Joint Standing Committee on Foreign Affairs, Defence and Trade

Inquiry into establishing a Modern Slavery Act in Australia

Submission from Nestlé Australia Ltd
April 2017
Preface

Nestlé Australia is a subsidiary of Nestlé SA, the world’s leading nutrition, health and wellness company.

As one of Australia’s largest food manufacturers, we employ around 4400 people at 40 sites in Australia, including nine factories. Our business spans a diverse range of products and some of Australia’s best known brands, including:

- Confectionery: Chocolate bars and blocks, medicated confectionery (eg Soothers), sugar confectionery (eg Allen’s lollies)
- Snacks (eg Uncle Tobys muesli bars, nut bars)
- Baking Chocolates (eg Plaistowe)
- Condensed milk, baking milks (eg Carnation)
- Beverages containing cocoa (eg Milo, Nesquik), both powdered and ready-mixed
- Breakfast cereals (eg Uncle Tobys)
- Sauces and recipe mixes (eg Maggi)
- Instant noodles (Maggi)
- Coffee (eg Nescafé, Nespresso)
- Bottled water and carbonated drinks (eg San Pellegrino)
- Infant formula, infant food (eg Nan, Cerelac)
- Toddler formula (Nan)
- Medical nutrition products (eg for use in hospital and aged care settings)
- A wide range of food products for use in professional food service, including cakes, recipe bases, soup mixes, beverage products etc
- Pet food and accessories (eg Purina)
- Skin care products

The majority of the products we sell in Australia are manufactured locally. We source ingredients locally where practicable, but we also purchase internationally, including through regional and global sourcing teams.

Nestlé welcomes the opportunity to provide comment to the Foreign Affairs and Aid Sub-Committee of the Parliament’s Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into adopting national legislation to combat modern slavery in Australia (Inquiry). Our comments are limited to those areas of the terms of reference where we have direct experience.

At Nestlé, we operate with respect for the rights of the people we employ, do business with or otherwise interact with. We do not tolerate forced labour in our supply chain and are firmly opposed to all forms of human rights violations or poor labour conditions.

However our goals go further than this. Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities. The commitments we have made require real action to address issues such as forced labour, gender inequality and corruption. We were one of the first companies to adopt the UN Guiding Principles on Business and Human Rights Reporting Framework and actively support the Sustainable Development Goals. We work hard to ensure that our supply chains benefit from fair and decent working conditions, improving livelihoods and making a positive impact on society at large.
2. 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

We recognise that we are on a continuous journey with regard to identifying and dealing with human rights violations through our supply chains and acknowledge that there is still work to do.

At the same time, we hope that highlighting our experiences and what we have learned may be useful to the Inquiry

By assimilating the highest business standards and codes into our policies, management systems and activities across the globe, we seek to eliminate issues such as human rights abuses in supply chains.

Background: Structure and supply chains risks

Through our formal materiality process, human rights has been identified as one of our material risks. From this, we have identified 11 salient human rights issues and the stakeholders they affect, and track and report progress against them. The most relevant of these human right issues to this Inquiry are forced labour and child labour.

Based on our risk and impact assessment processes, we know that exposure to these challenges is much higher in our upstream agricultural supply chains than anywhere else in our business activities, given their complexity, geographical scope and the limited operational control we have over them.

Globally we purchase from over 161,000 direct (Tier 1) suppliers in more than 100 countries. We source raw materials from more than 4.1 million farmers and work directly with around 760,000 smallholder farmers. Supply chains beyond Tier 1 can be multi-layered, complex and opaque, and change frequently, posing significant challenges for us.

Raw materials which Nestlé uses in Australia that have been identified as being at risk of being exposed to the issues of forced labour, child labour and human trafficking include cocoa, seafood, vanilla and hazelnuts.

Our approach: Human Rights Due Diligence Program

We follow a structured approach to improving human rights performance across our business activities.

To do this, we operate a Human Rights Due Diligence Program (HRDDP) throughout the company globally, which aims to make our approach to human rights strategic, comprehensive and unified across all our business activities, covering appropriate policies, due diligence processes and remedial measures.

Through the HRDDP, we implement our actions to assess, prevent and address potential human rights impacts, improve our performance on the ground, and gather data with which to measure our performance.
The HRDDP has eight operational pillars:

1. **Policy commitments** - We mainstream human rights into corporate policies and commitments to make them operational.
2. **Stakeholder engagement** - We engage with key stakeholders to get global and local insights into our human rights performance. This has included working with a variety of organisations such as the Danish Institute for Human Rights, the Fair Labor Association, the International Labour Organization, Oxfam, Solidaridad, UN Global Compact, UTZ and Verité.
3. **Training and awareness** - We develop the awareness and the skills of our employees in order to make their work-related decisions and actions align with human rights. This includes rolling out human rights training, starting with high-risk countries.
4. **Risk evaluation** - We evaluate human rights-related risks in order to manage them proactively. To date we have developed detailed action plans for nine of the 11 salient issues we have identified.
5. **Impact assessment** - We assess human rights impacts in our business activities to address them effectively. This includes carrying out human rights impact assessments in areas considered to be high risk.
6. **Governance** - We establish clear roles and responsibilities at different levels of the company. Nestlé's top management commitment and leadership on human rights is reflected at different stages of the company.
7. **Partnerships** - We partner with leading organisations to improve our human rights performance on the ground and deliver on our commitments.
8. **Monitoring and reporting** - We integrate human rights indicators into our management systems to monitor our progress and report on it annually.

This has helped us to scale up our approach to human rights due diligence beyond high-risk countries and monitor our human rights performance in all countries where we operate in a systematic and ongoing manner.

**Guiding principles, policy commitments and reporting**

Nestlé operates with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. This respect is at the core of the Nestlé Corporate Business Principles and aligned with the UN Guiding Principles Reporting Framework.

The Nestlé Corporate Business Principles, released in 2010, are at the heart of our company. Principle 4, entitled ‘Human rights in our business activities’, is the foundation of our overall approach to human rights and fully supports the United Nations Global Compact’s (UNGC) guiding principles on human rights and labour.

Building on Corporate Business Principle 4, since 2010 we have integrated human rights elements into 17 different corporate policies and commitments, helping to make human rights part of employees’ day-to-day activities and responsibilities. While we do not have a policy specific to modern slavery, we have ensured that all related aspects are represented within specific policy commitments or integrated into broader guidance. (note that the policies addressing the rights of workers in our upstream supply chain, and therefore of most relevance to modern slavery, are available online. For simplicity Nestlé Australia can provide these to the Inquiry on request).
We are fully committed to ensuring that our products are not associated with forced labour through our mandatory Corporate Business Principles, Nestlé Supplier Code and Responsible Sourcing Guideline, which require all of our employees and suppliers, including contractors, to respect human rights and to comply with all applicable labour laws.

Nestlé was one of the first companies to report against the UN Guiding Principles Reporting Framework. We have indexed our 2016 Nestlé in Society report accordingly.

**Responsible Sourcing Guidelines: building common understanding of goals for our supply chain**

Nestlé’s Responsible Sourcing activities work across three strands:

- Farmer Connect: farmers and co-operatives with whom we have a direct connection
- Tier 1 suppliers: suppliers with whom we deal directly; and
- Sub-tier suppliers: who supply our suppliers and from whom we do not buy directly.

Because of the scale of our global operations and our supply chains, our responsible sourcing activities focus on 12 priority categories: palm oil, soya, sugar, pulp and paper, coffee, cocoa, dairy, fish and seafood, cereals, vanilla, hazelnuts, and meat, poultry and eggs. These categories have specific requirements that go beyond those of the Nestlé Supplier Code and form the Responsible Sourcing Guideline.

The Nestlé Responsible Sourcing Guideline sets out the acceptable means of verification and what constitutes the definition of ‘Responsibly Sourced’. Our Responsible Sourcing activities define ingredients against these two benchmarks:

- Responsibly Sourced: where places of origin are assessed against our Responsible Sourcing Guideline requirements and found to be compliant, or corrective action plans are developed (or equivalent standards implemented); and
- Traceable: where ingredients we buy are identified back to their places of origin, such as mill, plantation or farm

By working directly with different partners for different purposes are able to develop specific and meaningful action plans to address the most salient issues, such as our work with the Fair Labor Association in our hazelnut supply chain in Turkey (see examples on pages 8-10).

While all Nestlé suppliers are required to meet our requirements, we recognise that supply chain transformation cannot be achieved overnight so, where appropriate, we support suppliers who are not able to meet our Responsible Sourcing Guideline immediately but are committed to eliminating non-compliances over time. Progress against these action plans is monitored and regularly reported, principally in the annual Nestlé in Society Report.

It is also our experience that banning or boycotting suppliers found to have forced labour or child labour in their supply chains does not effectively deal the root cause of forced labour, and may in some situations exacerbate the plight of rights holders. Rather, it beneficial to our business, our suppliers’ business, and rights holders to work to eliminate these practices.
Traceability and assessments
This involves mapping our supply chains back to the primary producer to identify where the material originally comes from. Traceability and transparency are essential to assessing whether our sub-tier suppliers meet our ethical and sustainability requirements.

It is a major undertaking, especially with ingredients such as meat and seafood which have very complex supply chains that may lack transparency.

Responsible Sourcing Audit Programme
Nestlé’s auditing of Tier 1 suppliers aims to verify how a material or service is produced and to drive our direct suppliers’ continuous progress towards full compliance with our Nestlé Supplier Code, which includes a specific section on human rights and forced labour in particular. All new suppliers are screened when entering into a business relationship with Nestlé, and signing the Code is an integral part of our mandatory vendor approval process.

All Tier 1 suppliers with manufacturing locations are audited using the SEDEX Members Ethical Trade Audit (SMETA) methodology, used widely across the industry. The audit protocol follows a comprehensive 4 Pillar audit approach, focusing on the areas of Labour Standards, Health & Safety, Environment, and Business Practices.

Tier 1 suppliers with no manufacturing locations over a certain size are required to complete self-assessments using the EcoVadis online assessment platform. We aim to have all suppliers engaged in this program in the future.

On completion of the audit process, each supplier receives a report detailing areas for improvement and any requirements to achieve compliance. In all cases of non-compliance, a corrective action plan is approved, containing detailed measures and timelines to ensure practices are improved.

While we are encouraged by generally strong rates of compliance, from time to time our responsible sourcing audits uncover incidents of forced labour and modern slavery. All incidents of forced labour or modern slavery are managed on a case by case basis, and we work hard to ensure effective remediation is sought for all rights-holders impacted.

Monitoring supplier performance
We monitor compliance in our supply chains using the following monitoring mechanisms:

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Nestlé performance indicators

Monitoring of our own activities – not just those of our suppliers - is key to verifying whether our human rights activities (policies, training, action plans, etc) have been effectively integrated across the different levels of the company and into our business activities.

We work with our partners and independent experts to monitor our activities, as well as to help us to identify and develop appropriate performance indicators and remedial measures.

All our major monitoring mechanisms now include relevant indicators that help us make our human rights monitoring broader, more systematic and continual. Human rights indicators, relating to both our global commitments and commodity-specific projects, are integrated into our management systems to monitor our progress and reported annually.

In order to verify our performance and make sure that we are on the right track, we also undertake regular external stakeholder engagement and consultation with independent experts that help inform our understanding and approaches to managing human rights.

Human rights are systematically integrated as part of our annual stakeholder convenings, which gather representatives from government agencies, international organisations, trade unions, business associations, civil society organisations and academia.

The combination of global and local expert inputs offers us a unique opportunity to incorporate new ideas and perspectives into our overall approach to human rights.

In addition to these convenings, we engage with key local stakeholders as part of our in-country Human Rights Impact Assessments, which we conduct in high-risk countries in partnership with the Danish Institute for Human Rights. A human rights impact assessment is a process for identifying, predicting and responding to the potential human rights impacts of business activities either directly through its own operations or indirectly through its relationships with third parties. Human rights impact assessments use international human rights instruments as a framework to assess the potential risks to rights holders. It is often the most comprehensive tool available to business to understand the scope, scale and nature of human rights risks in a specific country operation.

At the industry level, we engage with different business organisations – such as the World Business Council for Sustainable Development, the Consumer Goods Forum and the UN Global Compact to advance the business and human agenda in a pre-competitive manner, and invite more companies to join. We are also an active member of several multi-stakeholder initiatives, such as the ILO Child Labour Platform.

In Australia, Nestlé is an active member of the Global Compact Network Australia, in which member companies come together to share learning and best practice in the development of corporate human rights approaches.
Case studies: commodity-specific approaches

1. **Smallholder capacity building and farm workers: Farm Connect program**

Farmer Connect is a Nestlé program designed to support the development of local farmers and rural communities while helping ensure a supply of high quality materials and improving traceability to farm level through a supply chain that meets our social ethical and environmental requirements. It also helps establish consistent and fair pricing, improved yields and reduced environmental impacts, while improving farmers’ livelihoods through activities such as training and developing alternative income streams. Through Farmer Connect we engage with around 760,000 farmers, most of whom are smallholders in developing countries.

Farm workers provide permanent and casual labour, either through the year on larger farms, or at harvest. Farm workers are often migrant labour who are frequently ‘invisible’ to traditional support programs. As we have a responsibility to ensure that all workers in our supply chains work in fair conditions that meet the terms of our Nestle Supplier Code, our Rural Development Framework pays particular attention to vulnerable worker groups, especially seasonal, migrant, women and non-family workers. We aim to improve conditions of employment and work and to eradicate forced labour, supporting non-discrimination and freedom of association.

Implementing initiatives such as the UN Global Compact and the International Labour Organization’s Conventions and recommendations works best when farmers and their workers understand the value of improved conditions and its effect on productivity.

For this reason, as our field support staff provide information and knowledge on farm productivity initiatives, they also provide education and training on issues such as human rights, labour rights, living wages, and health and safety, as well as building capacity and fostering opportunities for dialogue between workers and their representatives.

This means Farmer Connect can contribute to the development of farmers, farm workers and rural communities holistically. By doing so, we aim to mitigate societal issues facing these groups, and help them to enjoy their fundamental rights.

2. **Child Labour Monitoring and Remediation System: Côte d'Ivoire, cocoa**

Child labour in our cocoa supply chain is a complex issue and gathering reliable evidence about attitudes and perceptions, as well as what is happening on the ground, is vital, but challenging.

Working with the International Cocoa Initiative (ICI), we have created a Child Labour Monitoring and Remediation System (CLMRS) to operate in the Nestlé Cocoa Plan supply chain in Côte d'Ivoire, where we currently work with 79 co-operatives. It complements other aspects of the Nestlé Cocoa Plan, which is designed to increase farmer productivity and income and so help them out of poverty.

The CLMRS covers awareness-raising in local communities, data gathering about the circumstances of children in our supply chain, and providing cocoa farmers with the practical support and means to get children into school. It complements other aspects of the Nestlé
Cocoa Plan, which are designed to increase farmer productivity and income and so help them out of poverty.

The CLMRS would not function properly without the support provided by the ICI and the Fair Labor Association (FLA), which play complementary roles.

ICI is involved in work at a ground level, and has increased staff members to extend the roll-out of the system by:

- Recruiting Community Liaison People and Child Labour Agents
- Designing, collating and coordinating the child labour database
- Training all the different actors of the system on child labour but also on their role as part of the system
- Conducting awareness-raising sessions on child labour for farmers and local communities
- Designing and implementing remediation activities
- Collecting key performance indicators for the purpose of reporting on the overall performance of the system.

The FLA plays an auditing role, assisting Nestlé in ensuring it becomes progressively compliant with its own Code of Conduct. Each year, the FLA organises its own external audits, selecting co-operatives at random and sending auditors to them to ensure that we meet the FLA Code of Conduct, as well as the Nestlé action plan. Following each assessment, the FLA publishes the results along with our response to each finding and any corrective actions taken.

Through our work with the ICI and the FLA, we have gained a better understanding of the issue of child labour. New data and insights enable us to further strengthen our efforts. We are determined to eradicate the problem of child labour in our supply chain and we have made this a priority for our company with actions such as our CLMRS.

We also recognise that the elimination of child labour is a shared responsibility and we are engaging with other global and local stakeholders, including the Ivorian government to make sustained progress in tackling this serious and complex issue.


Our Nestlé Supplier Code and Responsible Sourcing Guideline require all our suppliers to respect human rights and to comply with all applicable labour laws. To reinforce this, we have taken actions aimed at eliminating labour and human rights abuses in our seafood supply chain.

In 2015, we commissioned Verité, an NGO that works with companies to help understand and tackle labour issues, to investigate allegations of abuses in the Thai fishing industry. They collected information from fishing vessels, ports, mills and farms in Thailand on a range of issues, including trafficking, forced and underage labour, lack of grievance procedures, workplace conditions, and wages and benefits.

Following Verité’s investigation we launched an Action Plan on seafood sourced from Thailand, taking their recommendations into account. The plan contains a series of actions designed to protect workers from abuse, improve working conditions and tackle unacceptable practices.
Actions include establishing a migrant workforce emergency response team, setting up a grievance mechanism, providing training for captains and boat owners operating in the industry, raising awareness about minimum required labour standards, establishing better traceability of raw materials and enabling verification of labour standards in fishing vessels.

To date we have worked with Verité, our supplier Thai Union, the Royal Thai Government and the Southeast Asian Fisheries Development Center (SEAFDEC) to develop a training programme to educate fishing vessel owners, captains and crew members on living and working conditions onboard the boats, and on workers’ rights, and are assisting in developing a training vessel to demonstrate acceptable conditions.

We have also entered into a partnership with the Issara Institute, a not-for-profit body specialising in worker voice and grievance mechanisms. The partnership will help drive improvements in conditions by providing workers with a new channel through which to voice their concerns. Our suppliers are working with Issara, which is visiting sites in our supply chain to implement its Inclusive Labour Monitoring programme.

We also joined the Seafood Task Force in 2016, and we continue to participate in Task Force multi-stakeholder meetings.

We believe collaborative actions can lead to broader and more effective solutions to address human rights and labour abuses.

In making both the Verité report and our action plan public, it was our intention to provide information that would be useful to other seafood buyers. In Australia, we have shared it widely with a range of stakeholders with an interest in this area, including other buyers of seafood, government, and civil society.


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

Nestlé is aware of a number of reports estimating the prevalence of modern slavery in supply chains.

It is our view that even with the best endeavours, no company can confidently say that they do not have modern slavery or other serious human rights abuses in their domestic or global supply chains.

Our experience has been that clearly identifying the presence of modern slavery in domestic and global supply chains is vexed and difficult, due to the challenges of traceability and visibility through extended supply chains, as well as the complexity of the root causes of modern slavery.

As well, businesses and therefore supply chains are not static, but shift and change frequently.

This has significant implications for any company trying to establish traceability or conduct any kind of assessment of the human rights impacts of their supply chain. It also means that longer term programs to address human rights ‘on the ground’, such as the Nestlé Cocoa Plan (started in 2009) will change and develop significantly over time to meet both changing needs and deepening understanding.
4. 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

As our area of interest is modern slavery in supply chains, our comments on the impact of the UK Modern Slavery Act 2015 are limited to Section 54 of the Act.

Nestlé supports the UK Modern Slavery Act as a tool to drive greater transparency of actions taken by companies to address forced labour and human trafficking in supply chains.

Given the magnitude of the challenge of modern slavery, it is too early to expect the UK legislation to have had any impact on modern slavery.

Our observation, unsupported by data, is that in the UK, as in Australia, awareness of modern slavery in supply chains is generally low among businesses, and where it might be considered, it is generally viewed as an issue in developing countries, but without domestic implications. Even where awareness exists, capability within businesses to understand how to approach this issue is often lacking.

For this reason, it is our view that the current reporting requirements of Section 54 provide a useful basis to build awareness in the business sector, and for those businesses not currently taking steps to actively manage their supply chains, can also provide a valuable resource for understanding approaches taken by other companies as a basis for learning and improvement.

Measures to improve upon this legislation might include a role for government in managing central reporting and providing an accessible repository for company reports.
5. Whether a Modern Slavery Act should be introduced in Australia

Recent years have seen a significant move from voluntary international standards to binding national laws, with legislation from the United States, Europe, the United Kingdom and other regions. This trend has a positive impact on the communities in which we operate, however it also presents new challenges in terms of transparency and reporting.

It is Nestlé’s view that a Modern Slavery Act in Australia would need to be based around the UN Guiding Principles, which provide a sound framework around which appropriate actions can be framed. Given the broad global recognition of the UN Guiding Principles, this provides a sound common platform for those working in global supply chains.

In addition, such an Act would serve to support the United Nations Sustainable Development Goals, notably SDG 8.7 (take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking) and SDG 8.8 (protect labour rights, promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment).

Legislation
The purpose of legislation must be clear: is it intended to focus on disclosure, or to build understanding and capacity across business? It is our view that building understanding among business is a necessary first step in order to begin to equip business to create the changes in their supply chains that will improve the human rights of workers.

Legislation is a good starting point, but should not be overly prescriptive. Consideration needs to be given to the relatively low understanding of modern slavery in supply chains in Australian business; in order for an Act to be effective, it needs to focus on building this understanding. Elements of an Act that might support business as they build understanding and capability could include:

- Structuring legislation in a way that helps the companies targeted to engage with the issue and understand what they need to do, without being burdensome or onerous.
- Ensuring legislation is pragmatic enough to support businesses dealing with the other labour abuses in the market such as abuses of migrant labour, undocumented labour and the informal sector which are challenges in both domestic and global supply chains.
- Understanding needs to be built on a very fundamental level in areas such as where modern slavery occurs, and what basic policies, processes and systems including audits may be useful, although not perfect, tools, for those trying to take first steps.

It is our expectation that some respondents to this inquiry will want an Act that makes significantly stronger requirements of business than is the case in the UK Modern Slavery Act. While we appreciate the reasons for this, we are of the view that Australian business is not equipped with the experience to step up to more in-depth requirements.

Reporting
- Reporting should be held in a central repository and be easily accessible without cost for those looking to understand a range of different approaches. Government can play a role in managing central reporting.
For companies required to report in other jurisdictions (such as the UK), recognition of elements common to reports filed in other jurisdictions, is important to ensure reporting does not become repetitive and onerous. For example, almost all of the Nestlé UK Modern Slavery Act report applies directly to Nestlé Australia, as we purchase some commodities through global and regional buying arrangements. To ensure easy accessibility in Australia, filings made by Australian companies could directly include the international filing.

Guidance from government around how reporting should be done would provide greater clarity for business and lead to more consistent reporting standards.

**Role of government to complement a Modern Slavery Act**

Government has unique capacity to support efforts to improve the human rights of workers within supply chains.

It is extremely rare for any business, including Nestlé, to have the scale and reach in purchasing any commodity to make genuine traction in addressing human rights violations in a supply chain. Rather, our experience shows that eliminating forced labour from supply chains requires strong collaboration and coordination between all relevant actors, with national governments taking the lead.

It is our firm belief that only through coordinated and collaborative approaches – those which bring together industry players (recognising this as pre-competitive space), government agencies and civil society partners – can the worst forms of child labour, and the most egregious situations of forced labour, be addressed.

**Opportunities for Government are:**

- Government is uniquely placed to promote understanding and support business to recognise and act on human rights abuses in their supply chains.
- This is an area where government has unique convening power at a domestic level and the capacity to create pre-collaborative space where stakeholders can work together to create genuine change.
- International government to government engagement, and relevant bilateral agreements, can support international collaboration and lead to improvements to the rights of workers in supply chains.

Finally, a demonstrated clear commitment to the UN Guiding Principles must be foundational to respecting and protecting human rights in this area.
6. Conclusion

Nestlé Australia would like to thank the Committee for this opportunity to present our experiences in assessing and addressing human rights impacts supply chain, and our views on a Modern Slavery Act in Australia. We would welcome the opportunity to discuss any aspect of this submission further.