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Submission on the Modern Slavery Bill

Tēnā koutou

Thank you for the opportunity to make a submission on the Modern Slavery Bill (the Bill). The Institute of Directors (IoD) supports measures that reduce modern slavery risks, strengthen transparency, and encourage responsible governance and supply-chain oversight.

Modern slavery is a significant governance issue because it affects organisational reputation, supply-chain resilience, stakeholder trust, procurement and investment decisions. Boards increasingly need visibility over how organisations identify, assess and respond to modern slavery risks across operations and supply chains.

Scope and submission summary

1. The IoD supports a proportionate, workable and entity-focused regime that strengthens governance oversight and supply-chain transparency without discouraging capable directors from serving, creating disproportionate compliance burdens, or undermining the competitiveness of New Zealand businesses operating across trans-Tasman and international markets.
2. The IoD supports the Bill's overall intent, including increased transparency through public reporting and stronger due diligence expectations. However, the Bill currently creates concerns around the breadth of the proposed director liability settings, the cumulative effect of the public register and procurement consequences, and the practical implementation challenges associated with large and complex supply chains. The IoD is also concerned that unnecessary divergence from comparable Australian settings may create disproportionate compliance burdens and competitiveness issues for New Zealand businesses operating across trans-Tasman markets.

About the Institute of Directors

The Institute of Directors (IoD) is New Zealand's pre-eminent organisation for directors and sits at the heart of the governance community. We have over 10,500 members connected through our regional branch network and national office.

We believe in the power of governance to create a strong, fair and sustainable future for New Zealand. Our role is to promote excellence and high standards in governance.

We support and equip our members who lead a range of organisations from listed companies to large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development that supports strong governance practice.

3. In particular, the IoD considers that the Select Committee should recommend amendments that:
- a. **Place the primary compliance obligation on the reporting entity, with boards responsible for oversight, challenge, assurance and governance of compliance.** Many obligations in the Bill depend heavily on management systems, operational implementation, supplier engagement and information gathered across complex domestic and international supply chains.
 - b. **Avoid broad personal criminal liability for directors and managers in a regime built around evolving due diligence systems and judgement-based assessments.** Clause 17 creates potential liability where directors or managers “could reasonably be expected to have known” of non-compliance and failed to take reasonable steps. In practice, this risks defensive governance behaviour and excessive compliance-focused decision-making.
 - c. **Provide greater clarity around what constitutes reasonable due diligence, reasonable oversight and proportionate reporting expectations.** Clause 4 defines due diligence as an ongoing and systematic process that extends well beyond disclosure into ongoing operational, governance and remediation expectations.
 - d. **Use staged and proportionate implementation settings that support meaningful capability uplift, practical risk management and progressive development of due diligence capability over time.** This is particularly important for entities with large or complex supply chains and organisations operating across multiple jurisdictions.
 - e. **Ensure the liability and enforcement settings are proportionate, consistent and aligned with broader trans-Tasman and New Zealand reporting regimes.** Recent reforms in climate-related disclosures and consumer lending have recognised the risks associated with overly broad deemed director liability settings and defensive reporting behaviour.
 - f. **Align reporting periods with entities’ existing financial years, expressly allow joint or group statements, and recognise overseas modern slavery statements where they substantively meet New Zealand requirements.** This would reduce unnecessary duplication for trans-Tasman and multinational businesses while maintaining meaningful, aligned reporting, transparency and governance oversight.

Summary of governance and implementation issues

Proposal	IoD position
Due diligence obligations	The IoD supports stronger modern slavery due diligence expectations. However, Clause 4 defines due diligence broadly as an ongoing and systematic process involving identification, assessment, prevention, mitigation, accounting for risks and remediation. This extends well beyond reporting and creates potentially significant governance and operational expectations. Greater clarity is needed around proportionality, reasonable steps, implementation expectations and reliance on management systems and supplier information.
Governance settings: role of the board	The board’s role should be framed clearly as one of governance oversight and assurance of compliance. Management remains responsible for operational implementation, supplier engagement, remediation activity and day-to-day due diligence processes.
Reporting entity threshold	The proposed consolidated revenue threshold in Clause 6 provides a practical starting point. However, Clause 24 enables future expansion of thresholds, reporting entities and disclosure requirements through regulation. The potential for future expansion reinforces the need for proportionate implementation settings and clear guidance.

Proposal	IoD position
Scope of reporting obligations	The reporting obligations in Clauses 8–10 are extensive and include domestic and international supply chains, incidents, complaints, remediation measures, effectiveness assessments, training and consultation. The breadth of these obligations creates potentially significant governance, oversight and implementation expectations, particularly for entities operating across large or complex supply chains with limited visibility or leverage.
Implementation and reporting settings	The implementation timeframe created by Clauses 2 and 8 may create significant practical challenges for reporting entities establishing due diligence systems, supplier engagement processes and governance frameworks across complex supply chains. The IoD supports staged and proportionate implementation settings focused on capability uplift, guidance and progressive maturity over time. The IoD also supports aligning reporting periods with entities' existing financial years to reduce duplication and support more practical governance and reporting processes for trans-Tasman and multinational businesses.
Publication of breaches and public register	The public register established under Clause 11, combined with mandatory publication of convictions and penalties under Clauses 19–20, may create significant reputational, commercial and governance consequences for reporting entities. The Bill currently contains no equivalent safe-harbour settings designed to encourage good-faith reporting and transparency, creating a risk of defensive reporting behaviour.
Guidance and implementation support	Guidance issued under Clause 13 will be critical for reporting entities, and guidance under Clause 22 will also be relevant to the wider response system. Practical guidance is needed on reasonable steps, proportionality, board oversight expectations, reliance on management systems, supply-chain engagement and implementation pathways.
Recognition of overseas and group statements	The Bill should expressly allow for joint or group modern slavery statements and recognise overseas modern slavery statements where they substantively satisfy New Zealand requirements. Reporting entities should be able to provide a concise crosswalk and New Zealand addendum addressing jurisdiction-specific gaps. This would reduce unnecessary duplication for trans-Tasman and multinational businesses while supporting aligned reporting and governance processes.
Pecuniary penalties and offences	The proposed penalty settings are comparatively stringent when combined with personal liability, public disclosure of breaches and procurement consequences. Clause 16 creates criminal offences and fines up to \$200,000, while Clause 18 enables pecuniary penalties of up to \$600,000 for reporting entities (that are not government agencies).
Director liability	The IoD does not support the current director liability settings in Clause 17. The liability threshold is broad and potentially captures directors who “could reasonably be expected to have known” of non-compliance. In a regime dependent on evolving due diligence systems, supplier cooperation and judgement-based assessments, this risks defensive governance behaviour and over-compliance.

Government procurement implications	The proposed amendments to the Public Finance Act 1989 would prevent Crown payments to entities convicted or penalised for contraventions of reporting obligations. These consequences could be commercially significant and should be considered carefully alongside the broader liability settings.
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Due diligence obligations

6. The IoD supports stronger due diligence expectations but considers the current definition of due diligence in Clause 4 to be overly broad and uncertain in application.
7. Clause 4 defines due diligence in a way that extends well beyond disclosure obligations and creates potentially significant governance and operational expectations as an “ongoing and systematic process by which an entity identifies, assesses, prevents, mitigates, and accounts for risks of modern slavery incidents within its operations and supply chains, including taking reasonable steps to remediate any adverse impacts on victims that the entity has caused or contributed to”.
8. The Bill creates uncertainty as to whether the regime is intended to remain disclosure-based or evolve into a substantive mandatory due diligence framework, as it extends well beyond a disclosure-only regime. It creates ongoing expectations around systems, controls, operational monitoring, supplier engagement and remediation activity. The breadth of the definition means reporting entities are likely to face difficult judgement calls about:
 - what constitutes reasonable steps
 - how far obligations extend into supply chains
 - what level of verification and oversight is reasonably achievable
 - how effectiveness should be measured
 - what remediation expectations are realistic in practice.
9. Those issues become more complex in international supply chains where reporting entities may have limited operational control, limited visibility or limited leverage. Guidance from the Registrar under Clause 13 will therefore be critically important and should clarify proportionality, reasonable steps, implementation expectations and governance oversight responsibilities.

Governance and accountability

Role of the board

10. The Bill should clearly distinguish between governance oversight responsibilities and operational management responsibilities. Directors govern compliance systems and oversight processes, but they do not personally carry out operational due diligence activities across complex supply chains.
11. The IoD views modern slavery as a governance issue rather than solely a procurement or operational matter. Modern slavery risks may affect organisational reputation, access to capital, customer trust, procurement eligibility, regulatory compliance and long-term organisational resilience. In the IoD’s [Director Sentiment Survey 2025](#), 19.9% of respondents said their boards had assessed risks and issues associated with modern slavery and worker exploitation, up from 16.6% in 2021.
12. Good governance oversight depends on boards having clear visibility over where modern slavery risks may arise, how management is identifying and managing those risks, and whether reporting and due diligence systems are credible and proportionate.

13. The Bill should recognise that boards do not directly manage supplier relationships, conduct operational due diligence across every supply chain, or personally investigate every allegation or incident. Those functions sit with management. The board's role is to govern the system by testing whether:
- governance frameworks are appropriate
 - reporting lines are clear
 - management capability and resources are sufficient
 - escalation pathways exist
 - risk identification and remediation processes are credible
 - the organisation is meeting its legal and ethical obligations.

Reporting entity threshold

14. The IoD supports the proposed consolidated revenue threshold in Clause 6 as a practical starting point for implementation of the regime.
15. However, Clause 24 enables future expansion of thresholds, reporting entities and disclosure requirements through regulation. This means the scope and governance expectations of the regime may evolve over time beyond the settings currently proposed in the Bill.
16. The potential for future expansion reinforces the importance of proportionate implementation settings, clear guidance and adequate transitional timeframes. This is particularly important for entities with complex or resource-constrained supply chains that may require significant time and capability uplift to implement effective due diligence, reporting and governance systems.

Reporting obligations

Scope of reporting obligations

17. The IoD supports robust modern slavery reporting obligations but considers the breadth of the obligations in Clauses 8–10 may create significant implementation and oversight challenges for reporting entities. Reporting entities must disclose information relating to:
- organisational structure and operations
 - domestic and international supply chains
 - incidents and complaints
 - due diligence and remediation activity
 - effectiveness assessments
 - training
 - consultation activity.
18. Clauses 9(2)(g) and (h) are particularly broad because they contemplate disclosure relating to training and consultation involving employees and participants across supply chains. In practice, reporting entities may have limited operational control over supply-chain participants. The Bill should recognise that practical implementation may be difficult, particularly across large international supply chains, and that reporting entities may not have complete visibility across all supply-chain activities or incidents in practice.

Implementation challenges and reporting periods

19. Clause 2 provides that the Bill would come into force six months after receiving Royal Assent, while Clause 8 requires reporting entities to submit annual reports within six months after the end of the reporting period. Together, these implementation settings may create significant practical challenges during the initial implementation period, particularly for organisations needing to establish new due diligence systems, supplier engagement processes, governance and review processes, and supply-chain reporting frameworks across complex domestic and international supply chains before their first reporting cycle.

20. For many entities, these obligations extend deeply into supply chains that may involve thousands of suppliers, inputs or components across multiple jurisdictions. Capability maturity and visibility across those supply chains will develop progressively over time rather than immediately following commencement. There is also a risk that compliance expectations cascade through supply chains onto smaller suppliers and SMEs in ways that are disproportionate to their risk profile and capability.
21. Experience from comparable overseas regimes demonstrates that modern slavery capability maturity develops progressively over time rather than immediately following legislative commencement. Establishing effective due diligence, supplier engagement and reporting systems across complex supply chains is likely to require sustained governance oversight, operational capability uplift and ongoing supplier engagement over multiple reporting cycles, particularly where contractual rights, supplier visibility and data collection processes are not already in place.
22. The IoD therefore strongly supports a staged or proportional implementation approach, particularly for more complex supply-chain obligations and entities operating across large or internationally integrated supply chains. Consideration should be given to phased implementation settings, such as initially focusing on higher-risk or domestic supply chains while reporting entities progressively develop more mature due diligence systems, supplier engagement processes and reporting capability.
23. Clause 6 currently prescribes fixed reporting periods, being 1 July–30 June for government agencies and 1 April–31 March for all other reporting entities. The IoD considers reporting entities should instead be permitted to align reporting periods with their existing financial year.
24. Many large and listed entities already operate on differing financial years, including alignment with Australian or multinational parent reporting cycles. Requiring a mandatory reporting period that is disconnected from existing financial reporting and governance cycles risks unnecessary duplication, inefficiency and additional compliance burden. Alignment with existing reporting cycles would better reflect the operational realities of trans-Tasman and multinational businesses and support more effective governance and reporting processes. The Australian Modern Slavery Act 2018 specifically defines the reporting period of an entity as “a financial year, or another annual accounting period applicable to the entity”.

Group statements and Australian alignment

25. The Bill should also expressly permit joint or group modern slavery statements. Many reporting entities operate across complex corporate groups and multiple jurisdictions.
26. The Australian Modern Slavery Act 2018, Section 14, explicitly allows joint statements, and this approach supports more efficient and coherent reporting across related entities.
27. Additionally, overseas modern slavery statements should be capable of recognition where they satisfy the substantive requirements of the New Zealand regime. Where they do not fully align, reporting entities should be able to provide a concise crosswalk and New Zealand addendum addressing any New Zealand-specific gaps, such as domestic operations, incidents, complaints or effectiveness assessments.
28. Without greater alignment across trans-Tasman reporting settings, there is a risk that entities operating across both jurisdictions may rely in practice on lower-standard reporting settings or view the New Zealand regime as disproportionately burdensome relative to Australia. This risks regulatory arbitrage, duplicated compliance costs, and reduced competitiveness for New Zealand businesses operating across integrated trans-Tasman markets and supply chains.

Public register and reputational implications

29. The combined effect of the public register, mandatory publication requirements and liability settings may unintentionally encourage defensive reporting behaviour rather than open and constructive disclosure.
30. The IoD acknowledges the public register established under Clause 11 as an important transparency mechanism. However, Clauses 19 and 20 also require convictions and pecuniary penalties to be published on the register for three years. Combined with the proposed offence and liability settings, this creates potentially significant reputational, commercial and governance implications.
31. The Bill currently differs from some other New Zealand disclosure regimes because it contains no equivalent safe-harbour provisions designed to encourage transparent reporting and good-faith disclosure.
32. Combined with the public register, publication of breaches and broad liability settings, this risks encouraging defensive reporting behaviour and creating disproportionate reputational and commercial consequences for entities making good-faith efforts to comply with a complex and evolving regime. In turn, this may undermine the Bill's transparency objectives by discouraging open and candid reporting of evolving risks and capability gaps.

Coordination, guidance and capability uplift

33. A successful regime will require guidance, capability uplift and practical implementation support. The Registrar's guidance powers under Clause 13 will therefore be important for reporting entities and governance implementation. Guidance under Clause 22 will also be important for the broader response and referral framework.
34. Particularly during the early years of the regime, implementation should focus on capability-building, guidance and constructive engagement to support meaningful uplift in governance and reporting practice.
35. Guidance under Clause 13 should address:
 - proportionality and reasonable steps
 - governance oversight expectations
 - reliance on management systems
 - supply-chain due diligence expectations
 - remediation pathways
 - verification, oversight and reporting expectations
 - practical examples of good practice.
36. Boards will also require access to appropriate training, guidance and expert advice to support effective governance oversight. As with other risk areas such as cyber security and climate governance, effective oversight and implementation will require ongoing capability uplift, guidance and practical support across both management and governance functions.

Director liability

37. The IoD does not support the current director liability settings in Clause 17.
38. Clause 17 provides that directors or persons involved in the management of the reporting entity may be guilty of the same offence as the reporting entity where it is proved:
 - that the act or omission that constituted the offence took place with the director or person's authority, permission, or consent; or
 - that the director or person knew, or could reasonably be expected to have known, that the offence was to be or was being committed and failed to take all reasonable steps to prevent or stop it.

39. This is a significant liability threshold in a regime dependent on evolving due diligence systems, supplier information, management processes and judgement-based assessments.
40. The Bill also differs materially from comparable Australian settings and recent trends in other New Zealand reporting and disclosure regimes. For example, climate-related disclosure reforms moved away from broad deemed director liability settings because of concerns about defensive reporting behaviour and excessive legal risk. Likewise, reforms to consumer credit regulation recognised that broad personal liability settings can contribute to excessive risk aversion, inefficient compliance behaviour and unintended economic consequences. The current proposal risks creating a materially more onerous liability and disclosure regime than Australia, despite many New Zealand businesses operating across integrated trans-Tasman markets and supply chains.
41. Criminal liability is most appropriate where conduct is clearly personal and clearly wrongful, such as knowingly providing false or misleading information. The current proposal instead risks attaching personal liability to broad and judgement-based due diligence obligations that depend heavily on operational implementation and supplier engagement.
42. In the IoD's view, the primary compliance obligation should sit with the entity. If personal liability is retained, it should be confined to conduct that is clearly personal and plainly wrongful, including knowingly false or misleading statements or intentional non-compliance with a direct statutory obligation.

Pecuniary penalties and offences

43. The proposed penalty settings are comparatively stringent when combined with personal liability, public disclosure of breaches and procurement consequences.
44. Clause 16 creates criminal offences and fines, while Clause 18 enables pecuniary penalties of up to \$600,000 for reporting entities (that are not government agencies).
45. The cumulative effect of criminal liability, pecuniary penalties, public register disclosure and procurement consequences may create disproportionate reputational, commercial and governance consequences for reporting entities and encourage defensive reporting and compliance behaviour rather than meaningful risk management and governance engagement. There is also a risk that the combined settings create disproportionate commercial consequences for New Zealand businesses, particularly exporters and organisations operating across trans-Tasman supply chains.

Government procurement implications

46. Clause 28, which inserts new section 73A into the Public Finance Act 1989, could have significant commercial and operational implications for affected entities.
47. New section 73A would prevent the Crown from paying money directly or indirectly to entities convicted of offences, or subject to pecuniary penalties, for contraventions of sections 8(1), 10(1) or 10(2).
48. These procurement and funding consequences could have substantial commercial implications, particularly where breaches relate to reporting failures rather than intentional exploitation.
49. The Bill should ensure the liability and enforcement settings remain proportionate.

Conclusion

50. The IoD supports the intent of the Modern Slavery Bill 2026 and recognises the importance of improving transparency and strengthening modern slavery risk management.

51. The IoD recommends that the Bill be amended to ensure the regime remains proportionate, workable and aligned with broader trans-Tasman governance and reporting settings, including that:

- the primary compliance obligation should sit with the entity;
- the current director liability settings are too broad, but if personal liability is retained, it should be confined to conduct that is clearly personal and clearly wrongful;
- greater clarity is needed around reasonable due diligence expectations;
- implementation settings should support practical capability uplift rather than defensive compliance;
- guidance and proportionality will be critical to successful implementation;
- implementation timeframes and transitional arrangements should better reflect the practical challenges of establishing due diligence systems across complex supply chains;
- reporting periods should align with entities' existing financial years;
- the Bill should expressly permit joint or group statements;
- overseas modern slavery statements should be recognised where they substantively satisfy New Zealand requirements;
- implementation settings and liability provisions should avoid creating disproportionate compliance burdens or competitive disadvantages for New Zealand businesses operating across trans-Tasman markets; and
- the public register and liability regime should avoid creating unintended reputational or commercial consequences that discourage good-faith reporting and governance engagement.

We appreciate the opportunity to comment on behalf of our members and would welcome the opportunity to speak to this submission and discuss any aspect further.

Ngā mihi nui



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