



KONICA MINOLTA

28th April 2017

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Crewther and Honourable Members,

Re: Konica Minolta Submission – Inquiry into Modern Slavery

Konica Minolta Australia welcomes the invitation to provide a submission to the Joint Standing Committee on Foreign Affairs and Trade Inquiry into establishing a Modern Slavery Act in Australia.

We support the establishment of a Modern Slavery Act in Australia including a reporting provision that requires large organisations to disclose steps taken to eradicate modern slavery from supply chains. This is smart regulation.

We are advocates of smart regulation because we believe it makes a difference. We have seen how the Workplace Gender Equality Agency (WGEA) has driven change towards achieving greater outcomes for women in Australian organisations. Indeed, Australia is a global leader and early adopter of government led workplace gender equality regulation, with the UK government's scheme effective just last month. We have shared the lessons from our journey to become an Employee of Choice for Gender Equality with colleagues in Japan and Europe who are now considering similar strategies. What starts as smart regulation in Australia has an impact globally.

Similarly, the Government's Indigenous Procurement Policy that sets minimum requirements for private business to deliver Federal Government contracts has been a game changer for many suppliers to government and the broader marketplace. Smart policy signals the government's priorities and elevates discussion to the boardroom; it triggers business to assess the current state and create strategies to meet government targets. It is one way for business to remain competitive, but also meet the growing norms of doing business in a globalised and more socially conscious world.

I encourage the government to show similar resolve to become a global leader in the fight against modern slavery. While modern slavery is a global issue, leadership must begin at home and the private sector is a critical stakeholder. Australian businesses are innovative and resourceful. With good guidance, I have no doubt that corporate Australia will find effective solutions to implement the requirements of a proposed Modern Slavery Act.

We welcome the opportunity to participate further in the Inquiry.

Kind regards,

Dr David Cooke
Chairman and Managing Director

Konica Minolta Australia

Submission to Inquiry into
Establishing a Modern Slavery Act in
Australia

April 2017



Introduction

Konica Minolta Business Solutions Australia Pty Limited (Konica Minolta Australia) welcomes the Joint Standing Committee on Foreign Affairs and Trade Inquiry into establishing a Modern Slavery Act in Australia. We support legislation that would bring Australian businesses in line with growing international norms and expectations on human rights due diligence and reporting requirements. We advocate for smart legislation that informs business' response to modern slavery; not only is it the right thing to do, it makes good business sense.

Konica Minolta Australia is a fully owned subsidiary of Konica Minolta Incorporated (KMI). Both globally and locally, our business takes the protection of human rights seriously. KMI, a Japanese Incorporated company, is an active member of the Electronic Industry Citizenship Coalition (EICC), a network of companies committed to supporting the rights and wellbeing of workers affected by the global electronics supply chain.¹ Locally, Konica Minolta Australia works to cascade global practice in our value-chain by taking action to embed ethical sourcing.² We also work closely with civil society to support their efforts to uphold the rights of victims of human trafficking in Australia and Cambodia.

We are a medium-sized, business-to-business company that draws on the knowledge and experience of a global multinational. We believe this provides a unique entry point for the Inquiry and, as such, our submission will address four of the Inquiry's Terms of Reference (ToR).

We believe an Australian Modern Slavery Act holds the potential to:

- minimise risk to vulnerable workers in Australia and the Asia Pacific (APAC) region;
- increase awareness amongst and galvanise action towards ending slavery among Australian businesses and Australian business leaders;
- create a level playing field among business where respect for human rights is a minimum standard;
- ensure reporting coherence on transparency in supply chain (TISC) provisions, and enable the Australian government to advocate on behalf of Australian businesses for international reporting coherence on TISC provisions;
- increase the legitimacy and leverage of Australian businesses to engage suppliers, particularly in the APAC region;
- assist business by providing best practice examples, which enables companies to learn from the success of others and progress efforts to combat slavery more effectively;
- ensure Australian businesses remain competitive and meet international norms and standards on human rights; and
- reinforce Australia's commitment to promoting and respecting human rights.

We make the following recommendations:

1. The Australian Government establishes a Modern Slavery Act that at a minimum:
 - 1.1. Includes a TISC reporting provision, or similar, that requires large organisations to disclose steps taken to eradicate modern slavery from their own business and supply chain;
 - 1.2. Provides a government maintained and publically accessible repository for all company disclosures; and
 - 1.3. Ensures reporting coherence with other jurisdictions.
2. Appoint an Independent Anti-Slavery Commissioner, similar to the UK.

¹ See more: <http://www.eiccoalition.org/>

² See more: <https://www.konicaminolta.com.au/about/corporate-responsibility/supply-chain-responsibility>



3. Provide guidance on the Act that outlines expectations for both companies captured by the reporting threshold and their suppliers.
4. Where relevant, provide guidance to business or create a platform for business to collaborate and collectively address modern slavery risks.
5. Support research on prevalence of modern slavery in different sectors in Australia.

Terms of Reference

2. The prevalence of modern slavery in the domestic and global supply chains of companies, businesses and organisations operating in Australia

Global electronics supply chains

It is well documented that workers in electronic supply chains are vulnerable to different forms of modern slavery. This includes forced labour, child labour and student workers, human trafficking for forced labour, the payment of excessive recruitment fees that result in debt bondage, forced overtime, and passport retention.³ The majority of the world's electronics are manufactured in Asia. Farther upstream, the responsible sourcing of minerals particularly from the Democratic Republic of Congo (DRC) and surrounding countries, but also neighbouring Indonesia and Philippines, is a major challenge for global electronic companies.

The following findings from the EICC's Validated Audit Process (VAP) in 2015 highlight the prevalence of potential indicators of modern slavery in high volume electronics producing countries including China, Malaysia, Taiwan, Thailand and South Korea.⁴ A VAP audit is conducted against the EICC Supplier Code of Conduct, which outlines the minimum standards expected of suppliers (see TOR 3). Note this data does not refer to KMI audits, but all audits conducted under the EICC VAP program.

2015 EICC VAP findings on Labour:

- 1299, or 31%, of all audit nonconformance findings related to labour standards.
- Of those, 148 were a priority nonconformance and 726 were major.
- Three out of four of the top *nonconformance findings* related to labour standards, specifically:
 - 17.6% related to effective policies and systems on regular and overtime hours.
 - 16.5% related to average working hours not more than 60 hours per week or the legal limit, on average for the past 12 months.
 - 9.4% related to workers receive one day off for every seven days.
- Of the top *ten priority (most severe) findings*, six related to labour standards, including:
 - Excessive hours worked in a week beyond the legal limit.
 - Workers did not receive once day off every seven days.
 - Social insurance and other benefits required by law not provided to workers.
 - Situations of forced labour, including debt bondage, human trafficking or slavery.
 - Young workers found in hazardous conditions.
 - Worker discrimination.
- Factories in China have the greatest number of findings per audit and overall.

Australian value chain

As a sales and services company, Konica Minolta Australia's value-chain incorporates all the goods and services that to our business. This includes logistics and operations such as transport, warehousing, property management and cleaning services, through to uniforms, merchandise and third party

³ Verite, *Forced Labour in the Production of Electronic Goods in Malaysia*, 2014: <http://www.verite.org/wp-content/uploads/2016/11/VeriteForcedLaborMalaysianElectronics2014.pdf>

⁴ Notes from EICC outreach meeting, Tokyo, 2016.



products, predominantly electronics hardware and software. Prior to commencing an ethical sourcing project in 2015, Konica Minolta Australia did not conduct human rights due diligence related to these areas of spend. Aside from media reports and anecdotal evidence, we have limited visibility over the prevalence of modern slavery or labour exploitation in our Australian supply chain. While it may be out of scope for the inquiry, we encourage the government to support research into the prevalence of modern slavery in Australia in sectors such as logistics, cleaning, hospitality, construction and services.

3. Identifying international best practice employed by governments, companies, businesses and organisations to prevent modern slavery in domestic and global supply chains, with a view to strengthening Australian legislation

Membership to industry groups: Electronic Industry Citizenship Coalition (EICC)

Incidents of modern slavery do not occur in isolation. Research indicates that there are geographic and sector risks to modern slavery, as well as circumstances that make particular groups of people more vulnerable than others.⁵ Any government or corporate response to addressing modern slavery, therefore, cannot be in isolation. Based on our experience as members of the EICC, we believe that industry groups play a pivotal role in supporting companies address modern slavery by creating a coordinated and standardised response.

KMI have been members of the EICC since 2013. The two building blocks of the EICC are the Supplier Code of Conduct and the Validated Assessment Process (VAP).

The EICC Supplier Code of Conduct

The EICC Supplier Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics supply chains.⁶ Key components of the Code that address vulnerabilities of modern slavery are the sections on Labour and Management Systems. Notably:

- A1 Freely Chosen Employment, including a no fees policy for recruitment
- A2 Young Workers, including regulation on student workers
- A3 Working Hours, including provisions for one day off a week
- A4 Wages and Benefits, including provisions on wage deductions
- A7 Freedom of Association, including the right to collectively bargain and peaceful assembly
- E2 Management Accountability and Responsibility
- E4 Risk Assessment and Management, including human rights due diligence
- E12 Supplier Responsibility

The Code review is every three years, driven by member and stakeholder consultation. The latest version is available here: http://www.eiccoalition.org/media/docs/EICCCodeofConduct5_1_English.pdf

The Validated Assessment Process (VAP)

The VAP's multi-faceted approach to continuous improvement includes self-assessment, audit, corrective action plan and preventive action, and a closure audit. The EICC VAP helps companies identify and manage risk, enables suppliers to plan improvements and aggregates valuable sector wide data that informs the industry's response to emerging risks. Importantly it allows for the sharing of common supplier social responsibility data on a shared platform.

We encourage the committee to look at the EICC Code, EICC tools and the VAP. Where relevant, we further encourage the Government to provide guidance to business or facilitate a platform for

⁵ Walk Free Foundation, *Global Slavery Index*, 2016: <http://www.globalslaveryindex.org/>

⁶ <http://www.eiccoalition.org/standards/code-of-conduct/>



businesses to collaborate and collectively address modern slavery risks. An industry-wide response encourages the sharing of best practice and streamlines the reporting and due diligence burden on suppliers.

Supplier Engagement: Observations from our ethical sourcing project in Australia

With some 500 employees, Konica Minolta Australia is a mid-tier company in Australia. We certainly do not have all the answers to embedding human rights due diligence in a local market and acknowledge there many larger Australian companies doing great work. Now 18-months into our ethical sourcing project we have observed:

- Ethical sourcing and modern slavery are new concepts for the majority of our suppliers. This means many are searching for information on the issue and the risk to their business, then for step-by-step guidance on conducting human rights due diligence. Good guidance, awareness raising and capacity development will be crucial to the success of an Australian Modern Slavery Act.
- Sustained supplier engagement tends to drive outcomes rather than a process that is treated as a tick the box exercise. This may mean working with fewer suppliers over a longer period, rather than conducting generic assessments on mass. Any legislation should define expected outcomes, while providing business with the flexibility to define their scope according to their risk context.
- Suppliers are already receiving variations of supplier self-assessment models and other due diligence requirements from customers, supporting arguments for a coordinated or industry approach.
- Not all suppliers will identify modern slavery as a material business or human rights risk. In this instance, a broader human rights risk assessment is relevant.

5. Provisions in the United Kingdom's legislation which have proven effective in addressing modern slavery, and whether similar or improved measures should be introduced in Australia

Konica Minolta UK submitted a statement under the UK Modern Slavery Act.⁷ The UK Act inspired C-suite conversations not only in the Konica Minolta UK office, but reverberated around other Konica Minolta European offices, with KMI and here in Australia. We believe the requirement of the UK Act to be approved and signed by the board of directors (or equivalent management body) has been extremely effective at raising the profile of modern slavery within organisations.

Opportunities to Strengthen Australian Legislation

Based on our experience with and understanding of the UK Modern Slavery Act, Australian legislators may consider:

- A continuous improvement model of implementation where year-by-year businesses are required to report on progress.
- A periodic review of the proposed new Australian Act itself to assess effectiveness, and continues relevance and alignment to global standards.
- The role of public procurement in driving change by setting minimum requirements for government tenders of a certain financial threshold and sector risk.
- Accountability measures for organisations that fail to meet reporting requirements.
- Mandated content for modern slavery statements to promote consistency among responses. Consider the guidance from the UK government that suggests statements include a description of organizational structure, risks, company policies and due diligence.

⁷ Konica Minolta UK, Modern Slavery Transparency Statement, 2016:
https://www.konicaminolta.co.uk/fileadmin/content/uk/Business_Solutions/PDF/Konica-Minolta-UK-Modern-Slavery-Statement.pdf



- Publishing a list of organisations required to report under the Act.

While we welcome further consultation on how section 54 of the UK Act can improve, we stress the importance of reporting harmonisation with existing international norms and standards.

6. Whether a Modern Slavery Act should be introduced in Australia

Konica Minolta Australia supports the introduction of a Modern Slavery Act in Australia. We recognise that the vast majority of Australian businesses do not knowingly profit from slavery and exploitation. Rather, the complexity, scale and often hidden nature of global supply chains means many businesses simply do not know. The experience of our Konica Minolta global counterparts suggests the right type of modern slavery legislation can have a positive impact on business and ultimately the workers it seeks to protect.