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Westpac Group submission - Australian Parliamentary Inquiry into Modern Slavery, Joint Standing Committee (Committee) on Foreign Affairs, Defence and Trade

Westpac Group welcomes the Australian Parliamentary inquiry into establishing a Modern Slavery Act in Australia, and would welcome the introduction of such an Act.

This submission provides perspectives in relation to international frameworks and practices, and the potential introduction of a Modern Slavery Act (MSA) in Australia. Our comments are therefore focused on items 3, 5 and 6 of the Committee's Terms of Reference.

Our business

The Westpac Group provides consumer, business and institutional banking services along with wealth management, wealth administration and insurance services to customers predominantly located in Australia, New Zealand and the Pacific region. The Westpac Group also maintains branches and offices in New York, London and Asia. We employ almost 40,000 employees across the Group and buy goods and services from around 30,000 suppliers. In 2016, we spent AU\$4.9bn on our top 80 suppliers by spend in Australia, New Zealand and the Pacific.

More information about Westpac's business is set out in our 2016 Annual Report and 2016 Sustainability Performance Report available at www.westpac.com.au.

Our position on human rights and modern slavery

As outlined in our Principles for Doing Business, the Westpac Group believes in respecting human rights in everything we do. Accordingly, we have zero tolerance for all forms of modern slavery.

Our approach to human rights (including modern slavery) is further guided by the UN Guiding Principles on Business and Human Rights and is set out in our Human Rights Position Statement. Our Statement sets out our main responsibilities as:

- Respecting the human rights of our employees
- Encouraging respect for human rights throughout our value chain, including customers and suppliers, and our approach to financial crime
- Supporting human rights in our communities
- Monitoring our performance and ensuring effective governance

It is through these responsibilities that Westpac Group contributes to the realisation of the range of human rights, and would continue to contribute in relation to the introduction of a MSA in Australia. As an

employer, we comply with the employment laws of each of the locations we operate in, while also seeking to apply our human rights principles.

The Westpac Group is a signatory to a number of international covenants and compacts on human rights¹, including the UN Global Compact, which stands for, among other things, the elimination of all forms of forced or compulsory labour and the abolition of child labour. Led by the UN Global Compact Network Australia, we are a signatory of the CEO Statement of Support for the Sustainable Development Goals².

Of its 17 Goals, Sustainable Development Goal 8 'Decent Work and Economic Growth' is one of significant relevance to the Westpac Group, with target 8.7³ focused on eradicating modern slavery and other related egregious rights violations by 2030. To meet these aspirations, eradicating slavery may require significant changes in organisational behaviours and societal expectations to address the pervasive nature and extent of the issue at a societal and economy level.

International and best practice observations

Although not comprehensive in relation to the specific forms of slavery or management practices to address slavery, Westpac notes a number of international and best practice observations in human rights and disclosure.

Westpac believes the release of the United Nations Guiding Principles on Business and Human Rights in 2011 was a significant international development in setting out its 'protect, respect and remedy' framework. It acts as a guide to all organisations undertaking business activities, and outlines the leading role expected from States (governments). It sets out what it refers to as 'foundational' and 'operational' principles that relate to the State duty to protect, business responsibility to respect, and joint responsibilities to provide access to remedy. Importantly, the framework highlights the importance of collective responsibility and action among governments, businesses, and organisations participating in business activities.

The United Nations Guiding Principles Reporting Framework (Reporting Framework) released in 2015 was developed to provide guidance for companies to report on human rights issues in line with their responsibility to respect human rights. In relation to the management of human rights issues, the Reporting Framework recommends disclosures on the company's policies, its approaches to stakeholder engagement, assessing impacts, integrating findings and taking action, as well as tracking performance and enabling remediation.

The Global Reporting Initiative's Sustainability Reporting Guidelines, currently in its fourth major iteration (referred to as GRI G4), contains specific performance indicators related to a number of human rights topics that many organisations report against on a regular basis, and in line with their importance to the company and its stakeholders. The GRI G4 makes references to the linkages to all of the international covenants and compacts on human rights, and facilitates companies in meeting the disclosure

¹ As listed out in our Human Rights Position Statement. Includes OECD Guidelines for Multinational Enterprises and ILO Tripartite Declaration on Multinational Enterprises.

² Available at <http://www.unglobalcompact.org.au/new/wp-content/uploads/2016/09/Global-Compact-Network-Australia-CEO-Statement-of-Support-for-the-SDGs.pdf>

³ SDG Target 8.7 - Take immediate and effective measures 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

requirements of the OECD Guidelines for Multinational Enterprises (i.e. Chapter V - Employment and Industrial Relations of the Organisation for Economic Co-operation and Development) and the United Nations Global Compact (i.e. Principle 4 - the elimination of all forms of forced and compulsory labour).

Specific to modern slavery, the GRI G4 includes the human rights aspect of 'Forced or Compulsory Labour', with disclosure requirements including:

- Disclosure of management approach, including how the organization manages the aspect of 'Forced or Compulsory Labour' or its impacts, and evaluates its effectiveness in doing so over time. The United Nations Guiding Principles Reporting Framework supports and aligns with this requirement.
- Disclosure on performance indicator G4-HR6 "*Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour*" that expects reporting companies to report in two areas (the latter of which is reflective of the UK MSA transparency provisions):
 - i. *operations and suppliers considered to have significant risk for incidents of forced or compulsory labour either in terms of:*
 - *Type of operation (such as manufacturing plant) and supplier*
 - *Countries or geographical areas with operations and suppliers considered at risk*
 - ii. *measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labour.*

The UN Global Compact requires an annual Communication of Progress against the principles, but affords signatories the ability to report their progress through reference to supporting documentation. For example, Westpac's Communication of Progress against each of the UNGC's ten principles is supported by existing disclosures including our Sustainability Performance Report.

Modern Slavery Act introduction

Westpac Group complies with UK MSA with the release of our 2016 Slavery and Human Trafficking Statement⁴. This 2016 statement outlines the steps we've taken to prevent modern slavery in our business and supply chains globally during the financial year ending 30 September 2016.

Westpac was a pioneer in sustainable sourcing, being the first Australian bank to establish a sustainable supply chain management (SSCM) policy in 2002. In 2017, our policy has evolved to the Westpac Group Responsible Sourcing Code of Conduct⁵, increasing alignment with commitments and approaches detailed in our Principles for Doing Business, Environment Policy, Human Rights Position Statement, and Sustainability Risk and Reputation Risk Frameworks with their expectations for supplier conduct.

We screen our top suppliers for their sustainability performance annually and work closely with them to manage risks and drive more sustainable outcomes. We undertake due diligence and risk assessment processes to avoid involvement with suppliers where there could be the potential for breaches or abuses of fundamental human rights (including modern slavery). We offer training for our employees to ensure

⁴ Available at <https://www.westpac.com.au/about-westpac/sustainability/our-positions-and-perspectives/human-rights>

⁵ Available at <https://www.westpac.com.au/about-westpac/sustainability/our-positions-and-perspectives/sustainable-sourcing/>

awareness and implementation of our relevant procedures, and we engage in ongoing monitoring of our procedures and review our systems to measure performance.

As with the range of sustainability criteria we consider, the introduction of slavery related disclosures through an Australian MSA would potentially act as a useful reference point in the implementation of our responsible sourcing due diligence and reporting processes.

Considerations for the Committee

In any amendments to existing legislation or introduced legislation to address modern slavery, Westpac Group would offer the following perspectives for the Committee to consider in this Inquiry.

1. International alignment

1.1 - Adequate alignment with the principles, goals and targets of international instruments and guidelines on human rights and slavery, including those mentioned in this letter. This will avoid any misaligned, unintended, or counterproductive practices compared to international action. For instance, the United Nations Guiding Principles on Business and Human Rights (Guiding Principles) should act as a reference framework.

1.2 - Align disclosure content with the UN Guiding Principles for Business and Human Rights, the UN Guiding Principles Reporting Framework, and the GRI Reporting Framework. For instance, the UNGP Reporting Framework, in relation to the management of human rights issues, recommends disclosures that relate to policies, stakeholder engagement, assessing impacts, integrating findings and taking action, tracking performance and remediation.

2. Definition, objectives and guidance

2.1 - Define more clearly and comprehensively what constitutes modern slavery, and clarifying in any Australian based legislation, how the definition aligns with the various terms contained in international frameworks, guidelines and covenants.

2.2 – Set out clearly the purpose, objectives and outcomes being sought, and provide flexibility in obligations to allow employers and market participants work towards solutions and practices to achieve them.

2.3 - Provide guidance on how organisations can utilise MSA statements/disclosures to support efforts to align their management and due diligence approach or to meet the potential requirements of their stakeholders in accordance with the Guiding Principles. For instance, how providers of goods and services can utilise disclosures to meet the internal due diligence processes applied by procuring organisations. This would also be valuable for procuring organisations seeking to meet the due diligence practices outlined in the Guiding Principles.

3. Thresholds and tiered requirements

3.1 - Thresholds for complying need to be well thought through in order to contribute to the level of systemic change commensurate with the aspirations set out in target 8.7 of the SDGs.



3.2 - With reasonable transition arrangements, apply to all employers, as well as all public and private organisations participating in the provision and procurement of goods and services (excluding end consumer transactions). For instance, equity of application across any organisation that sources products and services (including public, private and the not-for-profit sectors) will be important.

3.3 - Requirements should be balanced and practical, driven by sales, spend and risk exposure. For example, procuring organisations should be captured based on amount of spend and not entity type.

3.4 - Minimum requirements could be set out in a tiered manner and across different aspects of organisational operations (for example, as an employer, as a provider of goods and services, and as a procurer of goods and services), and to reflect the organisation's size and complexity (including number of employees, management capability and capacity), and scale of economic activity (including the financial value of sales and procured goods and services).

4. Harmonisation provisions

4.1 - Align with and draw upon existing international best practices in terms of content, and in terms of reporting process to reduce management time and effort in compilation and dissemination.

4.2 - Include provisions to support streamlining and optimising the disclosure process for organisations that report in line with other obligation and frameworks, including the UK MSA, the UNGC Communication of Progress, the UN Guiding Principles Reporting Framework, or the Forced and Compulsory Labour aspects of the GRI-G4.

- For instance, Westpac would value the ability to disclose the measures it has taken towards the eradication of modern slavery in one disclosure document (for example, our Sustainability Performance Report) and therefore be able to meet the disclosure requirements of an Australian MSA and any other international disclosure requirements (such as the UK MSA).

Bearing in mind the above perspectives and considerations, Westpac Group would welcome the establishment of a Modern Slavery Act in Australia. The development of this Act would benefit from an integrated and extensive consultation process, with multiple stakeholder groups, businesses, government agencies and departments. Westpac is open to further engagement during the development of an Australian MSA.

Westpac Group

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