

**Submission
No 36**

INQUIRY INTO MODERN SLAVERY ACT 2018 AND ASSOCIATED MATTERS

Organisation: Ethical Merch Co

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Inquiry into the Modern Slavery Act 2018

Sydney, 3/10/19

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We agree, support and put our logo on the submissions that have been put forwarded by “The Freedom Hub”

Who Are We?

Our mission at Ethical Merch Co is to have the biggest presence in the Australian market so that clients and competitors are competing on ethics and not just price. Price is the number one contributing factor that decides where products are being sourced from, which is currently trumping ethics and sustainability. We know that the only way to eradicate modern slavery in production is to start with the consumers - factories will raise their standards of human rights if that is deciding factor in whether or not they receive business. It's a long road ahead but we want to ensure people in our world aren't being exploited. We want to make a difference in the way the world sources its products.

Ethical production has been one of our core values since we began in the custom made merchandise and apparel industry back in 2007. Since then we have been educating ourselves, our clients and the industry on the ethical sourcing journey. We are striving to set a high standard so that our competitors in the market can begin to understand the importance of how the goods and services in our supply chain are managed and produced. One of the most effective purposes of our business name is raising awareness in the industry so that more become aware that the times are changing and the day has come that 'who' and 'how' are more important than the price tag attached.

The effect of the anti-slavery scheme on business

A Modern Slavery Act requiring mandatory assessment of risk and reporting for transparency in supply chains is beneficial for business. It defines a level playing field so that those who are doing the right thing by conducting their business in accordance with human rights obligations¹ are not penalised by needing to compete with the majority who drive prices down through the use of slave labour.

Our own experience working as a business who has taken the eradication of slavery in our supply chain seriously is that it has been advantageous for our business. We have customers consciously choose us and pay more, because they know they are doing the right thing. Also factories are willing to comply with our ethical standards, because it aligns with the sustainable development goals.

We have an ethical sourcing road map which outlines the vision and values of our company. This can be viewed by contacting us.

It is clear that the presence of competition on the market is beneficial for the economy. However, intensified competition is not justified when other businesses owe their success to business models built on modern slavery and thus on the violation of most fundamental human rights. Any business built on such reliance has a flawed business model. Any economy built on slavery is a false economy and false economies will collapse. Therefore, it is imperative that the supply chain risk assessment and reporting process become a normality and that everyone participate and comply with it.

We urge the NSW Government to support those doing business in NSW to be a part of ending Modern Slavery. Further to this we propose the NSW Government have a public register supporting those who making a difference to modern slavery and have audit reports on their factories . We believe that companies like us will move towards being on this list to increase revenue and in turn change the way they do business.

The financial cost for businesses in NSW addressing slavery should be viewed as a necessary investment into meeting their international human rights obligations for the workers in their supply chains. The reputational risk of not taking these steps is much higher than any cost of compliance.

As public interest in ending modern slavery continues to grow, there will be an implicit social cost and a real financial cost (penalties plus loss of customers and business) for companies who are recalcitrant on modern slavery. As millennials are driving change, corporate social responsibility (CSR) has become a top priority and so are sustainable supply chains. With a lower reporting threshold for the NSW Modern Slavery Act, the reporting organisations will be smaller. As such they will have smaller and less complex supply chains. This will make the average cost of compliance less than the Cth estimation.

While the first year of reporting will be more onerous and resource intensive for any organisation that has not begun the process of addressing Modern Slavery. In subsequent years, once a culture of prioritising addressing Modern Slavery has been established, this should decrease. The Commonwealth Register will help large businesses buy from small businesses. Moreover, the voluntary submission will serve as a “supplier list” for any business surpassing the \$100 million threshold.

Clarifying supply chain reporting obligations - Charities and not-for-profits, Local Government and Small Business

We do not agree with the excluding of any organisation, business or entity on the basis of their size and capacity. We disagree with the exclusion of charity donations from the turnover calculation in particular and would like to specifically comment on this matter.

We believe the public has a right to be assured that their charitable donations are not being used to procure goods and services which are the product of Modern Slavery. Hence, we believe that donations should be included in calculation for establishing a charity’s turnover or consolidated revenue.