

What we need to know about slavery in our supply chains – including renewables

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Solar panels were among the list of items of concern in the recent Global Slavery Index. According to Robin Mellon there are good reasons for the concern but there is also a lot we can do to reverse the trend.

With the introduction of Australia's Modern Slavery Act 2018, increasing visibility around human rights abuses in our supply chains, and mounting questions about procurement practices, three things have become evident:

Modern slavery is not just happening overseas in distant countries, but here in Australia

The updated Global Slavery Index estimates 41,000 people are living in modern slavery in Australia, with forced labour happening in higher-risk industries like agriculture, construction, domestic work, meat processing, cleaning, hospitality, and food services.

A further 29 million people, or 59 per cent of the global total, are estimated to be in modern slavery across the Asia Pacific, which is connected to many of our supply chains

Tackling modern slavery needs collaborative action

Most businesses have little leverage on the global stage – so this is our chance to define responsible supply chains, and work towards them together.

Collaborative action can take many forms, from the Property Council's Modern Slavery Working Group launching guides to grievance mechanisms and effective remediation, to the Clean Energy Council's report on Addressing Modern Slavery in the Clean Energy Sector.

These all encourage clear messaging for suppliers, supporting supplier education and engagement.

We don't know much about many of our supply chains and where our "stuff" comes from

It will take more than a few years of questions to assess our suppliers, and their suppliers in turn, to ensure human rights are respected.

We can look at products like Fairtrade chocolate, Etiko clothing with their "living wage" commitment, or FSC timber with its chain of custody, and understand where they've come from and who has been involved. But for most products and materials, from solar panels to software, it is difficult to see more than one level (or tier) back through the supply chain.

This gets harder with more complex products, from electronic devices to building products.

Concerns around solar panel supply chains

Recent headlines about forced labour in global solar panel supply chains highlight renewable energy solutions, with good reason. Launching the recent update to the Global Slavery Index, Grace Forrest, the Founding Director of Walk Free, outlined that "the risk with solar panels, as with many parts of the green economy, is the fact that they are trans-national supply chains lacking transparency and accountability."

Walk Free summarise that, in 2021 alone, G20 countries imported US\$468 billion worth of goods at risk of being produced using modern slavery. Of those, G20 countries spent the most on:

- electronics (US\$243.6 billion)
- garments (US\$147.9 billion)
- palm oil (US\$19.7 billion)
- solar panels (US\$14.8 billion)
- textiles (US\$12.7 billion)

We have a long way to go to understand and verify these five supply chains alone, to work with suppliers to protect human rights, to switch to better, more transparent supply chains, or to establish production supply chains that respect human rights.

The 2022 paper Making Xinjiang Sanctions Work, by now-NSW Anti-Slavery Commissioner Professor James Cockayne, sets out how forced labour can be addressed through tough trade and finance measures.

Policy Brief No. 9, covering solar panels, explains that Chinese-headquartered companies "dominate global photovoltaic (PV) manufacturing at each stage of production, making 77 per cent of the world's polysilicon, over 97 per cent of polysilicon wafers, 83 per cent of solar cells, and 74 per cent of solar modules", with about 45 per cent of global polysilicon capacity now located in the Xinjiang Uyghur Autonomous Region (XUAR) of China.

"Forced labour appears to enter the PV supply-chain at several points connected to XUAR: in mining silica, refining it into polysilicon and possibly in downstream wafer and module manufacturing," the brief states.

From discussions with solar panel experts and manufacturers, the hardest issues are supply chain complexity coupled with the lack of transparency.

With eight or nine tiers to solar panel supply chains – from wholesaler to assembly to manufacturer to refiner to raw material extraction – the risks of harm to people increase with every stage, and those eight tiers are only for polysilicon used in solar panel manufacturing; there is similar complexity for aluminium, glass, back-sheeting, or fixtures used in panel production.

5 things we can do – the practical actions

1. Recognise this is a global problem, not just Australian

The UN Sustainable Development Goals clarify this through SDG8 – Decent Work and Economic Growth, with targets 8.7 and 8.8 concentrating on forced labour and safe and secure working environments.

In mid-2022 the US implemented legislation to ban the import of products made using forced labour; this has already blocked thousands of shipments of solar panels from China.

However, similar legislation proposed for Australia is "not proceeding", while we await the next steps following the Recommendations from the Review of the Modern Slavery Act 2018 (Commonwealth).

An EU-wide proposal on value chain due diligence and a plan to eradicate forced labour from all products entering the 27-nation bloc are under discussion.

2. Improve how we assess risks of harm to people in our supply chains

We need to ask better questions of our suppliers: "Are you/your suppliers making efforts to address the risks of forced labour in your supply chains?"

We need to verify the information received: "Do you/your suppliers allow third-party verification, inspection and auditing of labour practices in your factories and/or manufacturing and processing facilities?"

We need to work with suppliers and ask how they demonstrate respect for human rights: "Can you provide documented evidence that goods, products and materials are NOT the products of forced labour?"

3. Collaborate across industries to establish better procurement principles

This can include clear objectives, such as eliminating risks of harm to people and having independently verified products.

Principles should include not just criteria around responsible and sustainable procurement, but emphases on the sources of capital and ultimate beneficial owners of suppliers.

In other words, while we procure products like solar panels responsibly, another part of our organisation cannot be directly linked to, or investing in, manufacturers using forced labour.

This means encouraging capital markets to support existing sanctions, which are most effective when targeting influential and scarce factors of production like investment capital.

Effective sanctions focus on suppliers using forced labour, not just specific goods, as otherwise other goods sold by those suppliers may simply support their use of forced labour.

4. Support or set up "clean" supply chains

Organisations need to indicate their short, medium and long-term intentions to buy solar panels (and other renewable energy solutions) produced through clean, transparent and independently verified supply chains, aware of potential increased costs associated with those, to send clear market signals around the demand for 'better' products.

Just as leaders like Outland Denim established supply chains with transparency and positive impacts, we may also need to invest in and support new production to be certain.

5. Educate ourselves – and our suppliers – about modern slavery risks and the "just transition"

In May 2023, the UN Global Compact Network Australia launched a practical guide for Australian SMEs to respect human rights throughout the decarbonisation process, Reducing Emissions and Respecting Human Rights.

This outlines how businesses of all sizes can take a rights-based approach to decarbonisation, putting their responsibility to respect human rights at the centre of decisions.

This reinforces the UN Guiding Principles on Business and Human Rights, which communicate how businesses must "protect, respect and remedy" human rights, whether they are tendering cleaning contracts, buying electronics, or procuring solar panels.