



Review of SMETA 7.0 – issue titles and CARs

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About AMIC

The Australian Meat Industry Council (**AMIC**) is the peak industry body representing the meat supply chains. AMIC members include independent retail butchers, wholesalers, smallgoods manufacturers, meat processors and exporters.

AMIC is registered with the Fair Work Commission under the *Fair Work (Registered Organisations) Act 2009* (Cth) (**RO Act**), is a member of the Red Meat Advisory Council, and is a signatory to the Australian Red Meat Industry Memorandum of Understanding, which sets roles and responsibilities between industry and Commonwealth Government.

The meat industry is often the single largest employer in rural and regional areas, underpinning the vitality and sustainability of Australia's agricultural sector and rural communities. The meat industry makes a significant contribution to the Australian economy and meat processing is now the largest manufacturing employer in Australia, directly employing 38,500 people and supporting a further 25,000 people in meat wholesaling and retailing and 9,600 in smallgoods manufacturing¹.

In 2024-25, Australian red meat, pork and smallgoods consumption equated to 52kg per person, and meat and offal exports were valued at \$21 billion. In 2023-24, household income from people employed by the red meat processing sector was \$17.8 billion.

AMIC is a trusted partner to government, a source of insight and support for industry, and a strong national voice for our members.

Introduction

AMIC welcomes the opportunity to contribute to the current review of SMETA 7.0, with particular regard to Corrective Action Requests (CARs) and issue titles; we acknowledge the value that SMETA brings to the meat industry, and support the ongoing evolution and improvement of SMETA to enable continuous improvement of practices in global supply chains.

AMIC submits that further improvements are required to ensure SMETA 7.0 remains effective, credible and, importantly, fit for purpose in the Australian industry context (including and especially with respect to the regulation of employment in Australia). To this end, this submission proposes the ways in which SMETA 7.0 can be improved and deliver benefits for all parties in the supply chain.

General comment – alignment of SMETA 7.0 with Australian employment regulation

It is not possible to address the ways in which the matters with which the present review is concerned might be improved without providing comment on the extent to which SMETA 7.0 is aligned with and/or complements employment regulation in Australia. We provide this comment on the basis of feedback shared with AMIC by its members about the difficulty that arises in respect of the categorisation of issues and proposed resolution of those issues because of the ways in which SMETA 7.0 is misaligned with and/or not appropriate to the Australian regulatory context.

AMIC understands that one of the changes introduced by SMETA 7.0 was the introduction of a new set of workplace requirements and a new Management Systems Assessment that evaluates how businesses oversee labour standards, ethical conduct, and risk mitigation across their supply chains.

While these enhancements may be intended to promote global consistency in respect of the implementation of SMETA 7.0, they can create interpretative and/or practical difficulty in the Australian context because SMETA's audit criteria are derived from international frameworks—primarily the Ethical

¹ <https://amic.org.au/strategic-plan/>

Trade Initiative (ETI) Base Code and ILO conventions—rather than the *Fair Work Act 2009* (Cth), including statutory instruments, and other relevant regulation in Australia.

For example, minimum wages in Australia are set by an Expert Panel of members of the Fair Work Commission, subsequent to the undertaking of an annual Minimum Wage Review. There is no relevant index that enables employers to readily determine a 'living wage'; rather, the statutory function of the *Fair Work Act 2009*, together with instruments created on the basis of the Act's powers, is to prescribe and regulate a minimum safety net of employment conditions. Our members report instances in which they struggle to satisfy auditors that their employment practices satisfy SMETA 7.0, despite undertaking extensive measures to ensure compliance with Australian employment regulation and meeting or exceeding relevant statutory minima.

Similarly, the focus of SMETA 7.0 on responsible recruitment practices, including avoiding worker-paid recruitment fees and conducting extensive supply-chain due diligence with third-party labour providers, may conflict with and/or duplicate existing requirements (including under the *Fair Work Act 2009* (Cth), labour hire licensing laws, the *Migration Act 1958* (Cth) and/or anti slavery requirements).

Notably, the ILO requirement that no recruitment fees or related costs be borne by workers under SMETA 7.0 is problematic for members recruiting under the Pacific Australia Labour Mobility (PALM) scheme and is contradictory to the PALM Deed and Guidelines. Under SMETA 7.0, employers must absorb the full cost of recruiting overseas workers, regardless of whether local law permits cost recovery. Consequently, under a strict interpretation of the ILO requirement, any recovery of these upfront costs from PALM workers will be assessed as a non-conformance under SMETA 7.0; where this results in a CAR, this is impossible to action and/or resolve for the reason that it conflicts with the provisions of a statutory scheme.

AMIC members have shared with AMIC instances which CARs impose ongoing, multi-stakeholder remediation expectations that have no direct equivalent in Australian law, and for this reason, remain open and are not readily resolved. In some cases, these CARs result in employers undertaking remediation processes that are both time intensive and costly, and have uncertain prospects of success including for the reason that the regulatory basis for the proposed action is not legible and/or achievable in the Australian context.

CARs

It is AMIC's position is that in order to be an operable and fit for purpose standard, SMETA 7.0 must be consistently interpreted and applied in audit processes; audit outcomes must be explicitly and clearly linked to SMETA 7.0, rather than result from subjective interpretation by the buyer and/or auditor.

AMIC members report that there is substantial inconsistency in the interpretation and application of SMETA 7.0, affecting classification of findings, severity scoring, evidence requirements, and overall audit quality. They also report inefficiencies, unclear expectations, inconsistent evidence assessments, and limited dispute-resolution options within the CAR workflow..

AMIC recommends that in order to resolve these challenges for parties in the supply chain, Sedex consider the following –

- Resources for suppliers oriented to uplifting sector knowledge of SMETA 7.0, beyond that currently provided.
- Introduction of a two-tier CAR closure and appeals mechanism.
- Introduction of timeframes for CAR review and decision-making.

Issue Titles

Our members report that the current construction of issues titles is overly granular, duplicative, and difficult to navigate, resulting in inconsistent classification and reduced report clarity. This is evident in the course of audits, in which auditors may or may not share the criticality level of an issue, and where the categorization of an issue may or may not accord with the understanding of the business being audited.

AMIC recommends that steps be taken to resolve the current state challenges with issue titles, including but not limited to –

- Consolidation and simplification of issue titles.
- Introduction of a decision-tree tool for auditors, which will enable consistent designation and/or classification of issue titles and severity.
- Categorisation of issue titles based on risk level.

Recommendations

We encourage Sedex to comprehensively engage with feedback provided throughout the SMETA 7.0 review and to consider ways in which the transparency and usability of SMETA 7.0 for all parties may be enhanced and improved, in order that SMETA 7.0 is appropriately leveraged to improve supply chain performance and practices.

We suggest, in addition to the above, that consideration be given to the ways in which this can be achieved, including but not limited to the following measures –

- Introduction of a pre-audit diagnostic tool, which enables audited businesses to prepare for audits, and uplifts audit capability and process transparency.
- Improve consistency of audit outcomes through mechanisms for ensuring calibration, including ongoing professional development and consistency checks of auditor's application.
- Strengthen the implementation of CARs, with a focus on how these can be truly collaborative - including evidence rules, and true co-design of solutions.
- Consolidation and simplification of issue titles, including mechanisms for review and resolution.
- Establishment of a multistakeholder advisory council, so that governance of SMETA 7.0 is transparent, and implementation of SMETA 7.0 is subject to ongoing review and improvement.
- Publication of annual SMETA effectiveness and transparency reports.

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