



Due Diligence in Supply Chains

There are an estimated 40.3 million people in the world in slavery. Of these an estimated 24.9 million people - three out of every 1,000 people worldwide - are victims of forced labour across the world, trapped in jobs which they were coerced or deceived into and which they cannot leave. Two thirds of the estimated 45.8 million people in modern slavery were identified in the Asia-Pacific. Forms of modern slavery related to business supply chains include forced labour in aqua and agriculture sectors, the garment sector and electronics. Men and women experienced forced labour in manufacturing, agriculture, food production and construction. Women were also vulnerable to sexual exploitation, forced marriage and domestic servitude.¹

Because so much of Australia's manufacturing has gone off shore, we are potentially connected with this exploitation when we purchase imported products. It is in the supply chains of products we import and purchase in stores, supermarkets and on line. Of the top 15 nations we import from 40% are in the Asia Pacific Region and three quarters of them² are high risk countries for incidences of human trafficking, slavery and slave-like practices including forced and bonded labour.

Australia agreed to support the United Nation's Sustainable Development Goals in 2015. Goal 8.7 is a target for member states to meet by 2030:

To eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

Australia is inevitably implicated in slavery through the consumption of imported goods where forced labour and child labour are used in their production. Currently there is little way of knowing with certainty the extent of slavery which touches Australian consumer goods. Whilst statistics can provide an indication as to the extent of slavery in developing nations, they are unable to demonstrate the extent to which developed nations are touched by slavery as a result of importing goods from offshore manufacturing and labour, including forced labour.

The only way in which Australian consumers can develop an awareness of the potential connection between the products they consume and human trafficking, forced labour and slavery is if corporations are required to be transparent with regard to the way in which their products are produced and made available for sale within Australia. The only way we can

¹ http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_574717/lang--en/index.htm

² <http://dfat.gov.au/about-us/publications/trade-investment/australias-trade-in-goods-and-services/Pages/australias-trade-in-goods-and-services-2016.aspx>

fulfil our international commitments to ending forced labour, modern slavery, human trafficking and child labour is to develop robust legislation and due diligence on supply chains by business. People who work to make the products we consume should be entitled to the same fair treatment in their employment, as we expect in Australia.

Problems surrounding the lack of transparency in corporate supply chains have been recognised in other countries, and various mechanisms have been put in place to address these. Australia can both learn from these mechanisms and improve on them to ensure we are leading the world in best practice due diligence practices. Due diligence means that corporations not only engage in corporate social responsibility but are also required to take specific measures to ensure that they are addressing the risk of human trafficking and slavery in all its forms in their whole supply chains.

Any legislation around transparency in supply chains should include

- 1) Requiring companies to publicly report on **due diligence** measures they are taking to address slavery and exploitation throughout their supply chains. Responsibility for these matters should lie with the board of the corporation and a Director should be required to 'sign off' on such a report
- 2) A **public on-line** repository of such reports should be compiled which the Australian public can access
- 3) There should be **penalties for non-compliance in reporting**, including directorial liability
- 4) There should be **mandatory reporting for businesses of a certain size and those operating in industries or countries where there is higher risk.**
 - a) A threshold for reporting should use the CORPORATIONS ACT 2001 – SECT 45A, definition of a large proprietary company as one with a threshold of \$25 million for the following reasons
 - i) Legislation should be consistent with the definitions in the current Corporations Act.
 - ii) The threshold of \$100million proposed in the Minister for Justice's statement and consultation paper on Modern Slavery in Supply Chains Report Requirement³ will not capture sufficient companies who are in risk countries and industries to have an impact.
 - iii) The proposed threshold of \$100 million is significantly higher than the UK Modern Slavery Act threshold of £36 million (~\$AUD 60 Million) will mean that Australian companies may need to report in the UK and will not be required to report in Australia.
 - b) A threshold alone is not enough. Entities operating in high risk industries and countries should also be required to report.
- 5) **The Australian Government should lead the way** in ensuring that the Commonwealth will not procure goods and services from companies that fail to demonstrate sufficient measures to minimise the risk of slavery in their supply chains.

³ <https://www.ag.gov.au/Consultations/Documents/modern-slavery-in-supply-chains-reporting-requirement/modern-slavery-in-supply-chains-reporting-requirement-public-consultation-paper.pdf>