FOLLOW THE MONEY: MODERN SLAVERY REPORTING PRACTICES BY FINANCIAL SERVICES ENTITIES

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Abstract

This paper seeks to understand the extent to which financial value chain modern slavery risks are recognised in 370 mandatory Modern Slavery Statements prepared by Australian financial services entities. Using content analysis, the study investigates inaugural (2020) and latest (2023) statements, applying Modern Slavery Disclosure Index based on seven financial value chain principles. Findings reveal limited attention to financial value chain risks and significant variation in disclosure practices, even within a mandatory reporting framework. While principles like recognising modern slavery, identifying risks, and implementing prevention policies dominate, disclosures often lack detail on assessment, effectiveness, oversight, and non-compliance. Broad reporting requirements leave the nature of disclosures to individual firms, resulting in substantial differences in quality and quantity. Financial service entities can use these findings to help guide future design of due diligence procedures to address financial value chain integrity for the purpose of providing accountability through their modern slavery statements. This study is the first to assess financial value chain disclosures post-enactment of the *Modern Slavery Act 2018* (Cth).

Keywords: Content analysis, Disclosures, Financial services, Modern slavery, SDG8, Financial Value Chain

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"As wealthy members of society, it was often the case that founders of early banks originating from the mercantile community engaged in the slave trade or the colonial trade especially in London and port cities. ... Thanks to the latest research by the Legacy of British Slavery group, numerous examples of wealth accumulation from the slave trade invested into banking in both London City and beyond is [now] being discovered." Sissoko and Ishizu (2021)

1 INTRODUCTION

Slavery is a perennial issue that has existed in some form for thousands of years. Despite formal abolition, slavery-related activity remains problematic, albeit in a new form known as modern slavery. Modern slavery is one of the "fastest growing form[s] of organised crime", second only to drugs and weapons (Bales, 2009; Crane, 2013, p. 49). The International Labour Organization (ILO) estimated its global profits at USD 150 billion in 2014, which increased to USD 236 billion by 2024 (International Labour Office, 2014; International Labour Organization, 2024). There are more enslaved people in the world today than at any other time in human history with the 'price' to 'purchase' a human being falling from a historical high equivalent to USD 40,000 today to as little as USD 100 (Bales, 2009) and rates of return on investment ranging typically from 170% to 1000% (Kara, 2017). There are almost 50 million people currently held in slavery conditions worldwide (International Labour Organization et al., 2022). Many of these victims are trapped in activities that support corporate pursuits, both directly and indirectly via organisational supply chains. Notwithstanding the fact slavery is now illegal it is still practised overtly, but more often covertly, around the world (Schwarz & Allain, 2020). Thus, slavery remains a wicked problem and the elimination of slavery remains a grand challenge for society.

As a significant and influential player in the global economy, financial services entities (FSEs) have enormous power and policy influence on the global economy (Kinley, 2018). FSEs have the ability to play a pivotal role in eradicating extreme poverty and social inequality, which are the primary causes of modern slavery practices. Yet the finance sector is inextricably linked with illicit practices, directly or indirectly, through their business operations and supply chains (United Nations University Centre for Policy Research, 2019). For example, in 2019 Westpac was accused of failing to comply with funds transfer disclosure laws and facilitating the funding of overseas activities related to modern slavery (Butler, 2019). Western Union in the USA has also been fined AUD 94 million for anti-money laundering violations related to human trafficking (United States Department of Justice, 2017; United Nations University Centre for Policy Research, 2019).

Research investigating modern slavery is carving out its territory distinct from human rights reporting. This research focuses on the nature and scope of mandatory disclosures now required by a growing number of legislative Acts, or voluntary disclosures by firms in both developed and developing countries (Ahmed et al., 2022). To date, these studies have either been broad and generic using samples of large, listed companies, or industry-specific (Christ et al., 2019; Monciardini et al., 2019; Strand et al., 2024; Szablewska & Kubacki, 2023). In the case of the latter, the focus has primarily been on industries considered 'high risk' such as agriculture, fishing, manufacturing, mining and garments (Dodd et al., 2022). Industries that are not perceived in this way have received less attention. The financial services sector is one such industry.

The lack of attention given to FSEs in relation to modern slavery provides a unique opportunity to explore accountability in circumstances where the business conduct in question and the business operations are perceived to be remote. In many empirical studies published in journals on sustainability, corporate governance, disclosure and reporting, the financial sector tends to be omitted from investigation as it is often regarded as too different from other industries (Guo et al., 2021). Yet the industry remains subject to many sources of modern slavery risk. Legislation and guidance in this area tends to focus on the risks associated with the physical supply chain. However, for FSEs this is unlikely to be the main area of concern and the financial value chain (FVC)[1] requires greater attention. Risks are present in retail services, interbank transactions, asset management, and payment services, where modern slavery can infiltrate. Additionally, criminal use of financial systems for laundering money from human trafficking and converting funds into cryptocurrencies like Bitcoin poses significant risks (Dean & Marshall, 2020; Polaris, 2018). Supporting activities such as procurement, purchase of office suppliers, technology, and facilities maintenance, while still important, are secondary for FSEs when it comes to assessing modern slavery risk (United Nations University Centre for Policy Research, 2019). Given that funds from slavery and trafficking activities often pass through legitimate financial institutions, FSEs have a powerful role in ensuring modern slavery laws are followed and ultimately effective (Cockayne, 2021; Keatinge, 2017). It is relevant and timely to "follow the money" in the financial value chains impacting modern slavery.

Via analysis of a hand-collected dataset comprising the 370 mandated Modern Slavery Statements (MSSs) for the years 2020 and 2022 published by FSEs in Australia, this study examines the extent and nature of modern slavery related disclosures in this sector as they relate to the financial value chain. In doing so, the study provides a benchmark of current activity and provides recommendations for government, and the reporting entities themselves, on how modern slavery reporting in this sector can be improved. Thus, this study investigates the following research questions:

RQ1 *What is the extent of financial value chain disclosures reported in the Modern Slavery Statements by Australian FSEs?*

RQ2 *How can financial value chain disclosures in modern slavery reporting by Modern Slavery Statements by Australian FSEs be improved in the future?*

[1] FVC is defined in more detail in Section 2.3.

This research makes the following contributions. First, it provides one of the only studies to the current time to investigate modern slavery disclosures in the context of the financial value chain. Second, the findings permit a preliminary analysis relating to the efficacy of Australia's relatively new *Modern Slavery Act* 2018 (Cth) (hereafter AMSA) as it relates to financial products and activities. Finally, the study extends consideration of new institutional sociology in relation to modern slavery disclosure by showing how FSEs can manipulate and decouple their response to sources of institutional pressure by acting in a symbolic or ceremonial way rather than taking meaningful action in their daily activities to identify and manage their modern slavery risks.

2 BACKGROUND LITERATURE

2.1 Modern slavery defined

Modern slavery, a practice that is often hidden in plain sight, represents a glaring violation of human rights and has been universally condemned. Hathaway (2008) highlights this sentiment, stating, "The fight against slavery is one of the very few human rights imperatives that attracts no principled dissent. Indeed, the duty to eradicate slavery is one of only [a few] human rights clearly identified by the International Court of Justice as an *erga omnes* norm" (p.7-8).[2]

'Modern slavery' is a term that defies consensus definition. While over 300 international slavery treaties have been signed since 1815, they often use different definitions. Section 4 of the AMSA frames modern slavery to include practices such as human trafficking, traditional slavery or servitude, forced and bonded labour and forced marriage, all of which are illegal and outlawed by both national and international legal instruments. Proponents claim this to be the first time any legislative Act has actually defined 'modern slavery' (Australian Government, 2019). For this study, modern slavery is defined as a situation in which severe economic

[2] Erga omnes (Latin for "toward all") refers to obligations held by individual states towards the entire international community.

exploitation is practiced in which basic human rights are denied and where the victim is unable to leave and controlled by another person through either the threat or reality of violence, coercion, deception, and/or abuse of power.

2.2 Modern slavery disclosures and regulations

In recent years, the imperative for businesses to address human rights issues, particularly regarding working conditions and potential abuses in supply chains, has intensified due to increased societal and public pressure from a diverse array of stakeholders. This pressure stems from shareholders, non-governmental organisations, media, governments, and the general public, who collectively demand corporate respect for and protection of human rights (Flynn & Walker, 2020; Islam & van Staden, 2018). The impacts of modern slavery extend beyond reputational damage, lawsuit concerns, stock price and financial penalties for businesses; they represent a severe threat to human lives.

Despite the growth in voluntary Corporate Social Responsibility reporting, yet it remains insufficient for protecting human rights in business operations. Recent research highlights the gap between human rights disclosures and their actual social impact reported by the companies. Carroll (2021) notes that human rights integration into CSR practice remains underdeveloped, and advocates for businesses to move beyond merely respecting rights toward actively protecting them. This inadequate corporate attention to human rights has prompted new legislation requiring businesses to address modern slavery risks in their operations and supply chains.

Thus, the last decade has seen a wave of activity from governments in the form of new legislation designed to address modern slavery. Initiatives include the *California Transparency in Supply Chains Act, 2010*, the *Modern Slavery Act 2015* in the United Kingdom (hereafter UKMSA) and the AMSA. Most of these Acts seek to engage large entities in addressing modern slavery risk by requiring mandatory, annual disclosure of specific information concerning exposure to risks and actions taken to mitigate such exposure, which may include detection and remediation strategies relating to both direct operations of the business and their supply chains (Islam & van Staden, 2018). Disappointingly, evidence suggests that modern slavery legislation, whilst mandating reports, remains largely unenforced leading to poor quality disclosures (Monciardini et al., 2019; Rogerson et al., 2020). The AMSA, which was loosely modelled on the UKMSA but arguably more stringent in its requirements (Kamalnath, 2021), applies to reporting entities with an annual consolidated revenue of AUD100 million. Section 16(1) of the AMSA requires (as paraphrased) that reporting entities:

> (c) describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls; and
>
> (d) describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes; and
>
> (e) describe how the reporting entity assesses the effectiveness of such actions; and
>
> (f) describe the process of consultation with controlled entities; and
>
> (g) provide any other relevant information.

The AMSA provides reporting entities with discretion over disclosures, although guidance documentation recommends that MSSs should describe the entity's approach to assessing and addressing modern slavery risks within its global and domestic operations, supply chains, including due diligence and remediation processes (Australian Government, 2019). While the Act mandates seven reporting criteria, the discretionary nature of disclosure and lax regulatory enforcement have resulted in significant variation in reporting practices (Flynn & Walker, 2020). Thus, the effectiveness of this disclosure-based approach remains open to debate and further examination. Mai et al. (2022), when analysing MSSs, annual reports, and sustainability reports from FTSE100 listed companies documented high compliance at minimum disclosure levels but found the quality of the disclosures beyond this to be relatively low. New (2015) cautioned that organisations might reduce modern slavery reporting to a public relations exercise while failing to recognise how their business models might contribute to the problem. In the Australian context, Kotoky and Di Lernia (2023) conclude that initial MSSs submitted by ASX100 companies failed to meaningfully contribute to the aims set out in section 16 of AMSA. Meanwhile, select research has been conducted in an industry specific context, Szablewska and Kubacki (2023) systematically reviewed 26 studies on modern slavery in supply chains, with 19 study focusing on sectors including manufacturing, hospitality, agriculture, fisheries, apparel, and construction. Of interest, to date there is little research that considers the impact of modern slavery's impact and reporting by financial services entities though, Dean and Marshall (2020) analysed the UKMSA submitted by 8 Australian banks.

FSEs wield significant economic influence and are uniquely positioned to combat slavery and trafficking. The Liechtenstein Initiative's "Blueprint for Mobilising Finance against Slavery" highlights the profound influence of the financial sector, asserting that the actions of bankers, investors, insurers, and financial partners "have unparalleled influence over global business …Finance is a lever by which the entire global economy can be moved" (United Nations University Centre for Policy Research, 2019, p. 2). Dean and Marshall (2020), for example, argue that "The nexus between the Australian finance sector and modern slavery is not yet well understood" (p.48) but that it is reasonable to consider the "sector's impact on modern slavery [to be] considerable". This study addresses the need for knowledge of this crucial sector.

2.3 Financial sector's connection to modern slavery

At first sight the operations or financial value chains of firms in the financial sector may appear remote from the forced labour and slavery practices commonly associated with manufacturing and production enterprises. This perception is reinforced by the claims made by FSEs that their employees are primarily skilled, white-collar professionals who are highly paid and generally do not engage in low-skilled or manual labour, where the risk of modern slavery is perceived to be higher (Netwealth, 2020; Local Government Super, 2020). If a physical supply chain or labour supply chain approach is taken, such an assumption seems reasonable. Yet financial transactions and the management of financial resources are where FSEs are most exposed and where actions to combat modern slavery can be harnessed to greatest effect.

With a focus on the financial services sector, Dean and Marshall (2020) identified specific operations where human rights violations may occur: the bank's direct operations, its business output, its financial supply chains, its ancillary supply chains, and through the enabling of financial crime. Thus, we distinguish two broad operational categories where FSEs facilitate modern slavery: financial value chain products and services and supporting activities including internal and external business activities. The financial value chain is a comprehensive framework that delineates the full spectrum of activities and processes required to bring a financial product or service from its conception to its final conclusion. This value chain framework emphasises customer-centric activities over departments and categories of accounting expenditure (Centobelli et al., 2023). This includes not just the creation and distribution of financial products, but also their management, transaction monitoring, and eventual completion or renewal. The value chain in finance is particularly nuanced, given the sector's emphasis on risk management, regulatory compliance, and the integration of environmental, social, and governance considerations into all stages of financial product life cycles. It not only reflects the flow of money and financial services but also embodies the principles of responsible and sustainable finance, aiming to address and align with global challenges such as climate change, social inequality (Wendt, 2015) and human rights. By understanding and optimising the financial value chain, institutions can enhance efficiency, value creation, and sustainability within their operations and the broader financial ecosystem.

By way of examples, the financial value chain includes products and services that primarily relate to retail customers and include deposit services, consumer loans, credit cards, household wealth management, car loans, personal loans, overdrafts, and insurance services. Funds management, for example, has risks in high-risk industries and geographical locations through their transaction monitoring of credit cards and other financial products. Retail banking services, incorporating consumer credit, credit card payments, account servicing, and wealth management, are exposed to vulnerabilities from low-paid workers in the supply chain, who may be vulnerable to exploitative practices, thus highlighting workforce and geographic risks. Similarly, foreign exchange and money transfer services encounter risks in all categories, as these operations frequently intersect with high-risk industries and geographies. Digital finance, including Neobanks and distributed ledger systems like cryptocurrencies and bitcoin, carries inherent risks related to its decentralised and often unregulated nature, potentially exposing workers to modern slavery practices. Institutional investment and asset management such as private equity, hedge funds, and mutual funds are linked with high-risk industries, high risk business models, and geographical risk. Project financing, including large-scale development projects and corporate loans provided by private and multilateral development banks, also presents significant geographical risks and high-risk industry. This research focusses on the degree and type of risk that vary considerably across different FVC segments and services.

Criminal enterprises use legitimate banks and financial intermediaries as the financial channel to launder money earned from human trafficking and slavery or virtually converting it into cryptocurrency such as Bitcoin (Dean & Marshall, 2020; Polaris, 2018). Thus, while FSEs face the same modern slavery risks as other businesses regarding the procurement of goods and services, they also face an additional layer of risk that is sector specific. Drawing on the examples of Westpac and Western Union provided in the introduction, it can even be argued from a regulatory perspective that the financial value chain exposes FSEs to increased reputational risk. This suggests research that focuses solely on the finance sector is needed if meaningful guidance and recommendations for FSEs are to be made. This study specifically addresses this need.

3 THEORETICAL UNDERPINNINGS

In this study new institutional sociology (NIS) is used to better understand the disclosure of modern slavery risks by FSEs. The present article, consistent with recent UK studies (Flynn, 2020; Flynn & Walker, 2020; Huq & Stevenson, 2018), seeks to understand how institutional pressures impact on, and can be harnessed to improve, the modern slavery disclosure practices by FSEs. Lack of awareness or misunderstanding on coercive, mimetic and normative institutions may lead to unanticipated cost for the entities to achieve or contribute to global projects towards eradication of modern slavery. The foundational claim of NIS is that corporate structures, policies and practices are determined by the milieu of various pressures exerted by stakeholders (Meyer and Rowan, 1977). DiMaggio and Powell's (1983) seminal contribution to institutional theory argues that organisational practices and attitudes are becoming more similar, or homogeneous in structure, climate and behavioural focus through states and professions, rather than being driven by competition and the need for efficiency.

The process through which organisations converge towards homogeneity is in their structures and practices is known as isomorphism. This change can be driven by three types of institutional pressures: coercive, mimetic and normative. Dillard et al. (2004, p. 509) define isomorphism as “the adaptation of an institutional practice by an organisation”. Coercive isomorphism arises from (in)formal pressure from powerful stakeholders including regulatory bodies, exerting *coercive pressures* through rules and regulations, sanctions and punishments on organisations to act in certain ways (Flynn & Walker, 2020). This type of pressure is reflected in companies adopting common policies like "zero tolerance" for modern slavery, referencing international accords such as the UN Global Compact in their public statements, and unifying supplier contract terms to align with globally accepted human rights benchmarks (Flynn & Walker, 2020). *Mimetic isomorphism* implies that organisations mimic or adopt the best practices of peer organisations to enhance the probability of organisational survival, as seen when firms implement anti-slavery measures similar to those adopted within their sector. *Normative isomorphism*, on the other hand, is driven by professional and social norms, industry standards and cultural values.

Institutional pressure on firms relating to modern slavery did not start with AMSA. Civil society, NGOs, consumer groups and the media have been campaigning on this issue, for example, the IndustriALL, Alliance and Accord initiatives on responsible supply chain management, and the Anti-Slavery International and International Cocoa Initiative for combatting child labour in cocoa supply chains (Clemens & Douglas, 2006; Flynn, 2020). These are complemented by a number of highly regarded voluntary guidelines including the UN Guiding Principles and Global Reporting Initiative. Together with recent legislation, society and its institutions put pressure on firms in coercive, normative and mimetic ways. Institutional theory predicts that these pressures will drive businesses to emphasise and signal social responsibility through their structures, policies, and practices (Campbell, 2007). This research focuses on identifying and analysing the account produced by entities after the enactment of modern slavery legislation, rather than describing the various stakeholder pressures holding the entities to account.

The three forms of isomorphic pressures provide a robust theoretical foundation that can help explain organisational conformity or homogeneity and, more specifically, why organisations conform to changing social expectations. While genuine, substantive action is preferable, organizations may also respond to social and institutional expectations in a more symbolic or "ceremonial" manner (Meyer and Rowan, 1977), or they may even disregard them altogether (Oliver, 1991). Decoupling occurs when organisations symbolically or ceremonially engage in certain practices to gain and maintain legitimacy, but in reality, the organisation's goals and objectives are only loosely coupled with actual activities (Bromley & Powell, 2012; DiMaggio & Powell, 1983). Flynn (2020) demonstrates how firms may engage in minimum compliance with regulatory frameworks (coercive pressures) to address modern slavery risks. This aligns with the concept of decoupling, where organizations publicly adopt policies to maintain legitimacy without fully integrating them into their operations. Decoupling, therefore, refers to the creation and maintenance of gaps between institutional pressure and actual organisational practices; enabling organisations to gain legitimacy without taking the matter seriously or implementing substantive change in actual practice (Meyer & Rowan, 1977).

Previous research has utilised institutional theory to provide insights into social disclosures in accounting in general, and modern slavery more specifically (Cahaya et al., 2017; Flynn & Walker, 2020). However, to date research has not considered the way institutional pressures influence FSEs with regard to action on modern slavery, which includes the nature and types of disclosures made. Given FSEs face direct and indirect forms of modern slavery risk, as discussed in section 2.3, it cannot be assumed that previous multi-industry studies will be immediately transferrable to the financial services setting. This study integrates institutional theory with empirical evidence to explain the varying degrees of compliance among FSEs and contributes to the literature on modern slavery disclosure by considering how institutional pressures influence the practices undertaken by FSEs in Australia.

4 RESEARCH DESIGN

4.1 Sample construction

The sample for this study comprises 185 Australian financial service entities' inaugural MSSs filed in 2020 and the most recent MSSs submissions from 2022 obtained from the Australian Government's Online Register for Modern Slavery Statements. The database's stability was verified by extracting the data twice, with a one-month interval between extractions. Most organisations were headquartered in Australia, followed by the UK, Japan, USA, New Zealand, Hong Kong, Canada, and Germany. Table 1 outlines the preliminary data collection process which led to identification of the final sample.

[Insert Table 1 here]

4.2 Content analysis procedure

This study involved a deductive content analysis (Hahn & Lülfs, 2014; Silva, 2021). Content analysis is adaptable to a variety of texts and contexts, making it suitable for analysing disclosures that vary widely in style, content, and depth. This methodical approach facilitates the identification and analysis of emerging trends, themes, and patterns in modern slavery reporting, which is essential for understanding the current state and progression in this area. This study adapts the Ahmed et al. (2022) Modern Slavery Disclosure Index (MSDI), which comprehensively covers modern slavery legislation and highly authoritative and widely used voluntary guidelines. Employing the MSDI from Ahmed et al. (2022) provides a mechanism to evaluate and code the quality of disclosure based on the FSEs' comprehensive attention to detail. We take seven of the nine MSDI principles, which we discern pertain to FVC. Table 3 presents these seven principles used in this study: Recognising modern slavery practices; **Identification of risks**; Modern slavery prevention policy; **Assess and address modern slavery risks**; **Efficacy of actions**; **Oversight**; Non-compliance and enforcement consequence. Principles 2, 4, 5 and Principle 6 are bolded as they map directly to the mandatory requirements of section 16 AMSA. Principle 1, 3 and 7 are selected as voluntary principles to provide better understanding of FSEs' responses regarding recognition, policy and compliance with modern slavery risks. If we coded based on AMSA mandatory 'compliance' then arguably there would be very little variation in disclosure, as reported by Mai et al. (2022). Adding societal expectations to the exercise through the voluntary three disclosure principles is contemplated by the catch-all provision in section 16(1)(g) of AMSA. To further ensure the reliability of the data collected, an internal reliability test was carried out by two of our researchers (Milne & Adler, 1999). This involved analysing data from a randomly selected 14 companies (total 28 MSSs). This approach allowed for the resolution of any inconsistencies in interpretation and analysis, thereby improving the rigour of our data coding, as supported by the methodologies of Guthrie et al. (2004), and Christ et al. (2019).

4.3 Unit of analysis

The unit of analysis[3] helps to determine what to observe and how the observations are recorded and considered (Krippendorff, 2019, p. 88). This study concentrates on the 'extent of disclosure' (for instance, the frequency of words, sentences, paragraphs or pages) (Gray et al., 1995; Siano et al., 2017). The present study used the extent of disclosure according to the MSDI measured by the number of sentences. Sentences are more likely to yield reliable measures of multiple coding since sentences are the natural units of written English and are easily distinguished by punctuation marks (Christ et al., 2020). This study examines the 'extent' of the disclosure, and it is assumed that the greater the extent of the disclosures (i.e., the higher the number or frequency of sentences dedicated to specific disclosure items), the more the organisation attempted to bring the issue or their effort to the attention of stakeholders. The frequency measure is used as a metric to determine its level of importance or the degree of attention it is accorded.

5 FINDINGS FROM CONTENT ANALYSIS

5.1 Descriptive statistics

Table 2 presents data from 185 FSEs for the years 2020 and 2022. In 2020, the FSEs published MSSs spanning 1,464 pages, averaging 7.91 pages per statement, with a range of 1 to 30 pages. The total page count increased significantly in 2022, with 2,192 pages, with an average of

[3] Unit of measurement can be used interchangeably with recording unit or context unit.

11.84 pages and a maximum of 52 pages per statement. Notably, all MSSs received approval, with 52.43% (97) signed by CEOs or managing directors, 39% (73) by Board Chairs, and 18.91% (47) by directors only. The signature distribution of the MSSs is nearly same in the year 2022. This signature distribution suggests varying levels of commitment among FSEs to addressing modern slavery as required by AMSA. The fact that only 39% (73) of FSEs' statements were signed off by board chairpersons, despite directors' signatures, flags a lack of genuine engagement or confidence in the MSS contents within some FSEs.

[Insert Table 2 here]

Descriptive statistics and the frequency distribution of the seven MSDI principles related to FVC and supply chain for 185 FSEs over the two years of analysis are shown in Table 3: Panel A. Analysis reveals a minimal disclosure on the financial value chain information, with only 140 sentences in 2020 and 259 in 2022, compared to, the supply chain disclosures. Overall, related modern slavery disclosure is remarkably higher with 16,300 sentences in 2020 and 26942 sentences in 2022. These differences in reporting priorities by FSEs are portrayed in Figure 1. Despite the increment of FVC disclosures being significantly improved by 85% from 2020 to 2022, the FVC disclosures averaged a mere 1 to 1.33 sentences in 2020 and only 1 to 1.56 in 2022, highlighting a significant lack of importance given to the FVC disclosures by the FSEs.

In terms of the voluntary disclosure principles, Table 3: Panel A (as visualised through Figure 1) shows high variation in the best practice principles. Principle 1, recognising modern slavery practices, yielded the highest number of disclosures in both years and for all principles, voluntary and mandatory. It accounted for 42.14% (59 sentences) in 2020 and 31.27% (81 sentences) in 2022 of all disclosures, with an average of M=1.09 sentences in the first year and M=1.25 sentences in the second year. Notably, there was a moderate increase of 37.29% in disclosures related to this principle from the first to the latest MSSs. In addition, disclosures concerning non-compliance and enforcement consequences (the seventh principle) were notably scant, accounting for only 0.05% (=8 sentences), with an average of *M*=0.04 sentences for FVC disclosure Principle 3, modern slavery prevention policy demonstrates an increase from 15.71% (n=22) of total sentences in 2020 to 17.37% (n=45) in 2022, though the number of sentences allocated for FVC disclosures are minimal compared to supply chain disclosures. Principle 7, non-compliance and enforcement consequences for FVC was limited, constituting just 2.86% (n=4) in 2020 and 1.93% (n=5) in 2022.

[Insert Figure 1 here]

Of the four AMSA mandatory principles, Principle 2, the disclosure levels for **risk identification** specific to the financial value chain were minimal, at only *M*=1.17 (n=28) in 2020 and *M*=1.33 (n=53) in 2022, with a maximum of three sentences reported in each year. Regarding the **assessing and addressing** of modern slavery risks (the fourth principle) and the **efficacy of actions** (the fifth principle) for the FVC disclosures were much lower, with *M*=1.14 (n=16) in 2020 and *M*= 1.31 (n=34) in 2022 for assessing and addressing risks, and *M*=1.2 (n=6) in 2020 to *M*=1.56 (n=25) in 2022 for the efficacy of actions. Disclosure on **oversight** showed a marginal increase from *M*=1 (n=5) in 2020 to *M*=1.07 (n=16) in 2022.

[Insert Table 3: Panel A here]

[Insert Table 3: Panel B here]

It appears that the FSEs have released minimum information on modern slavery in their FVC, however within the disclosures that are made the majority of information is given to recognising modern slavery, **identification of risks**, modern slavery prevention policy and **assessment and addressing** of modern slavery risks (in that order). This may be because FSEs disclose information they consider easy to collect, which allows minimum standard compliance with the legislative requirements. Further, there is similarity in reporting across the MSSs in terms of recognising modern slavery practices, and, at the other end, non-compliance consequence. These similarities could be attributed to sector specific pressures as posited in new institutional sociology. The compliance process is shaped by pressures that evolve through mimetic and normative organisational isomorphism along with coercive processes (Clemens & Douglas, 2006; DiMaggio & Powell, 1983). Surprisingly, this study found a lack of importance placed on FVC disclosures, which relate to core business operations of FSEs. It is evident from the Table 3: Panel A that the FSEs primarily focus on supply chain disclosures, whereas section 16(1)(c) AMSA explicitly mentions reporting on the risks of modern slavery in both business "*operations* and supply chains". This indicates that due to the institutional pressures, the FSEs complied with the regulatory requirement in a superficial or symbolic manner rather than taking substantive actions to address those modern slavery risks. However, these data trends show notable variation in disclosure conduct, which is analysed in section 6. In the meantime, findings for each of the seven disclosure principles are presented below.

5.2 Recognising modern slavery practices

Recognising modern slavery practices entails identifying various forms of severe human exploitation in the financial value chain. Despite recognising exploitative practices in general, disclosures linking modern slavery to the FVC are minimal. In 2020, only 54 FSEs disclosed 59 sentences and by 2022, this had only marginally improved, with 65 FSEs disclosing and contributing 81 sentences (reported in Table 3: Panel B). This leaves a significant majority, 131 out of 185 FSEs in 2020 and 120 out of 185 FSEs in 2022, that did not publish any information on modern slavery practices linked to the FVC. The relatively higher focus on the recognition of modern slavery (Principle 1) in general terms aligns with both coercive and normative pressures, compelling companies to adhere to legislative requirements and align with industry norms. However, FSEs appear to provide disclosures that mirror general expectations perhaps responding to external advocacy efforts, without addressing the specific and substantive aspects of their own financial operations.

Several FSEs recognised that potential investments, insurance products, property management operations, which include tenants, asset management and clients may expose their company to human rights breaches and modern slavery risks (Hollard Insurance, 2022; Infratil, 2022; Melior Investment, 2020). For example, Melior Investment (2020, p. 6) states that it "assess[es] whether potential investments and asset management may be exposed to modern slavery risks". (GPT, 2022, p. 5) notes: "Asset management has been identified as a significant area of modern slavery risk for GPT, particularly in its office and retail portfolios".

Additionally, some FSEs recognised their operations are conducted in areas with lower modern slavery risks because of geographic location of service delivery. For instance, (Hollard Insurance, 2022, p. 5) observes: "Insurance products are developed in Australia for retail and commercial customers in Australia and New Zealand. The residual risk of modern slavery in Hollard financial services business operations is assessed as low because of geographic location of services, regulatory oversight in Australia and New Zealand". However, (Dexus, 2022, p. 12) states: "We recognise there is a risk that we may contribute to or be linked to modern slavery in our direct operations, including through our property management operations and tenants. We consider people in our supply chain to be at a higher risk of modern slavery practices than our direct employees and are aware of the following risk factors across our supply chain that Dexus may contribute to or be directly linked to modern slavery".

Despite some FSEs recognising modern slavery risk with their FVC, the limited number of related disclosures suggests a lack of genuine commitment to comprehensive reporting. By recognising risks without delving into specific FVC concerns, FSEs may avoid reputational damage while maintaining an appearance of compliance. This behaviour reflects insights from institutional theory literature, which posits that firms often prioritise disclosures that enhance their public image, especially when addressing complex and sensitive issues such as human rights (Christ et al., 2019; Islam & van Staden, 2018).

5.3 Modern slavery risks identification

The AMSA mandates modern slavery risk identification, yet FSEs appear to have exerted less effort in disclosing the unique risks associated with their financial value chains, particularly concerning financial products and services. In 2020, merely 24 out of 185 FSEs provided three sentences or fewer regarding their modern slavery risks identification in FVC. This figure slightly increased to 40 FSEs in 2022, as reported in Table 3: Panel B. Despite this increment, the MSSs show a continued lack of emphasis on risks identification in FVC. Although disclosures concerning these risk identification items accounted for 20% (n=28) of total disclosures in 2020 and increased marginally to 20.46% (n=53) in 2022 as shown in Figure 1, these results indicate that such disclosures are the second highest reported yet remain scant across the board. Figure 2 categorises these risks into business operational and financial value chain risks related to products and services and supply chain and procurement risks associated with operational activities. This research focuses on the former category, examining how FSEs report them under coercive, normative, and mimetic pressures. Coercive pressures, such as legislative mandates, drive initial compliance but often result in disclosures that meet minimum standards without substantive engagement.

Vulnerable workforces primarily involved with migrant, seasonal, low socio-economic, culturally diverse, child, temporary, seconded, trafficked, unskilled and low-skilled workers. The financial value chains of FSEs can be linked to or contribute to a vulnerable workforce where the prevalence of modern slavery is higher. The vulnerable condition of these workers increases the likelihood of exploitation in operations and supply chains and the vulnerability of such workers is acknowledged by the some of the FSEs and mentioned it in their MSSs (Hostplus, 2021; TelstraSuper, 2020). For example, investment portfolios and the companies within them also carry varying levels of modern slavery risk, depending on industry-specific risk. As mentioned previously, the manufacturing and apparel industry are inherently higher risk due to their reliance on vulnerable workers and companies with complex supply chains extending to higher-risk countries may face increased risks of exploitation of migrant workers (Magellan Financial Group Limited, 2022, p. 9). Clients, including individuals or businesses, could be involved in activities, industries, or regions with a higher risk of modern slavery practices. This risk may be compounded when facilitating transactions to or from high-risk countries or industries (Westpac, 2022).

High-risk industry sectors: FSEs can intensify scrutiny in industry sectors and regions with higher modern slavery prevalence, such as apparel, mining, construction, food and agriculture, fishing, and electronics. Fund managers can examine the investment clients' operations and supply chains of these 'high-risk' or 'very high-risk' industry sectors and geographical location for potential material risks, if any risks are detected, query client's management about the steps they are taking to address those modern slavery risks. The disclosures by entities like IAG (2020); NAB (2020); QBE Insurance Group Limited (2020); Sunsuper (2020); Ansvar Insurance Limited (2022); Cbus (2022) and HSBC (2022) indicate specific relationships as a source of risk in its products and services, spurred by normative pressures from NGOs and advocacy groups. Yet, many FSEs continue to follow industry peers' generic approaches, illustrating mimetic isomorphism, where entities imitate others' practices to navigate uncertain regulatory landscapes.

In this regards, (Australian Super, 2022) stated "It identified key risks associated with some components of the investment portfolio which may be exposed to higher risk industries or suppliers from high-risk countries or through more remote parts of their supply chains" (p.17). Though the FSEs identified some instances of modern slavery risks, many appear to avoid this by stating that those risks are in a different geographical location, exemplified by

Prime Super (2020), "identified the following investments with a higher risk of modern slavery within extended supply chains: • direct investments in Asia-Pacific • indirect investment through pooled funds in Russia • small exposures to Papua New Guinea, Myanmar and Mongolia • commodities (coffee, palm oil, textiles, fish, tea, cotton, copper, gold and tin) in Africa, Asia, and the Middle East" (p.3).

High-risk business models: Opaque and complex supply chain arrangements lead to high-risk business models, obscuring modern slavery practices. Identified high risk factors which include intermediaries in the supply chain with complex business models; highly priced competitive products and services; labour-intensive industries and supply chains with tight lead times, pose oversight challenges. Institutional theory suggests such models can lead to decoupling, where formal risk policies are not integrated into actual practices, resulting in surface-level compliance. The International Trade Union Confederation (2016) revealed that corporations like Apple and Coca-Cola outsource 94% of their workforce, often obscuring oversight. The hidden workforce is recruited by third parties or outsourced where there is higher chance of worker exploitation. This aligns with the findings of Christ and Helliar (2021), who indicate that inadequate due diligence in recruitment processes exacerbates risks in complex business models.

[Insert Figure 2 here]

Geographical risks: Geographical locations with a weak rule of law and corruption are prone to experiencing higher modern slavery risks where the production of goods is potentially tainted with slavery practices (Themis International Services, 2021). Investments, financial transactions, and procurement in conflict-affected, destabilised or developing nations carry higher modern slavery risks. Yet, many entities, like MyStateLimited (2022, p. 5), focus on disclosing safe operational zones to project an image of limited exposure. In contrast, Perpetual Limited (2022, p. 19) and along with 16 FSEs have acknowledged risks related to geopolitical regulations like the Uyghur Forced Labor Prevention Act, pointing to specific concerns over investments linked to Xinjiang, China.

5.4 Modern slavery prevention policy

A modern slavery prevention policy should provide a framework for assessing and addressing modern slavery risks. The UN Guiding Principle 16 recommends that all business enterprises have a 'human rights policy' for detecting and mitigating the impact of human rights violations in their business (United Nations Human Rights Commission, 2011). When it comes to address modern slavery within the FVC, FSEs predominantly leverage their existing policies, such as Anti-Money Laundering, Counter-Terrorism Financing, and Responsible Investment policy and ESG policy. A few FSEs adopted industry-specific policies developed under the Australian Banking Association Modern Slavery Working Group (ANZ, 2022; NAB, 2022; Suncorp, 2022) represent attempts to align with normative pressures, as defined by institutional theory, where shared professional standards and collaborative initiatives encourage compliance with ethical norms. However, the modest uptake of these industry-specific policies suggests that such norms are not yet widely internalised across the sector.

FVC related policy disclosures remained sparse, with only 17 FSEs (22 sentences) in 2020 and 30 FSEs (45 sentences) in 2022 detailing such policies. While some FSEs acknowledged ongoing policy development e.g. (ANZ, 2020; IAG, 2020), progress remains limited. Comparing the inaugural MSSs with those released in 2022, it is surprising that FSEs are yet to develop their prevention policies, a situation that may be associated with lax regulatory pressure from the AMSA which, as at the time of writing, has no penalties for non-compliance and no direct incentives for organisations that do well. This regulatory gap, as emphasised by institutional theory, may reduce the urgency for firms to move beyond symbolic compliance toward substantive policy innovation.

5.5 Assess and address modern slavery risks

Assessing and addressing the modern slavery risks, through due diligence and a remediation process, is one of the mandatory criteria of the AMSA. However, addressing and assessing the risks involves specific strategies and includes prioritisation of risks, grievance redress mechanisms and independent expert consultation. Only 11.43 % (16 sentences) of total sentences were allocated for assessment and addressing the risks in 2020 while in 2022 it was 13.13% (34 sentences). This means that 171 FSEs in 2020 and 159 FSEs in 2022 did not disclose any information regarding the assessing and addressing of risks in the FVC. Disappointingly, there was no significant improvement in the disclosures made. However, some FSEs acknowledged and assessed the risks inherent in their financial products and services, lending and investment may also involve modern slavery risk where FVC activities have potential to cause, contribute or be directly linked to modern slavery (Bendigo and Adelaide Bank, 2022; Capricorn, 2022).

The lack of significant improvement over time highlights a concerning trend: most FSEs continue to avoid meaningful engagement with the risks of modern slavery inherent in their financial products, services, lending practices, and investment portfolios. Notably, some FSEs acknowledged the presence of modern slavery risks in these areas. For example, Bendigo and Adelaide Bank (2022); Capricorn (2022) recognise that certain FVC activities could cause, contribute to, or be directly linked to modern slavery. However, these examples remain exceptions as opposed to the norm. From an institutional theory perspective, normative and coercive pressures from regulatory bodies, NGOs, and investors are critical drivers of robust assess and address modern slavery risks. Yet, the findings suggest these pressures are either weak or fragmented, resulting in limited progress. While normative pressures promote the adoption of ethical standards, their impact appears insufficient to compel FSEs to assess and address these risks.

5.6 Efficacy of actions

Efficacy of actions by management is another mandatory criterion in the AMSA, aligned with UN Guiding Principle 20, which emphasises appropriate indicators and stakeholder engagement (United Nations Human Rights Commission, 2011). It directly supports UNSDG 8: Target 8.7, aiming to "take immediate *and effective* [italics added] measures to eradicate forced labour, end modern slavery and human trafficking …" by 2030 (United Nations, 2015) (p.21). FSEs' disclosures on efficacy of actions in FVCs remain minimal, often limited to a few sentences and largely symbolic. This study finds a total of 4.29% (n=6 sentences) in 2020 and 9.65% (n=25 sentences) in 2022 of FSEs describe the efficacy of actions, representing the fifth highest disclosure principle. These disclosures largely address education and training, with many companies raising awareness and organising training for employees, suppliers, and stakeholders. However, they rarely extend to reporting on the outcomes or tangible impacts of these actions. For instance, some FSEs provide quantitative data on training participation rates. The Commonwealth Bank reports that "approximately 85% of the ASB FCO team completed non-mandatory external training in modern slavery" in addition to mandatory financial crimes training (Commonwealth Bank, 2022, p. 35). While this represents progress in terms of transparency, there is a noticeable silence regarding financial allocations for education, training, or victim support programs. The omission of such detail suggests a gap between symbolic disclosures and substantive efforts to address modern slavery risks comprehensively.

5.7 Oversight

Oversight of the modern slavery reporting practices provides a way to improve risk mitigation, detection, and remediation while ensuring accountability and transparency. This study reveals that, in addressing modern slavery risks in the FVC, FSEs primarily relied on existing oversight committees with related responsibilities, such as the Group Risk and Compliance Committee (AMP, 2020), Risk and the Reputation Committee (NIB, 2020) and the Ethics and Responsible

Business Committee (ANZ, 2020). Others included the Risk Committee and ESG Risk Committee (QBE, 2022), Board ESG Committee (Dexus, 2022) and Modern Slavery Committee (GPT, 2022). The analysis did not identify the existence of specific committees set up to address modern slavery risks within the FVC in the analysed MSSs. FVC-related oversight disclosures increased from 5 FSEs (5 sentences) in 2020 to 15 FSEs (16 sentences) in 2022. These findings indicate that while FSEs integrate modern slavery concerns into existing governance frameworks, there is an absence of specialised committees or dedicated oversight mechanisms specifically focused on modern slavery within FVCs.

5.8 Non-compliance consequence

Non-compliance and enforcement policies were among the least disclosed criteria, with only 9 sentences addressing them both years. In 2020 and 2022, 182 and 180 FSEs respectively provided no information on non-compliance or human rights violations. Among the few exceptions, Westpac (2020) disclosed penalties for violations of relevant laws. Some entities reported proactive measures to detect modern slavery risks in their products and services with stated consequences to follow (ANZ, 2020; NIB, 2020).

Divestment, a more consequential response to modern slavery practices or human rights violations in the FVC, was addressed by only 16 out of 370 statements analysed, with two offering detailed disclosures. Entities that mentioned divestment framed it as a measure of last resort, employed when preventative or restorative remedies were deemed insufficient or beyond their influence (Commonwealth Superannuation Corporation, 2022; QIC, 2022). For example, Australian Retirement Trust (2022, p. 22) noted: “Following allegations of modern slavery, Australian Retirement Trust ensures that the appropriate preventative and restorative remedy is provided. Divestment is considered a last resort…”. In 2022, two instances of divestment were disclosed: MyStateLimited (2022) divested from two foreign banking entities due to unacceptable modern slavery risks and inadequate mitigation measures, Commonwealth

Superannuation Corporation (2022) exited certain investments over concerns related to modern slavery. Although compliance efforts mitigate reputational and litigation through regulatory adherence, the AMSA's lack of direct legal consequences beyond naming and shaming non-compliant entities (Kotoky & Di Lernia, 2023) diminish the institutional coercive pressure. This regulatory limitation likely explains the widespread absence of robust enforcement policies in FSE disclosures.

6 DISCUSSION

This paper explores two research questions examining FVC disclosure in MSSs published by the FSEs, these questions were addressed by way of a content analysis of the inaugural and latest 370 MSSs of 185 FSEs. While Flynn (2020) and Dean and Marshall (2020) found finance and insurance sectors less inclined to disclose modern slavery practices under the UKMSA, with Flynn (2020) documenting over 70% of non-compliant firms were from these sectors, attributed to their skilled workforce and domestic supply chains perceived as low-risk. This study reveals FSEs increasingly recognize modern slavery risks under AMSA, acknowledging the issue's global scope. This shift underlines the role of government regulation, with coercive pressure driving the change, even though the MSSs are a response to specific regulation, we emphasise that AMSA during the sample period had no enforcement mechanism nor sanctions, hence coercive pressure is an appropriate description. While regulatory pressure has led to reporting of modern slavery practices in operations and supply chains, the reliance on self-regulation and flexible governance methods often results in limited substantive change in the disclosures. The empirical evidence suggests regulatory frameworks, while crucial, require stronger enforcement mechanisms and stakeholder engagement to achieve meaningful corporate behavioural shifts.

The total pages of MSSs significantly increased from 1,464 in 2020 to 2,192 in 2022, this expansion did not translate into substantial improvements in modern slavery disclosures.

Incremental increases in areas like the recognition of modern slavery risks appear more responsive to external pressures than indicative of substantive engagement. FSEs broadly acknowledge modern slavery risks but FVC-related disclosures remain alarmingly low, despite being a high-risk area for FSEs. The paucity of disclosure given to modern slavery risks in FVCs suggests either confusion or reluctance among FSEs to be transparent about these practices. Over two years, disclosures were limited to 399 sentences, increasing only slightly from 140 in 2020 to 259 in 2022. Given the pivotal role of FSEs in financing global and local economies, their unique position to enhance transparency and mitigate modern slavery risks is underutilised. The lack of substantive progress reflects institutional hesitancy and uncertainty in addressing these risks transparently.

The limited progress in FVC-related disclosures reflects a lack of normative pressures in the financial services sector. During 2022, which was in between the sample reporting years in this study, the banking sector's industry body released policy guidance for members "to provide a point of reference for ABA [Australian Banking Association] member banks to operationalise modern slavery risk identification and management" (KPMG & Australian Banking Association, 2022, p. 5). As reported in Section 5.3, three banks referred to this guidance in their 2022 MSSs. This sector guidance would not appear to have operated as disruptive normative pressure in the financial sector more broadly. Only 19 FSEs exhibited minimum changes in their MSSs from their initial submission to their third. This suggests a heavy reliance on initial disclosures rather than a proactive approach to evolving strategies in response to legislative requirements. This finding aligns with insights from institutional theory (DiMaggio and Powell, 1983), suggesting that as expectations for legitimate responses solidify and market reactions become clearer, organisations strive for greater homogeneity in their statements. Over time, the mimetic process suggests that companies imitate each other's practices and do not develop their own practices (Clemens & Douglas, 2006).

Core competencies such as identifying modern slavery risks, establishing modern slavery prevention policies and assessing and addressing modern slavery risk are necessary precursors to deter and disrupt modern slavery practices, yet FVC related disclosures of these principles remain underdeveloped. Despite inaugural MSS challenges, latest statements show minimal improvement, which is disappointing given the now many aspects of modern slavery risks is now easily accessible (KPMG & Australian Banking Association, 2022; United States Department of State, 2021). Although all Australian entities face modern slavery risks of different types, FSEs are distinctive due to the FVC, as illustrated in the left-hand side of Figure 2. Their dual responsibilities include addressing risks in financial products and services given the global scope and complexity of money trail, and in procurement and supply chains. This study focuses the former, identifying four vulnerable FVC settings: vulnerable workforces, high-risk industry sectors, high-risk business models, and geographical risks, which can cause, connect to, or contribute to modern slavery.

This study reveals that FSEs that complied with the mandatory criteria within the Australian legislation are less heterogeneous with evidence of convergence appearing across the sample of statements, with patterns evident in most of the principles. This suggests an industry effect consistent with mimetic and normative isomorphism. Pressures impacting the FSEs actions appear to emanate from multiple sources including government guidance, industry groups, and most likely competitors. This has resulted in a convergence in the appearance and behaviour of businesses due to the institutional pressures related to modern slavery (DiMaggio & Powell, 1983). In particular, convergence between the entities' responses towards legislation is expected (Crane, 2013; Flynn, 2020) and this study found evidence of convergence in the MSS. The homogeneity may have happened as some entities had prior experience complying with similar legislation in other jurisdictions or were already following voluntary reporting guidelines. This finding suggests that strong mimetic elements have played their role in bringing about homogeneity in the form of adherence to these accords and legislation, whether the compliance with them is mandatory or voluntary. This is consistent with the findings of Christ et al. (2019) who observed similar themes in the context of voluntary modern slavery reporting practices by Australian entities. However, after the enactment of AMSA, it is anticipated convergence should move towards a higher level and quality of disclosures as envisaged by policy makers, not towards a minimum disclosure just for the sake of compliance, signalling a potential decoupling of actual action from perceived action (Huq & Stevenson, 2018; Siano et al., 2017). While decoupling may protect the organisation's legitimacy in the short term, it poses risks in the long term. As misconduct becomes institutionalized, the likelihood of detection increases, potentially leading to scandals and a significant loss of external legitimacy. In considering legal, financial and reputational consequence, FSEs respond with an MSS that is cursory as to core activities conducted and are found to be merely symbolic responses to external legitimacy pressures.

7 CONCLUSION

Financial service entities are pivotal in modern society, and while their direct risk of modern slavery has been considered low, a financial value chain approach reveals their crucial role in combating this global issue. This study provides timely insights into the current status and intensity of modern slavery reporting response to new Australian legislation by FSEs in Australia, focusing on FVC-related disclosures. As the first longitudinal study examining FVC-related modern slavery reporting by FSEs, it offers critical insights into the early institutionalisation of such reporting. The study contributes theoretically and practically to understanding modern slavery risk disclosure practices in the financial sector.

In addressing the first research question on the extent of FVC disclosures in MSSs, the study found a low level of disclosures, with few to no disclosures in most categories.

Recognising modern slavery practices, identification of risks and modern slavery prevention policies received the highest level of disclosures, other areas were often ignored. These statements disclosed the approach to addressing FVC modern slavery risk in a subtle way rather than using specific or quantitative measures. FSEs prioritise disclosures related to supply chain risks over those linked to the FVC, despite AMSA requirements to address both. This indicates that reporting entities may be more responsive to perceived external pressures on supply chain practices while neglecting risks embedded within their core business operations. Notably, with a few exceptions, entities did not disclose human rights violations or related fines. It is possible that some companies in the sample have a lack of understanding in reporting about the connection, contribution or cause of modern slavery practices in their FVC. The scarcity of industry-specific guidance for FSEs in preparing Modern Slavery Statements, particularly considering the FVC, may partially explain these findings.

The second research question focused on improving FVC disclosures in modern slavery reporting. Findings suggest that low-level disclosure and potential lack of understanding regarding modern slavery risk within the FVC pose broader business risks for FSEs. Entities need to be more cautious when offering their products and services, particularly in investments, FSEs need to have a robust approach to due diligence for identification and mitigation of risks in their portfolio companies. As institutional investors, FSEs can engage in proactive dialogue, combine resources, use voting rights responsibly, and present shareholder proposals addressing modern slavery risks. As financiers, FSEs can set operational parameters that exclude funding to companies involved in modern slavery or human rights violations. So far, this appears to be an opportunity that has been missed by regulators and the FSEs themselves.

Moving forward, this research suggests that as the operations of FSEs are at the heart of the FVC for all sectors of the economy, they are in a position to respond to and reflect institutional pressure to comply with best practice modern slavery risk management. This capacity for change can be progressed through several institutional mechanisms. We have already seen some engagement with industry associations (e.g. Australian Banking Association), who may provide forums for FSEs to learn from best practice and harness mimetic pressure. Additional regulatory pressure is also proposed and could be expanded. As the Federal Parliament has recently passed legislation to establish the first Anti-Slavery Commissioner, one option would be to grant this office administrative enforcement power, such as the power to impose Enforceable Undertakings.[4] Other regulators e.g. Australian Securities and Investment Commission (ASIC) have this statutory power (McGaughey et al., 2022). The Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry (2019) found Enforceable Undertakings of ASIC combined with other guidance are useful as an alternative to court proceedings or other sanctions. An alternative approach could be to place oversight of modern slavery reporting within the jurisdiction of financial industry regulatory bodies. For instance, delegating this role to the Australian Prudential Regulation Authority (APRA) could ensure effective monitoring of modern slavery reporting practices among FSEs when it comes to modern slavery risk in the FVC. Based on the findings herein, we are in a position to speculate, based on the evidence, as to different types of institutional pressure governments can utilise to better to engage with the powerful financial service sector to address modern slavery risk.

[4] Enforceable undertakings are form of administrative action instead of court proceedings rather than debarment or suspension.

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Table 1 *Steps in the Data Cleaning and Preparation*

Modern Slavery Statements data for 2019 and 2022	**Observations**
Number of MSS available at Repository for the years 2020 and 2022	684
Less: MSSs unavailable for both years	264
MSSs are not accessible due to data format	50
Modern Slavery Statements in sample	370

Table 2 *Summary MSSs published by the sample FSEs*

Year	**FSEs**	**No of Pages**	**Avg. no pages**	**No of pages**		**Approval and signature**		
				Min	**Max**	**Chair(s)**	**Director(s)**	**CEO/MD(s)**
2020	185	1464	7.91	1	30	73 (75)	35 (47)	97 (101)
2022	185	2192	11.84	1	52	80 (83)	35 (53)	94 (98)
Total	370	3686	9.96			153	70 (100)	191 (199)

Notes: Table 2 includes 185 FSEs over a two-year period, with a total sample size of 370 FSEs. Parentheses indicate the number of signatures in the MSSs.

Figure 1 *Modern Slavery related Financial Value Chain (FVC) and Supply Chain (SC) Disclosures by FSEs*

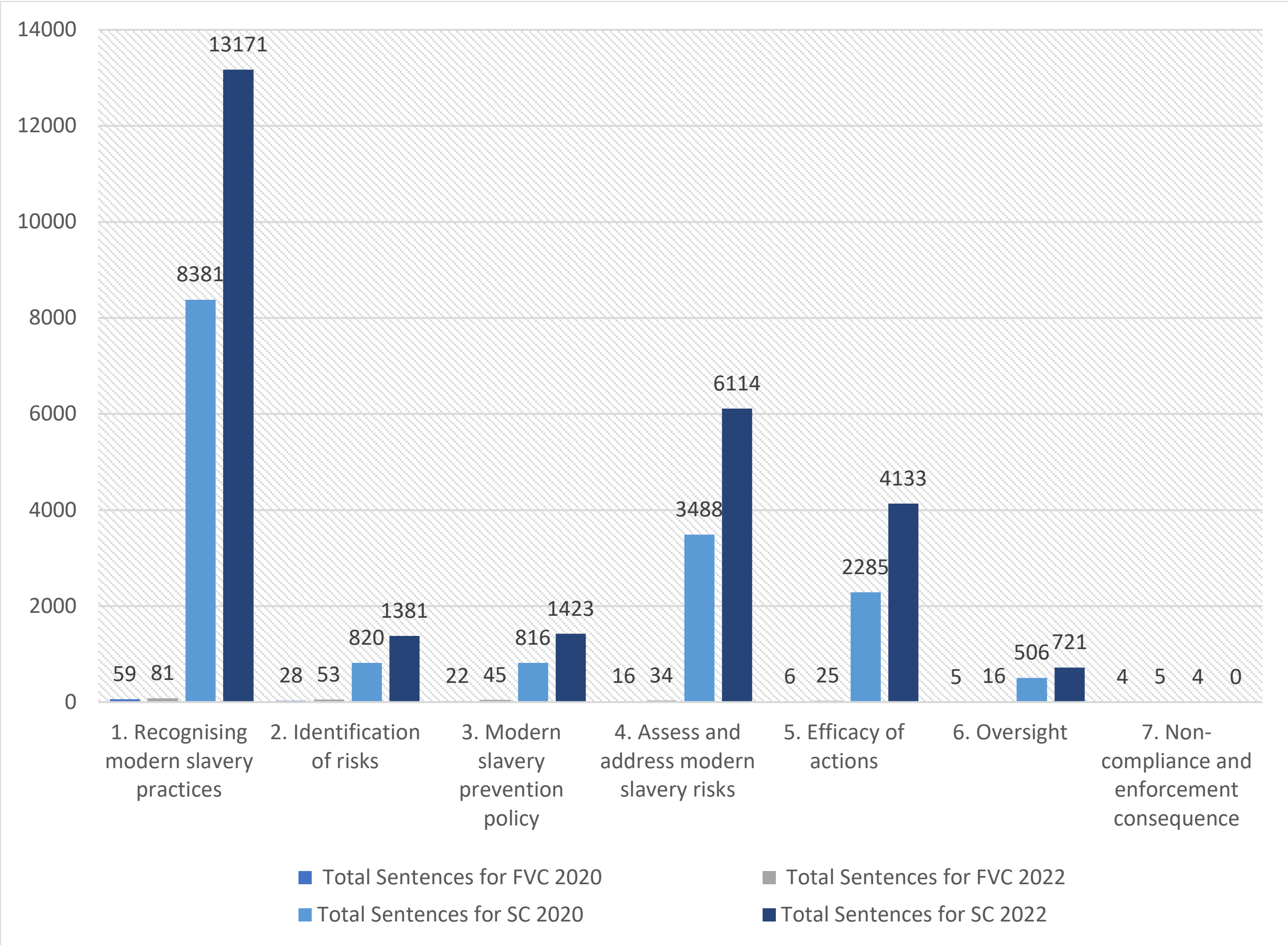

Figure 2 *Potential Connection Area of Modern Slavery Risks of Financial Services Entities*