HOUSE OF LORDS

Modern Slavery Act 2015 Committee

Corrected oral evidence: The Modern Slavery Act 2015

Monday 18 March 2024

3.35 pm

Watch the meeting

Members present: Baroness O'Grady of Upper Holloway (The Chair); Baroness Barker; Baroness Butler-Sloss; Baroness Hamwee; Lord Hope of Craighead; Lord Randall of Uxbridge; Baroness Shephard of Northwold; Lord Smith of Hindhead; Lord Watson of Invergowrie; Lord Watts; Lord Whitty.

Evidence Session No. 6 Heard in Public Questions 86 - 93

Witnesses

I: Baroness Young of Hornsey; Dr Bruce Pinnington, Senior Lecturer in Operations and Supply Chain Management, Liverpool University; Sian Lea, Business and Human Rights Manager, Anti-Slavery International.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv

Examination of witnesses

Baroness Young of Hornsey, Dr Bruce Pinnington and Sian Lea.

Q86 **The Chair:** Good afternoon, everyone. Welcome to the public evidence session of the Modern Slavery Act Committee of the House of Lords. My name is Frances O'Grady. Other members of the committee will introduce themselves as they ask questions. We are not expecting any Divisions during this session so, hopefully, we will not be interrupted, but if we are I will suspend proceedings and we will be back on air after about 10 to 15 minutes.

I welcome the first panel for this session. We have Baroness Young of Hornsey; Dr Bruce Pinnington, the senior lecturer in operations and supply chain management at Liverpool University; and Sian Lea, business and human rights manager at Anti-Slavery International.

I will kick off with the first question. Since the Modern Slavery Act was passed in 2015, there have been significant developments in the way that global supply chains work. How do you think the nature of the modern slavery risk associated with that is changing? Is there an impact that you want to draw attention to? Do you think that Section 54 aligns with where the greatest risks are?

Baroness Young of Hornsey: Thank you very much for inviting me and Sian, because we work together quite closely. I declare an interest as a patron of Anti-Slavery International. I shall also be referring to the University of Nottingham's Rights Lab research, and I am an honorary associate professor and chancellor of that university. That is just to make sure that everybody knows where I am coming from.

A number of factors have contributed to a change in the landscape. The extent to which they are permanent and deep we do not yet know, but Covid is an obvious example of what has been happening around the world. In the fashion industry, with which I work most closely, it has been a terrible experience for many manufacturers, particularly but not exclusively in the global South.

Some of the issues are around the commissioning of work, contracts issued and contracts cancelled. All the kinds of things that might broadly come under this area have been highlighted and exacerbated as a result of Covid. I am not sure about the extent to which businesses and manufacturers overseas have been able to recover from that. I do not think things will be the same again. You can add to that increasing extreme weather and other factors. All of that makes people more vulnerable, particularly but not exclusively in the global South. If people are on the move because they feel that there are no jobs where they are, that is when they are most vulnerable to being trafficked, let alone what happens in supply chains. That vulnerability leads to a greater risk of slavery and trafficking.

Although it is not strictly speaking in your question, one of the benefits of the Modern Slavery Act is that it has highlighted the extent to which this is a scourge that affects every single industry and commercial sector that you can think of, as well as public bodies. That is really important. Before the Act was introduced, I do not think we were fully aware of the extent of the things that go on. Responding to what we now know, if we were writing that Bill today, I doubt that it would be the same at all. We might go on later to talk more about Section 54, so I will leave my comments on that until later.

Sian Lea: When I was looking at this question, I was thinking that we could talk about every specific type of risk that has grown. As Baroness Young has just said, we did not really know much about it in 2015, so there is definitely greater awareness. However, we are also seeing an increase in the numbers in the estimates. Clearly, the problem is still quite rife, and we have not yet done enough—we will get into this later—to address that risk.

Perhaps I could point to three specific types of risk that I think have become more crystallised post 2015, which do a good job of showing the variety of risks that we face. Number one is Uighur forced labour. Secondly, there is the risk of labour exploitation on UK soil, particularly in agriculture and more recently identified in the care sector. Thirdly, there is the risk in public procurement supply chains.

Uighur forced labour and the Chinese Government’s persecution of Uighur, Turkic and Muslim-majority people did not really intensify until 2017. We were not really aware of the risk within global supply chains in specific industries until 2019 onwards. Now we see how pervasive a risk this is and how many industries it touches. For example, a large amount of cotton comes from China, and 90% of cotton from China comes from the Uighur region. In the automotive industry, specifically with electric vehicles and their batteries, pretty much all of it is at risk of Uighur forced labour. That is a real heightened risk, and something that we have to address severely and swiftly.

Secondly, in the agriculture and care sector, as I mentioned, the risk is exacerbated by visas. That is a really good example and parallels what Baroness Young was just saying about migrant workers. Over the past year, we have seen exposés again and again, yet we are not seeing the issue reduce. Crucially, we are not seeing victims remediated for their harm. Something needs to shift to change that.

The third example is public procurement. To parallel what Baroness Young said, there was a prime example, which I am sure is not news to anyone here, during Covid. The US Tariff Act put what was effectively an import ban on products coming from a Malaysian manufacturer of PPE. At the same time, the NHS was trebling its order from the exact same manufacturer. It became quite a heightened and noticeable risk within public procurement.

In December last year, the Secretary of State for Health and Social Care did her own report on the risks to NHS supply chains. The Uighur region was mentioned, as well as Turkmenistan, where there is also state-imposed forced labour, and 21% of other suppliers. That is quite important for the Government to consider.

Dr Bruce Pinnington: I echo some of those forces that have changed the nature of supply chains in the last few years. We have mentioned Covid-19 a few times. There have also been natural disasters. Even things such as Brexit and changes in bureaucratic processes, war and the threat of war and trade disputes all contribute to uncertainty in supply chains. Those all contribute to cost factors. At the moment we have big logistical issues, with limited access to the Red Sea causing big problems, and the Panama Canal. There are lots of examples of things pushing up costs and uncertainty in supply chains. There is a big question of where that gets passed in terms of risk. All too often, the extra costs may be passed back up the supply chain and exacerbate the very conditions that have been causing modern slavery, with very disproportionate value distribution across the supply chains.

The more we have things such as transfer of responsibility for these issues back up to Uighur supply chain members, who take less of the cut in the first place, the more difficult it becomes for them, and the more important it is that the focal organisations take responsibility, including government agencies. Very often, Governments are at the head of a lot of the supply chains.

The Chair: Do you think that Section 54 is fit for purpose? Do you see areas where it could, and should, be strengthened?

Dr Bruce Pinnington: It has been very useful in increasing awareness. It is supposed to be levelling the playing field and engendering a race to the top, but it has done neither of those things, unfortunately. One of the reasons for that is that until businesses believe that action associated with the Act is mandatory, they will see it as a competitive disadvantage for them to go on investing in what can be quite expensive supply chain mapping and investigations if they are getting no benefit. Indeed, if anything, they see more jeopardy in that as, potentially, if they find something, they are worried that the reputational risk will be even higher. At the moment, nothing coming through the Act is putting anything on the benefit side of the equation for anyone who is transparent and honest and says, "Look, I've found modern slavery in my supply chain, and I've done something about it". We need to be able to change rhetoric, government processes and the way we report these things through NGOs to reward firms that are actually doing something and investing something. Otherwise, they will look to avoid cost and risk.

Q87 **Baroness Butler-Sloss:** I ought to declare a number of interests. I am co-chair of the All-Party Parliamentary Group on Human Trafficking and Modern Slavery and I am a vice-chairman of the Human Trafficking Foundation. I was on the review with Frank Field and Maria Miller. We recommended then that most of Section 54 should be mandatory. I rather assume that you would all agree with that. One of the things about Section 54 is that it applies only to the largest companies, I think those of £36 million. Do you think that it ought to be across the board or at least apply to middle-sized companies?

Dr Bruce Pinnington: One of the issues at the moment, as you say, is that it is predicated on the notion that there will be trickle-down, and that influencing the practices of the largest companies will then influence their SME suppliers down the chain.

We have worked quite closely with businesses through the second part of our research, which is about working with managers rather than just looking at statements. We have seen no evidence of that trickle-down working. Even in areas where there is collaboration, there is still very limited awareness in non-reporting entities of Section 54. Indeed, at two events we held in Liverpool just before Christmas, I did a quick straw poll, which is certainly not statistical evidence, and most of the SMEs in the room had not heard of Section 54, even though they were part of a bigger supply chain where you would expect that they should have done.

The other big issue, certainly in the construction sector, which we have looked at quite a lot, is that non-reporting entities may often be the head of their own supply chains. Where is the influence on those organisations? Perhaps we need a two-track system, where SMEs are subject to controls similar to now, in that they first have to become aware and start writing modern slavery statements, but the larger firms—the above-threshold firms—should undertake mandatory due diligence.

Baroness Young of Hornsey: I pay tribute to Lady Butler-Sloss for her work on the independent review. I participated in some of that as well. One of the things that struck me at the time was the number of businesses that said that the threshold should be zero.

I do not know about other colleagues, but I have quite often found that there are many businesses that want this kind of legislation and would like to push it further, with, as Dr Pinnington mentioned, mandatory human rights due diligence. I am sure we will come on to that later. I just happen to have a copy of my Private Member’s Bill with me, which we can talk about later.

One of the problems with Section 54 is that it is reactive. It is what we might have done. We have set the challenge so low with “should aim to”, “try” and “maybe”, and that is not good enough. As Dr Pinnington said, why would you even bother if you are a business—even one of those that meet the threshold? So many have not even bothered to make the statement that they do not want to make a statement. From the get-go, there were problems in it that many of us foresaw, but we wanted to get something through. I think now is the time. The independent review was in 2019 and a whole list of recommendations was made to the Government. Sadly, none of them has so far been implemented.

Sian Lea: If I can piggyback off that, as we know, right now it is about reporting and there are criteria that may be reported on. That becoming a “must”—“You must report on this”—still does not get to the heart of the issue, which is translating reporting into action. Even if the Act was complied with fully and even if all businesses fell under scope, loads of different reviews around 2021-22, such as those by the Business & Human Rights Resource Centre and the Modern Slavery and Human Rights Policy and Evidence Centre, found that, unfortunately, compliance does not equate to meaningful action to eradicate modern slavery within global supply chains. Crucially, being able to report well does not translate into shifting business practice in order to eradicate modern slavery. It is the shift in business practice that we really need to be looking at.

Q88 **Lord Hope of Craighead:** I would like to focus on what is actually happening now. Obviously, we look forward to what we want the changes to be, but can we get a little more precision about how Section 54(5) is working? Subsection (5) has a list of six things that should be included in the statement. Our understanding is that a lot of companies produce a statement, but there is not much information in it. Can any of you be precise as to the level of compliance with the various paragraphs? Some are more obviously complied with than others. What is the current position?

Dr Bruce Pinnington: We have done specific research on that in one of the papers that we published. Of the six sections, it is very clear that the inward-facing sections are complied with rather more than the externally facing sections. It is easier for firms to say something about their structure, their policies and their training, but even in those areas, the structural descriptions and statements are generally very basic. Few describe the governance structures. This is particularly important when we are talking about multidivisional entities. Personally, I would like to see multiple statements for very big businesses. I do not understand how Siemens can write a single modern slavery statement when it is in the software business at one end and making trains at another. How can it possibly write a single, meaningful statement?

What oversight committees that firms have in place and what processes they have should all be part of the structural descriptions. An awful lot of businesses just publish lists of policies without explaining their relevance. Quite often they are not relevant. They might even be listing ISO 9001 quality management as relevant—it is not impossible, but please tell us in what way it is possible. There is too little on enforcement policies and actions being shared. Few are sharing the policies. One global construction firm we went into was very helpful and interacted with us a lot, and showed us its policies. However, it would not let us take those policies away or copy them. You have to ask why that is. Again, it is about legal jeopardy. It was concerned that its external statement has been legally validated, and stuff has been taken out of that. It is doing more than you would know from its statement. I have read the policies, but I was not allowed to see the statements. Surely, that indicates that it perceives nothing other than risk. There is no reward to it in publishing the statements. They should be publicly available.

In risk, we find that less than half of the firms we looked at, and these were government suppliers, which you would think would mean they would be ahead of the game—

Lord Hope of Craighead: Is that paragraph (d)? It strikes me as rather important. The information is to include "the parts of its business and supply chain where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk". Are people reluctant to engage with that particular bit of information?

Dr Bruce Pinnington: I am sorry, I do not have a specific answer to that. An awful lot of businesses gave no indication that they had even done mapping; when we looked at the details behind that, only two of 95 firms specifically referred to supply chain mapping.

In another piece of work that we had undertaken, there were indications that some of the practitioners we were interviewing—we did a cross-functional sample, in that MSPEC-funded work, of approximately 490 managers in industry—did not even fully understand what a supply chain was and were often talking about suppliers that were all tier 1 suppliers and suppliers to their horizontal process. They were not thinking vertically at all. They claimed that they were doing more supply chain mapping than they actually were. They were doing supplier management, not supply chain management. I think there is an education piece there. It is something that should be picked up in law as well, to make sure that any responsibilities are explicitly cascaded back up supply chains.

On due diligence, we found that references were very superficial. There was little or no evidence of the effectiveness, or a review of the effectiveness, of actions undertaken. Very often, they were tied to the procurement process rather than to operations management. Again, there is a big danger that you do a bit of due diligence, if you do any, only when you buy something or when you first set up a relationship with a supplier. If that is somebody you use for many years, it should be part of the supplier management processes that you continue to review, and they should continue to update you when their supply base changes. They should inform you of what due diligence they have done on their sub-suppliers.

There is almost nobody doing key performance indicators. We found that less than a third were even mentioning them, and those that did often did not put any metric in place. They just said, "We're measuring something", but did not say what target was there or how they were measuring it.

There is some good practice on training, as you will hear later from Stronger Together, but often that too is superficial and vague in reports, with a lack of metrics and evaluation. Continuous improvement, which is part of every quality circle, seems to be lacking in the processes associated with modern slavery.

Baroness Young of Hornsey: I want to address this, but do not have any numbers. We looked at dozens of statements and found that subsections (5)(c) and (d)—due diligence processes and, as Dr Pinnington has just said, the parts of their business and supply chains where there is a risk—had the worst responses. Often that was not addressed at all.

Some research that the Rights Lab at the University of Nottingham has done on the agricultural sector and beyond found that you cannot say that one sector is much better at all of this than another. That is partly due to the fact that the business sectors that are obvious, such as food, shopping, clothes, the high street or whatever, are much more visible and much more likely to come under scrutiny. Therefore, they may be a little less reluctant to say something about what they are doing. There are those that are much more hidden; you mentioned construction, which is one I always think about—people do not think about the paving stones that they are walking on and whether a child has quarried those stones. Those less visible industries are harder to get at, certainly for the general public.

Lord Hope of Craighead: Ms Lea, do you have anything to add?

Sian Lea: No. I think it has been well covered. I would just reiterate that the studies found that, even as statements improved over time, they still did not correlate with any impact on actual business practices.

Lord Hope of Craighead: Am I right in taking from this conversation that the weakness in subsection (5) is that it uses the word "may" and not "must"? If it was compulsory, one would hope that the performance would be much better than it is at the moment, but because it is voluntary there is no particular pressure on a reluctant reporter to give all the information that is required.

Sian Lea: Again, it stops with the reporting. That is the issue that I would like to stress. You may get more reporting under these headlines, but we know that reporting under those headlines as a duty rather than a "should" does not translate into meaningful action and the eradication of modern slavery, which is what we are trying to do. Even switching the "may" to a "must" would be inadequate.

Q89 **Lord Watson of Invergowrie:** We had evidence from Sara Thornton, the previous anti-slavery commissioner. One of the things she said to us was that while the legislation was ground-breaking when it appeared, it is now out of date and needs to be firmed up.

I thought the three points that Ms Lea made were very helpful. The developments since 2015 clearly sharpen the need for the legislation to be beefed up. I also have a copy of this very fine Private Member's Bill here, Baroness Young, and I notice that in that Bill you mention the Bribery Act 2010. That Act talks about commercial organisations, but it does not have any turnover limit in that. Do you see your Bill as all-inclusive and a very effective way of enhancing the existing legislation?

Baroness Young of Hornsey: I could not have put it better myself. Seriously though, we mention the Bribery Act because of the thing about liability. It is one of its most important features. I believe that in the recommendations of the independent review in 2019 there was a recommendation, or at least it was in the text, that we should take note of the director responsibility translating into liability that was in the Bribery Act, just to show that it can be done. We can have KPIs and all the rest of it, but once you make an individual or a body of people absolutely responsible for what happens within those value chains or supply chains, it should have that impact.

Critical to all these things is whether they are implemented and monitored. If it is all theoretical, "Okay, this might happen to you but because there are so many businesses and nobody overlooking what's going on, we can get away with these things", that is the real issue when it comes to any piece of legislation.

Lord Watson of Invergowrie: Short of the Act actually being changed, as I think most of us in this committee imagine that it will be in due course, in what circumstances do you feel that the Home Secretary should use his or her authority to enjoin those not complying with the Act as it stands?

Baroness Young of Hornsey: We were talking about this earlier. I am kind of in favour of an escalation. You would start by saying to company X, "You do realise that you are in contravention of the section?"—this is assuming that it eventually says "must" at some point—"You must provide this information. If you haven't provided any kind of statement whatever, you are in contravention of Section 54, and you ought to get your act together and produce something". You would probably give them a set amount of time to do that, and if it is still not done or done totally inadequately, you up the ante.

One would like to think that we do not go in straightaway saying, "Here's an injunction". Let us look on the bright side and say that, for whatever reasons, the statements have not been produced and therefore it is in their best interests, if that is all we have. I absolutely take Sian's position that, however brilliantly you fill in the form, were it to become mandatory, or however brilliantly you have an accountancy firm write the statement for you, or a consultant cut and paste your statement, if it is not actually changing what is going on then it is a waste of time.

Dr Bruce Pinnington: Otherwise we are just encouraging compliance with bad practice. At the moment so few of those statements are good and it is so easy to achieve compliance. Forcing people to be better at compliance is not getting us anywhere. We are already establishing that there is not much action happening through the firms that are complying with the Act, so why would the third that are not suddenly write better statements than the ones that are currently there? It could give us a false sense of security that we had 100% compliance with the Act, but that would just mean that everyone was publishing a vacuous statement on the internet and it was nicely signed.

Lord Watson of Invergowrie: It would be without any real effect. I have one final point on Baroness Young's Bill. The Government said that they would introduce legislation, but, for reasons that only they can explain, nothing appeared in the King's Speech. I have also been following the provision of registers of children not in formal education. The Government said that they would produce legislation on that as well, and they have not. However, there are two Private Members' Bills currently in the system that the Government have said they will support to enable that legislation to come on to the statute book. Have you had any discussions with the Government? Have they given any indication that they might give a similar fair wind to your Bill?

Baroness Young of Hornsey: The short answer is that I have not had those conversations yet. Hopefully, we can have some productive conversations around that. If we look at the wider legislative landscape for human rights and environmental due diligence, we see that we have come from telling everyone that we were world leaders in 2015 to falling way behind now. Hopefully, that will be some kind of incentive to government to catch up with and, indeed, surpass some of the other material that is going around.

Lord Watson of Invergowrie: Good luck with that.

Baroness Young of Hornsey: We can but try.

Baroness Butler-Sloss: We will probably deal with directors a bit later, but since Baroness Young raised them, what is your view on whether there should be specific sanctions on directors? I cannot remember whether it was in our review, but I have been banging on about the fact that there should be actual sanctions, of a variety of sorts, on specific directors, similar to those in the Bribery Act.

Sian Lea: Baroness Young's Bill, which we call COPAD, because it has a long title, is the best and closest representation to something that Anti-Slavery International and a number of other civil society organisations and trade unions have been calling for over a number of years, which is a business, human rights and environment Act—to let everybody know about that relationship. I am taking the opportunity to talk about liability under the Private Member's Bill because, in the questions that we were given, it was related to due diligence. I will be a bit cheeky and not respond on directors' liability for Section 54. Instead, I will talk about it within a wider idea of what legislation could look like.

We understand that there is liability under the Companies Act in two different ways: under Section 172 and under non-financial reporting and disclosure. There are issues with those two provisions. One is too vague, and the other is too high a bar. We are trying to address that in this Bill. We say that directors should be liable individually and jointly, as a board of directors, so that nobody is the fall person, with sanctions if they fail to conduct human rights and environmental due diligence or if they misrepresent—if they lie, effectively, or do any greenwashing or social washing.

It goes to a point that Dr Pinnington made earlier. If the sanctions are not high enough, people just choose not to follow the laws. It is a bit of a compliance "Which is worse?" question. We think that liability in that sense, which is quite clear and has strong enough sanctions, is a way of catalysing stronger behaviour and responsibility throughout the organisation. As Dr Pinnington said, is it working throughout? Is there senior-level buy-in? Who knows, but this would definitely achieve that.

Q90 **Lord Whitty:** I think you were already beginning to talk about placing the issue of modern slavery in a wider context of human rights, as well as environmental standards and other ESG-related matters. How do recent proposals for legislation meet that? I am interested particularly in the supply chain dimension, but more generally as well. Do any of the proposals either at UK level or at European level as yet give us a way of ensuring that modern slavery is covered in that wider context?

Sian Lea: I could talk about this a lot. A variety of legislation is popping up around the world. I know that there are questions on the EU directive, which we can get to later. That is one example. We have Germany, France, Norway and other proposals in the EU, all for human rights and environmental due diligence, rather than just modern slavery. There are principles in Japan. There is a Bill in South Korea. We have trade legislation that would stop the import or trade of products made with forced labour in the US, Canada, Mexico and, soon, the EU. It is definitely popping up everywhere. I want to stress that because, hopefully, we can get a competition between Governments and drive similar legislation in the UK.

It is important to include modern slavery within a wider human rights and environmental framework because it happens at the most egregious end of a continuum of exploitation. If companies are not addressing their purchasing practices and are not challenged on how they respect wide labour rights, including a living wage or freedom of association, they cannot prevent modern slavery, because it does not happen in a vacuum. To any arguments about red tape, it would all be encompassed in one piece of legislation, which would provide legal certainty and clarity for businesses. For us, it is an obvious call to action to see how these all fit within a spectrum and try to change business practice to really get to the root of these problems.

Dr Bruce Pinnington: One of the advantages of bringing multiple forces to bear on businesses is that if you have environmental requirements, modern slavery requirements and other ESG requirements falling on businesses, they have multiple reasons to start to invest in the underpinning actions we talked about, such as supply chain mapping and evaluation. One of the things we can add from the very beginning is resilience. There is now a greater interest in operational risk resilience than there used to be, because of all the changing factors in the world. That can also help some coalescence around the reports. There is an emerging industry in Europe around non-financial reporting. The ESRS, if I have the right acronym, is advancing, so common standards for reporting are being developed at the same time as due diligence legislation.

The danger in all of this, from a modern slavery point of view, is that it is different from other things, such as health and safety. It is very obvious when you have a health and safety accident on a site and somebody has dropped a piece of concrete on their foot. It is not so obvious where modern slavery is; whether it is or is not there, and whether it is in the product supply chains as well as the labour supply chains. It is a more complex issue. For that reason alone, it warrants at the very least its own sections in law that, within the six reporting sections, look for specific actions to be undertaken in relation to discovery as well as disclosure.

One of the issues with transparency, from a theoretical point of view, is that it was always predicated on the idea that what was needed was more disclosure from firms. With finance, that may be fine and sound because the numbers are generally known, but with something like modern slavery, where a complex discovery process is needed, we need to put much more emphasis, through legal requirement, on actions that will lead to discovery that can then be disclosed. At the moment, we are some way short of that.

Sian Lea: What is really unique about this Private Member's Bill is that it is a failure to prevent model. As was touched on before, it is modelled on the Bribery Act. The idea is that you have to discover what the harm is and mitigate it, prevent it or remediate it. That is hugely important, because it shifts the burden of proof from victims to businesses.

This is how it would work. Currently, under some of the due diligence legislation that I was just mentioning, once the harm has been identified, the victim has to prove that the company concerned, which holds all the information and significantly more resource, was responsible. With the failure to prevent model, the company would have to show that it took all reasonably practicable steps, including due diligence, to show that the duty was achieved. That is quite important for discovery.

Baroness Young of Hornsey: Can I respond very quickly to Lord Whitty's question? I have just been looking at a chart that shows the EU directive, the German supply chain proposal, the French duty of vigilance, the Norwegian transparency proposal and others. They all mention forced labour specifically. It is not exactly the same as modern slavery, but I think that here we have always had a slightly different take on that term anyway. If we can get a common language that recognises what Sian has just said, that would be quite important.

Lord Whitty: I can see the general point. I also recognise that modern slavery and related matters of trafficking are extremely complex and quite difficult to prove down the line, even if you have a reasonably diligent final user, particularly if it is labour as well as product. Are you convinced that it is better to tackle this within the wider context? Would it be more effective to have a modern slavery piece of legislation on its own, building on what we already have?

Baroness Young of Hornsey: I feel that they are so interconnected that we should not be trying to separate them. It is interesting that Sian referred earlier to the situation with the Uighurs in China. Of the solar panels that will help us to reduce our dependence on fossil fuels, about 40% of the production worldwide happens in that particular region. There is an obvious and, as it were, surface-level connection between the two. In the fashion industry, where, for example, a tonne of red dye is tipped into a river, that is not just an environmental catastrophe but a catastrophe for the people who live in those communities. For me, the two work really well together. In fact, we kind of recognise that in the Modern Slavery Act, because Section 54 was an addition. It did not grow organically from the rest of the legislation.

Q91 **Lord Watts:** The Government's trade agenda provides an opportunity to tackle modern slavery that is not always fully utilised. What more can be done in this area? Can I give you two specifics? Can import laws be effective if they are adopted only by certain countries? Could greater use be made of other mechanisms, such as licence conditions for labour providers? Do not feel limited to those two options.

Sian Lea: At Anti-Slavery International, we know that it takes a whole host of legislation to address something that is so pervasive and hidden, exactly as you mentioned. We would call for due diligence laws, crucially with the failure to prevent model that would hold companies accountable for their failure to prevent harm, and for an import ban, or legislation that stops at the border products that have been made in whole or in part with forced labour.

The question about whether it can be effective if not all countries are doing it is almost moot at this point, because countries are doing it. The question should instead be: what will the UK do to stop itself being a dumping ground for products that have been rerouted from other jurisdictions with stronger legislation? We know that rerouting and bifurcation of supply chains happen; it is publicly available information. Bifurcation is when a company has a clean supply chain into the US and does not worry about its supply chain for the rest of the world. Often, it is specifically for Uighur forced labour. The UK is a major importing economy, so we can only assume that those products are coming here.

Secondly, we have case studies from Customs and Border Protection which say that companies have tried for exemptions under the import ban legislation. They say that they source from the Uighur region but are not using forced labour. That is an impossibility, by the way. If you are sourcing from the Uighur region, it is made with forced labour. Then they cancelled the requests for exemptions and rerouted the products. We know that as long as import legislation exists, we will be a dumping ground for those products. We want to ensure that customers can purchase with some sort of knowledge that they are not buying products that are made with mass atrocities, for example, so we need the UK to step up and put in stand-alone legislation that stops products made with forced labour.

That can also ensure that the remedy for victims is immediate and happens much more swiftly than it could under due diligence legislation. The two should be complementary. Import bans, if they are well designed and come with the element of demonstrating remediation when harm is found, mean that victims are compensated, simply put, for the harm and do not just let the cycle of abuse carry on. They are a really important tool. They can be targeted on state-imposed forced labour, such as in the Uighur region or Turkmenistan, and can be really helpful in ensuring swift remediation for workers, but they have to go alongside due diligence legislation, otherwise companies will not do the work to try to find where forced labour exists. Then their products will be stopped at the border.

Lord Smith of Hindhead: How would that actually work? How would you compensate the victims?

Sian Lea: Do you mean through remediation?

Lord Smith of Hindhead: Yes. It sounds good. In reality, how would it work?

Sian Lea: There are lots of examples. We can look to the Top Glove example that I mentioned earlier. That is just financial compensation. Compensation in the UN guiding principles—

Lord Smith of Hindhead: Let me give you an example. Take the solar power point. You have people in a certain region of China making the panels. How will you stop them being imported? Will you somehow find somebody who has done it? How will you compensate the people in that region of China?

Sian Lea: I feel like we have been plotting on this separately, because that is an excellent question. You cannot remediate in the Uighur region, so the answer to that is that there is no remediation. You also cannot show that you are sourcing from the Uighur region and do not have forced labour, so essentially you would have to leave the region. That is what Uighurs are calling for. The whole Uighur coalition, made up of dozens of Uighur groups, human rights specialists, academics and advocates, is calling for exit from the region as the only way you can address the problem.

In every other form of forced labour, you would remediate. Going back to the Top Glove example, there was an import ban on products in the US. Within nine months, remediation and compensation to the tune of $36 million was given to former employees, as well as current employees. They went out and found the employees. They were able to do that really swiftly. That is a Malaysian company. It is achievable. There are plenty more cases, but companies need to be incentivised to remediate, apart from in the Uighur region.

Dr Bruce Pinnington: The responsibility should not fall entirely on business. We are talking about business being a proxy for extra-jurisdictional action, but that can be supported by Government to

Government-level lobbying, trade agreements and Governments co-operating, through things such as forced labour import bans. We have mentioned the Top Glove and Supermax example, where the UK Government undermined what the US Government were achieving.

Import bans are a bit after the fact. Prevention is better than penalising after you have already made it—after the labour has already been used. There have been some instances, certainly in conflict minerals, where payment has not gone back to the people who produced the material in the first place. There is a danger that import bans, if they become the main instrument, can contribute to further damage back at source.

Lord Watts: Just to get it on the public record, you said "other countries". We know about America doing this. Which other countries do it?

Sian Lea: The EU.

Lord Watts: The whole of the EU?

Sian Lea: It has just passed it. We are in the home stretch. It should be finalised in the next couple of months and then enforced two years later.

Lord Watts: Would anyone like to talk about licence conditions as well?

Dr Bruce Pinnington: We need to be very careful about when we are talking about labour within UK, or English and Welsh, jurisdiction, and when we are talking about labour overseas. Quite often, when we are talking about licensing labour gangs, we are talking just about the UK, which is okay, but we must recognise that it can be quite difficult to disentangle labour provision from service provision. It is very quick and easy to put a service wrapper around, for example, "Ground Working Services Ltd" to provide ground workers at construction sites. We would have to understand how we would regulate the use of labour, just at a normal company level, in order to pick those up. Yes, it would be great to have licensing for all labour agencies, but we need to think about how they would work around that quite quickly, through service—

Lord Watts: Could that not be done by requiring any agencies working in that area to register?

Dr Bruce Pinnington: Yes, but in the construction sector we have things such as the CSCS cards. Stronger Together will talk a lot about that later, if you ask. They are often used as a form of both identification and right to work in the construction sector, yet 20% of those cards are known to be fraudulent or false.

Lord Watts: That is down to enforcement.

Dr Bruce Pinnington: It is also down to having a suitable mechanism and suitable technology to enforce it.

Lord Watts: If you have enforcement and heavy fines for anyone who forges cards or employs people—

Dr Bruce Pinnington: That would give us a mechanism within the UK, but what about extra-jurisdictionally, when we are trying to see similar labour practices overseas? What can we do to manage those?

Lord Watts: Once again, just to be clear, you think that there may be a case for having different systems for UK-employed people and people externally employed, outside the UK?

Dr Bruce Pinnington: Yes, because we can pass other legislation in the UK.

Q92 **Lord Hope of Craighead:** Can I take you to the Government's response to the 2019 consultation? As you know, they made a number of recommendations. I will pick out just three. One was to change the word "may" to "must". Another was to extend the requirement beyond commercial organisations to public bodies. The third was to update the guidance that was given, to incorporate what is now seen to be best practice. Can you give us an assessment of how effective those recommendations would have been, had they been introduced? They never got into statute, but should we be looking at them? Are they valuable?

Dr Bruce Pinnington: Because we need much stronger, action-oriented legislation in the first place, I would say that they would be useful but of limited value. We would get some benefit from it, but the world has changed, even since the Frank Field report. If it were run again now, we might conclude that perhaps even that did not go far enough, let alone the Government's watered-down response to it.

Another thing to mention, which I have written about a couple of times, is signalling. It is very important that we consider how the Government signal to business how important this is to them. The messaging in the Section 54 guidance, which can be revised ahead of any legislation, must signal intent, which must then be backed up with legislation. Business is expecting stronger legislation. It is waiting.

We have called this convenience framing. People are justifying a moral position: "We really support the ideals of Section 54, but we're deferring action or avoiding action for now, until stronger legislation comes along". The first step that we can take is to start to put in a lot of expectations about what businesses should be doing under Section 54. That should be a lot stronger than it is now. It should be supplemented by process expectations as well. We should then follow that up with due diligence legislation.

Baroness Young of Hornsey: I support exactly what Dr Pinnington said. To jump forward to the final question about what we would like to see—"If you could make one recommendation to the Government concerning the Modern Slavery Act, what would it be?"—my response would be that we should see what we can take from it that is of any use and incorporate that into legislation such as we are currently proposing.

To reinforce what Dr Pinnington said—I am sure that Sian can elaborate on this—there is the Corporate Justice Coalition, which is a big coalition of businesses. A lot of this is business-driven. As you would expect, the businesses that fear this least are the ones that are already doing most of it anyway. They think, "Why should we be doing this and being undercut by companies that can't be bothered, don't think it is worth while or whatever?" We should act for the sake of those businesses, of which there are many. Sian was telling me how many businesses have come forward now that the EU directive looks like it is finally getting off the ground, albeit in a slightly diluted way. The number is really big.

Sian Lea: I would advocate more and stronger legislation and would echo what has been said here. We should get to that stronger legislation sooner rather than later, and listen to the businesses that are calling for it.

As Baroness Young was alluding to, there was a question about the due diligence directive in the EU. It has finally got that vote passed, which is great. The troubles or difficulties with it had very little to do with the law itself and were more about politicking. In the month when things were picking up, we saw hundreds of thousands of businesses step up and say, "Adopt this. Do it now. We are already doing some of this work". I have a whole list of trade associations, with their hundreds of thousands of members. I will not bore you with that now, but I can tell you about it later.

Due diligence legislation is also being called for in the UK. They have moved beyond the Modern Slavery Act. There is a business statement by 50 UK businesses you will all have heard of, including John Lewis, Twinings, Sainsbury's, Tesco and ASOS, calling for mandatory human rights and environmental due diligence. Investors with £4.5 trillion in assets are calling for this, with the failure to prevent model. The public are calling for it. Various politicians have called for it.

We know that some of the more than 600,000 businesses that have supported the EU directive will be operating in the UK. They will be pressured into doing this due diligence, which has been proven to help with their performance, financial and otherwise. If the rest of UK business is not being pulled up to that standard, you can only imagine that they will be calling for it, otherwise they will be undercut.

Lord Hope of Craighead: One of the recommendations was to set up a single enforcement body. We have not heard about that so far this afternoon. Is it a suggestion worth pursuing? If so, why?

Sian Lea: I think that it is worth pursuing if it is broader. Right now it is HMRC, the GLAA and the Employment Agency Standards Inspectorate. If it was broader and well resourced, in theory it could be a good model. If it is not well resourced and is not broader, it could be problematic for some victims to come forward.

Secondly, I immediately defer to what was being discussed with regard to licensing. It would stop only with victims in the UK. We could not do anything with it about Uighur forced labour, for example, so it goes only part of the way there. It is worth exploring, but we would also need all the other stuff we have been talking about today.

Baroness Young of Hornsey: I agree with that. To have a single point of contact would be extremely useful. People would know where to go and whether what they were talking and complaining about came under the purview of that particular organisation. That would make it much clearer.

Q93 **Lord Randall of Uxbridge:** I declare an interest as the chair of the Human Trafficking Foundation. We have heard already from Baroness Young about her wish list of things to say to the Government with regard to supply chains. You are all thoroughly immersed in the Modern Slavery Act, which is very wide. If I could grant you one wish to change something in the Modern Slavery Act, what would it be? It does not have to be confined to supply chains, but obviously if that is it, that is fine.

Dr Bruce Pinnington: In order to address the lack of discovery-related action in global supply chains, which I have talked about a few times, and to increase managers' sense that the modern slavery legislation regime, including the guidance, is binding, I would like to see specific due diligence clauses requiring discovery-related actions, including supply chain mapping and evaluation, with a strong statement on scope, and that may need to be increased over time.

Originally, the Section 54 provision was innovative, but because it is not achieving its aims of a level playing field and a race to the top, we need mandatory actions. That is the point at which we will break through the convenience framing and start to undertake some of the underpinning actions that allow all the other actions, such as auditing and evaluation, which we cannot undertake if we do not know who the members are in our supply chains.

Lord Randall of Uxbridge: Baroness Young, do you have something else apart from your Private Member's Bill?

Baroness Young of Hornsey: It is funny. I can only see supply chains and value chains. I find it interesting that, while the Modern Slavery Act has enabled a better understanding of what goes on, sometimes next door to you or in your local car wash or in a nail bar or whatever—I think it is right that awareness of that aspect of modern slavery and human trafficking needed to be raised, and I am not saying that it should be diminished now—it is harder for the general public to grasp what is happening in supply chains, because who would know? Incidentally, I do not hold the wider public responsible for pointing out where these things are happening in supply chains because it is not up to the general public to be doing the research and complaining all the time.

There is still so much more work to do around this area. There is work to do around each of the areas involved in the Act, but for me it is around Section 54. You will not let me just dismiss Section 54, so I guess I would have to go for strengthening, penalties, incentives, et cetera.

Sian Lea: You know everything else I would call for, so I will not call for any of that now. If the Act is genuinely about transparency and disclosure, it would be helpful in addressing forced labour, particularly state-imposed force labour, to require companies to disclose their supply chains. If you could do that under the Act, I would support it.

Lord Randall of Uxbridge: I have one final question. I can remember when years ago we were looking at companies being eco-friendly, the public wanted it but they did not necessarily want to pay for it, for many reasons—the cost of living crisis or whatever. If there was a choice—presumably you would hope that there was not a choice—between a slave-free product and one that was a bit cheaper but a bit dodgy, if we are talking about garments or something, do you think consumers would actually make that choice?

Sian Lea: Hopefully, they would not have that choice because everybody would be having to lift their standard. There is not necessarily a correlation with a cheaper product; we know there are also expensive products. There is an oil and gas company going through a lawsuit that will not end its oil spill and remediate its workers, but it had record profits that year. I would be very careful not to correlate the two. Also, if everybody's standard is lifted, you do not have to make a choice. You do not leave it to the public to have to choose.

Baroness Young of Hornsey: It is interesting because in the fashion industry it is well known that a single factory might be making something at the top of the high end—a T-shirt, say—and all the different price points below it. I will not mention particular brands, but some of you might be surprised to know which brands sit within the same factory. The cheapest of those T-shirts will sell for £3 or £4. Maybe the quality of the cotton is a bit different as you go up the scale. At the top end, a white T-shirt that is almost exactly the same to the naked eye will cost you £65 to £70. That is not because the designer brands at the top end are paying more into the factory. Of course they are not.

We were talking earlier about the triple bottom line: people, planet and profit. We are not saying that companies should not be allowed to make profit. That is not the thing at all. What needs to happen is a different way of looking at business models so that we serve each of those three different areas. At the moment, it feels like the bulk of commercial companies are fixated on financial profit no matter what happens to people and the planet. That is the road to doom.

Dr Bruce Pinnington: We need to think beyond business-to-consumer models. Transparency legislation was predicated on the idea that consumers will be the power that will cause change, but, actually, it might be ethical investors, big pension companies and organisations that you know, such as CCLA, that put greater pressure on organisations. We must also think of business-to-business supply chains and government-to-business supply chains as possibly the areas of greatest leverage and greatest effect.

The Chair: That brings us to a close. Thank you very much for all your evidence. It has been incredibly helpful for this committee to think about.