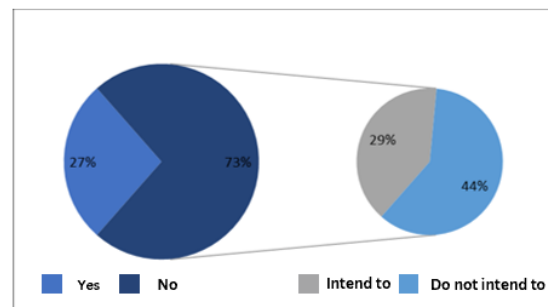
The supplier questionnaire also asked tier 1 suppliers about the policies their organisations already have in place relating to modern slavery. This data will help inform the procurement department as to how advanced our direct suppliers are in modern slavery practices and policies, and perhaps some areas where they may be lacking. The practices asked about included the existence of whistleblowing regimes, staff training, written policies, and action plans.

Whistleblowing regimes?



- 36% of suppliers have a whistleblowing regime in place to encourage reporting modern slavery concerns. 64% do not.
- 11%/64% intend to develop a whistleblowing regime to encourage reporting modern slavery concerns.

Staff Training?



- 27% of suppliers state that staff in their organisation are trained on how to identify, assess and address modern slavery risks. 73% state they are not.
- 29%/73% intend on training staff on modern slavery concerns.



of suppliers have **written policies** or procedures in place referring to modern slavery



of suppliers have an **action plan** in place to respond to risks of modern slavery in their supply chain



of suppliers (+ their direct stakeholders) have been investigated for a breach of modern slavery legislation

A highlight of this research was the finding that not a single supplier or a single suppliers' direct stakeholder (neither tier 1 nor tier 2 suppliers) have been investigated for a breach of modern slavery legislation. However, this result must be coloured by the understanding that the majority of high-risk suppliers did not participate in this

research, and that this result does not mean those suppliers are exempt from modern slavery risk.

Analysis: the risk of modern slavery?



Although the legislation will obligate the University of Otago to conduct their own conclusive risk assessment of supply chains, the supplier questionnaire included a direct question asking the suppliers whether there is a risk of modern slavery in their supply chain. 51% reported no risk, 41% reported they were unsure, and 8% reported a risk existed in their

supply chains. These responses provided insight as to how advanced the University of Otago suppliers are in their own modern slavery investigations.

Results and analysis of risk level were based on previously calculated modern slavery risk from ArcBlue software. Future research would benefit from creating a formula personalised to the tertiary sector with which to assess the University of Otago suppliers. However, the following points of action need to be resolved before this formula can be operational.

Points of Action

To improve risk assessment data

1. To find out the country each tier 1 supplier predominantly operates within.
Out of the total 21,823 suppliers in the analysed spend data, 14,479 suppliers have an “unknown” country status.
2. To further categorise suppliers into industry categories.

Current spend data categorises suppliers based on the ‘business unit’ they transact with inside the University. General industry categories were used for this research and are used to calculate general risk ratings.

Proposals

Based on the “Building blocks of excellence in modern slavery reporting” criteria ⁷

This standard is a modern framework designed to help entities enhance their transparency, accountability, and foster continuous improvement in order to address modern slavery risk in their supply chains. It also sets out the basic five categories that must be reported on. This assessment will help the University to understand the practices they are currently undertaking, what is required of them to (at a minimum) meet the proposed legal standards, and what may be relevant to consider in future modern slavery disclosure

Modern slavery disclosure is assessed based on five categories: (1) structure and operations, (2) supply chains, (3) modern slavery risks in operations and supply chains, (4) due diligence and remediation processes, (5) effectiveness. Actions under each of these categories will be analysed according to different levels of response.

The four proposed options increase in complexity and commitment based on the requirements of each category:



0: Doing Nothing/ Status Quo

Option 0 involves taking no action for the time being. The proposed legislation is yet to come into force and there is no requirement to take any action before it does.

⁷ As presented by Nga Pham, PhD, CFA in the AUPN general forum 28/11/2023. Pham, N., Cui, Bei., Ruthbah, Ummul. (2022). *Modern Slavery Disclosure Quality Ratings: ASX 100 Companies Update 2022*. https://www.monash.edu/_data/assets/pdf_file/0004/3073135/Research-Brief-ASX100-FY21.pdf. Page 6.

1: Basic Legal Compliance

This option includes complying with the draft legislative requirements to a basic level:

- Take action if the University becomes aware of modern slavery in its supply chains.

Prepare and lodge an annual disclosure statement about the steps the University of Otago is taking

2: A Sustainable Response

A sustainable response includes complying with the legislative requirements beyond basic disclosure and endeavouring to mitigate the risk of modern slavery as thoroughly as possible.

The possibility of category management and future research avenues discussed in the “future research” section could also be considered as part of a sustainable response.

3: A Regenerative Response

This option involves acting with the utmost diligence to actively look for modern slavery risk and extinguish any possibility of risk from the University supply chains. On the Monash University standard of *building blocks of excellence in modern slavery reporting*,⁸ this response would be categorised as a “leadership” approach to modern slavery reporting. Future research avenues should also be pursued as part of a regenerative response.

⁸ Pham, N., Cui, Bei., Ruthbah, Ummul. (2022). *Modern Slavery Disclosure Quality Ratings: ASX 100 Companies Update 2022*. https://www.monash.edu/_data/assets/pdf_file/0004/3073135/Research-Brief-ASX100-FY21.pdf.



Actions to achieve these responses:

The Monash University “Building blocks of excellence in modern slavery reporting” criteria.⁹

	0: Do Nothing	1: Basic legal Compliance	2: Sustainable response	3: Regenerative response
Structure & operations	-	Ongoing systematic consultation with controlled entities via channels	Disclosure of number of employees by type of employment/ activity/ operational location	Converting casual contracts to permanent part-time/ full time contracts
Supply chains	-	Breakdown of suppliers’ number and supply spend by locations	Mapping out the extended supply chains beyond tier 1	Improving visibility in the extended supply chains by traceability technology
Modern slavery risks	-	Analysis of specific types of modern slavery risks in operations and supply chains	Having a clear risk management framework & assessment model with various types of data	Risk assessment results inform priorities in further due diligence
Due diligence and remediation	-	Supplier selection, onboarding of new suppliers, monitoring of existing suppliers	Modern slavery-related clauses added to standard supplier contract, and compliance monitoring	Social audits and independent third-party verification of suppliers’ responses
	-	Anonymity and accessibility of grievance mechanisms	Hotline/ whistleblowing channel maintained by a third party	Follow-up investigations and remedies, focusing on protecting victims
Assessment of effectiveness	-	Specific KPIs related to training, due diligence and remediation	Forward-looking action plan showing commitment to continuous improvement	Third- party/ independent assessment of effectiveness and disclosure quality

⁹ As presented by Nga Pham, PhD, CFA in the AUPN general forum 28/11/2023. Pham, N., Cui, Bei., Ruthbah, Ummul. (2022). *Modern Slavery Disclosure Quality Ratings: ASX 100 Companies Update 2022*.

https://www.monash.edu/_data/assets/pdf_file/0004/3073135/Research-Brief-ASX100-FY21.pdf. Page 6.



Limitations

With the supplier questionnaire

One limitation I experienced was with the survey platform I used to send my supplier questionnaire out with, Qualtrics. It was a very useful platform to create my questionnaire, however, the distribution process was more complicated than I anticipated. This was partially due to the mere number of participants I distributed my survey to, which required a special license and expert IT assistance. It was also partially because suspicions were raised about the email invitation being a case of phishing, as it was sent through the Qualtrics 'no reply' email address and not from a verified University of Otago email address. Although there were not a large number of suspicions, and they were quickly corrected on an individual basis, future research would benefit from conducting all correspondence with suppliers through a verified University of Otago email address.

Scarcity of previous research

Although I anticipated the limited scope of modern slavery research in New Zealand when I entered into this project, and I greatly enjoyed the challenge of undertaking preliminary research, I would have found it beneficial to have existing research on this topic as a foundation. I hope this report can serve this purpose by providing a substantial basis for future research in this area for the University of Otago. On a larger scale, I assume as the New Zealand Government continues to fulfil their *Plan of Action against Forced Labour, People Trafficking and Slavery 2020-2025*, further resources will become available to assist organisations to identify the risk of modern slavery in their supply chains, and to take measures to prevent, mitigate and remedy that risk.

Originally, my intent was to conduct a more exhaustive analysis of each supplier's modern slavery risks, alongside collecting supplier data and considering future proposals. However, I did not find it sustainable to undertake all of these tasks within the 10-week research period. Consequently, I focused on collecting supplier data as a foundation for informing future proposals, deeming it the most appropriate course for initial research.

Future Research

There are a number of avenues for future research.

Future research should create a formula to calculate the risk of modern slavery each supplier poses. This can be approached by addressing the “points of action” stated in the “analysis” section of this report, to further gather and organise data for this purpose. This can be informed by the three main considerations factored into the ArcBlue calculation: (1) country; (2) industry; and (3) expenditure. This research may also be informed by software utilised by other tertiary institutions in New Zealand and Australia as part of the Australasian Universities Procurement Network (AUPN) modern slavery program. It is crucial that this formula isn’t employed just once to calculate risks, rather, that software can support these calculations to facilitate ongoing adjustments based on new information. This may be suitable research for an IT/ software adept individual.

In due course, this ongoing data collection will enable the creation of a modern slavery statement.

Another useful creation may be the development of category management software, in which staff members designated to a specific industry would receive live notifications of modern slavery concerns related to their respective industry. These notifications would be generated live from news databases. This seems like the most efficient way to keep the University of Otago updated with potential modern slavery concerns, and able to adjust risk ratings as required. Two considerations would be: (1) the current structure of the procurement department and how industries may be allocated if staff members do not already have specific allocated industries for procurement purposes; and (2) how to strike a reasonable balance between alerting staff members of important concerns and inundating staff members with notifications. This would also be suitable research for an IT/ software adept individual.

References

- Crane A. (2013). Modern slavery as a management practice: Exploring the conditions and capabilities for human exploitation. *Academy of Management Review* 38(1): 49–69. <https://doi.org/10.5465/amr.2011.0145>.
- Ministry of Business, Innovation and Employment. (2023). *Modern Slavery and Worker Exploitation: Supply chain legislation*. <https://www.mbie.govt.nz/dmsdocument/27612-modern-slavery-and-worker-exploitation-supply-chain-legislation-proactiverelase-pdf#:~:text=4%20Modern%20Slavery%20broadly%20reflects,like%20practices%2C%20and%20human%20trafficking>.
- Ministry of Business, Innovation and Employment. (2020). *Plan of Action against Forced Labour, People Trafficking and Slavery 2020-25*. <https://www.mbie.govt.nz/dmsdocument/13568-combatting-modern-forms-of-slavery-plan-of-action-against-forced-labour-people-trafficking-slavery>.
- Pham, N., Cui, Bei., Ruthbah, Ummul. (2022). *Modern Slavery Disclosure Quality Ratings: ASX 100 Companies Update 2022*. https://www.monash.edu/_data/assets/pdf_file/0004/3073135/Research-Brief-ASX100-FY21.pdf.
- Protocol of 2014 to the Forced Labour Convention, 1930, Governing Body of the International Labour Office, November 9, 2016, Office of the United Nations High Commissioner for Human Rights, <https://www.ohchr.org/en/instruments-mechanisms/instruments/protocol-2014-forced-labour-convention-1930>.
- University of Otago. (2022). *University of Otago Annual Report 2022*. https://www.otago.ac.nz/_data/assets/pdf_file/0015/320118/download-the-university-of-otago-annual-report-2022-0244376.pdf.



A final note...

Hutia te rito o te harakeke,

Kei whea te kōmako e kō?

Kī mai ki ahau;

He aha te mea nui o te Ao?

Māku e kī atu,

he tāngata, he tāngata, he tāngata

