



Modern Slavery Act 2015 Committee

Corrected oral evidence: The Modern Slavery Act 2015

Monday 29 April 2024

5.05 pm

Watch the meeting

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

Evidence Session No. 15

Heard in Public

Questions 169 - 179

Witnesses

I: Matthew Davies, Director of Trans-Pacific Negotiations and Policy, Department for Business and Trade; Eoin Parker, Director of Company Law and Governance, Department for Business and Trade; Mike Warren, Director of Labour Markets, Department for Business and Trade.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Matthew Davies, Eoin Parker and Mike Warren.

The Chair: Welcome back to the Modern Slavery Committee in the House of Lords, where we are beginning our second panel. I am very pleased to welcome and receive evidence from a number of officials from the Department for Business and Trade. Matthew Davies is the director of trans-Pacific negotiations and policy, Eoin Parker is director of company law and governance, and Mike Warren is director of labour markets. You are all very welcome. Thank you for attending. We begin with Lord Whitty's question.

Q169 **Lord Whitty:** The department is responsible for both the conduct of companies and the protection of workers. From both angles, there has been a call for improvements in the supply chain provisions in the Modern Slavery Act so that companies become more effective in ensuring that practices that could be designated modern slavery and prosecutions arising from that are enforced, in part, by companies taking responsibility for their supply chain. That was referred to by the Government in the Queen's Speech two years ago. We have yet to see any such legislation. Can you provide us with an update on what planned changes there are in that respect?

Eoin Parker: The first thing to say is that the Home Office is responsible for the Modern Slavery Act and is responsible for implementing any planned changes to it.

Lord Whitty: While the Home Office is responsible for the overall beginning, that is why I started by saying that you are responsible for labour standards and company conduct.

Eoin Parker: We are responsible for the Companies Act and the provisions the Companies Act lays down for company conduct, director conduct, corporate governance and corporate reporting. The provisions in the Modern Slavery Act that relate to Section 54 are policy owned by the Home Office. We work with the Home Office on those sorts of things, but it takes them forward.

You have seen the announced package of measures. I understand that, given that all those measures require primary legislation, the fact that it was not possible to find parliamentary time in this Session means that we await legislation in the future on that. I am aware, at the same time, that Home Office officials are considering changes to improve some of the statutory guidance on the interpretation of Section 54 of the Modern Slavery Act. We work, at times, with the Home Office on that, but we do not lead on any of those individual areas.

Lord Whitty: Have you in your department, or in association with the Home Office, considered the due diligence legislation that has been passed or has just been passed in the EU and elsewhere abroad? Have you looked at that for application here?

Eoin Parker: Yes, indeed we have. The government position clearly remains in favour of a voluntary transparency-based approach, as set out in the Modern Slavery Act and alongside the associated provisions in the Companies Act that speak to this area. Yes, we have been taking note of what is going on elsewhere. We are keeping our eye on developments in France, Germany and Norway, for example, or the EU CSDD directive. We are watching what is happening there. We want to see how effective those measures will be. All those measures are relatively recent in effect. While we can see the approaches that others have been taking, we are yet to be able to see real evidence of the impact or effectiveness of those measures.

We continue to watch the government position. We wrote to the House of Commons business committee in 2022. We plan to stay with the voluntary transparency approach, but we want to see the effectiveness and we want to see the evidence of the effectiveness of the due diligence approaches being taken elsewhere.

Lord Whitty: Given that there is no legislative slot this year or foreseeable, have you looked at the statutory guidelines or codes of conduct that would fall to you?

Eoin Parker: Again, I have mentioned it, but the Home Office has been thinking about the statutory guidance on the interpretation of Section 54 to try to address some of the areas where companies and others have found it harder to understand their obligations under the Act. I understand that it has work planned and is due to update the guidance over the next year or so. I do not think that work has formally begun but I know that the Home Office is in the planning of that work at the moment.

Q170 **Lord Whitty:** To ask a more general question, in view of your responsibility for the different labour markets in different sectors, do you see the problems as substantially different in different sectors from your viewpoint as the overall employment department, if you like?

Eoin Parker: Ownership of different sectors varies. Different sectors in policy and departmental terms are owned across different departments; for example, the Department of Health will look at health supply chains and Defra will look at forestry goods and forestry products. They are elsewhere, but yes, you would imagine that across different sectors you would see different issues. Each will have its own particularities about the nature of the supply chains for individual sectors. In many senses, we have an overall approach to modern slavery, which is set out in the Modern Slavery Act. In some areas, work is being done to address individual issues for specific sectors, where those responsible for the sector have chosen to do that.

Mike Warren: To add to what Eoin has just said, it may be slightly different if you are talking about the risk of long supply chain due diligence or the meeting of labour standards as a slightly separate issue. I know you have had evidence from Margaret Beels, the director of labour

market enforcement and from the GLAA. They both have their own risk assessment, a sector-based risk assessment of where the greatest risk of abuse is in the UK labour market. For the GLAA, that will be particularly about the risk of very serious exploitation and abuse, including modern slavery. For Margaret Beels, as the director of labour market enforcement, that would be a more general overview of the whole spectrum from national minimum wage non-compliance all the way up to the most serious end.

Q171 **Lord Whitty:** Mr Davies, can I ask you a question that is not in the list of questions? Does modern slavery, and the existence of modern slavery as an issue, impinge at all on trade negotiations? In the trans-Pacific area, for example, there is a degree to which countries of Asia are contributing towards modern slavery, at least in some sectors. Does that feature at all in how we operate on trade negotiations?

Matthew Davies: Do you mean by the selection of who we negotiate with or in the way we negotiate with them?

Lord Whitty: Both, really—we negotiate with and whether there are provisions, for example, that would exclude from any openness of market evidence of modern slavery offences or modern slavery practices.

Matthew Davies: I do not know about provisions in the markets that would exclude evidence. Certainly modern slavery forced labour is a core part of the way we think about our negotiations programme. In your earlier questions, you were getting to the Department for Business and Trade's contribution to combating modern slavery. Our international programme, our trade programme, is one of the ways we can do that. Primarily, we do that as we negotiate agreements.

There are two broad choices. The first is who you negotiate with, which is obviously a decision for Ministers but has a wide range of factors, which would include the economic and geopolitical and would also include reasons not to negotiate. Secondly, as we negotiate agreements, we have, in all the agreements that we have negotiated so far and continue to negotiate, sought provisions in what is normally a labour chapter—it can sometimes be a trade and sustainable development chapter—which is a place where we would look through the negotiations to get our partner countries to reaffirm and reinforce the ILO conventions or declarations.

We see that as having two important values. The first is that it provides legal rearticulation between the two countries bilaterally or, in the case of CPTPP—the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—one of the agreements we lead on more multilaterally, it provides legal recommitment.

Secondly, usually through those agreements, we negotiate some sort of institutional structure, whether a committee or something else, that allows us to engage and work with some of those partners on issues where we might see issues within bilateral trade or, indeed, where there are opportunities for us jointly to work together. It is definitely a factor; it

is a part of our negotiations programme and something that, in each of our negotiation objectives, for each agreement that we have either concluded negotiations on or started, we have said that we will continue to seek.

The Chair: Sticking with that issue, Lord Watts has a question.

Q172 **Lord Watts:** When did the department change its stance on this issue? When I was previously a member of the trade committee and we asked the trade negotiators whether they were taking such things into account, we were told that they did not and that they had not been instructed to do so by Ministers. When did it change? You seem to be indicating that it is an issue now and one that you are taking on board.

Matthew Davies: I listened avidly to all the previous evidence sessions and I heard you make that comment. I would be interested in more context around it. From my perspective, the importance of labour provisions within agreements is something we have had all the way through the negotiations programme.

I have been involved in what was the Department for International Trade and is now DBT since nearly its beginnings. One of the first jobs I was involved with was the rollover of the EU agreements, from whence many of the labour provisions originated. The first couple of new bilateral agreements we undertook were Australia and New Zealand. Those are the main two we have concluded, in addition to CPTPP. In all those and, I would say, in Australia and New Zealand, we have some of the most advanced labour chapter provisions. It has been something that has been running through.

Lord Watts: I imagine it would with Australia. When we were looking at China and India, it was a different kettle of fish. There was no doubt that the negotiators were not aware that the department had a policy to pursue these issues. Why would your negotiators not know that, if you are saying that it has always been the position?

Matthew Davies: I do not know. I cannot speak for exactly what you were told then. We are not negotiating a bilateral FTA with China. With India, the labour provisions and the objective of getting reaffirmation of the ILO declaration is quite clearly in our strategic negotiating objectives.

Lord Watts: Let us look at the Gulf Cooperation Council. Can you give an indication of how those negotiations are working?

Matthew Davies: It is more of the same, to be honest. I cannot tell you exactly where we are within the negotiations, mostly because it is a live negotiation and, as you know, we have to adopt that posture. Again, with that negotiation, in our published negotiation objectives, we have been quite clear what we are trying to achieve. We want to reaffirm commitments to international labour standards. We want to seek assurances that parties do not waive or fail to enforce domestic labour protections in ways that create an artificial competitive advantage, and we seek appropriate mechanisms for implementation.

We have three core tenets in what we are trying to do when we secure labour protections in an FTA. Where we can, and again as with Australia and New Zealand, we go further. With the New Zealand FTA, which I negotiated, we had a specific reference to modern slavery. With the GCC, we have been clear about what we are trying to achieve.

Lord Watts: Are the Government considering import laws, such as the US has introduced, regarding China's importation of products? Is that something the department is considering? Has it seen some benefit from or that it has ruled out?

Matthew Davies: As with Eoin's answer on due diligence, this would be something DBT would need to work very closely on with the Home Office and FCDO. At this stage, we are observing very closely how the law in the US is working. The EU is considering a slightly different but similar import control action. We are watching those very closely to see how their effects run through.

There is quite a wide range of import controls, whether that is licensing, bands or some other kind of mechanism, so when we think about them from the UK perspective, we try to think of three things. The first is whether delivery of it could be implemented successfully, including whether you can gather the information you need to assess it and whether Border Force would be able to do it. That is something we need to work on with HMRC.

We would think about the effectiveness of a particular kind of action. It is early days with the US action, but it is whether, if materials or goods are banned from a particular area, it will just cause a divergence to other areas, just moving the problem around. We would need to think very carefully about WTO compatibility and whether the kind of action that we would take fits with the principles in the WTO that you apply actions uniformly and then act in an agnostic way. In all those areas, it is early days regarding the US legislation and what will happen. We will watch very closely and work with colleagues across government.

Lord Watts: Finally, how is the department's attempt to negotiate these things working in discussions on the Indian deal? It would seem that, although it would be easier on labour laws, for example, to negotiate with New Zealand and Australia, it would be a completely different kettle of fish with India. Has that limited progress on the Indian trade deal?

Matthew Davies: Again, as the India deal is well known still and negotiations are ongoing, I cannot comment on specifics. We have a clear objective to try to make sure that we get the full range of protections with India. We are making progress. You would obviously want to assess exactly where we land on that, as and when the deal is concluded and published.

The Chair: To clarify, is the department carrying out an assessment of the risk of the UK becoming a dumping ground for goods made with forced labour because other countries are looking to ban them?

Matthew Davies: If you are asking me whether we have a specific assessment project, there is not one that I know of, but I will take that away and check. As you know, the multiple impacts on supply lines and where goods are moving around, as different trade restriction measures are either introduced or eased, is very, very complex. One of the things we keep constant vigilance on is what the evidence shows from that perspective, working with businesses that will be some of the first to identify it and tell us. We also work with the Trade Remedies Authority. In many cases, that is the organisation that would look into this on a formal basis if there was what you might consider anticompetitive practice or some other reason for abnormal trade diversion.

Baroness Barker: Would the government department that triggered those trade remedies be you?

Matthew Davies: The Trade Remedies Authority?

Baroness Barker: Yes.

Matthew Davies: Those kinds of investigations can be triggered in a number of ways. Businesses and civil society organisations can write to us and say, "We think there's an issue here. Can you look at this?"

Q173 **Baroness Barker:** Going back to your first answer, I am trying to make sure that we have a proper handle on exactly what your role is in the implementation or the oversight of this law. At the moment, it seems very minimal from what you are saying. There appears to be variable enforcement of it across government, which leads me to the question I want to ask. Perhaps some of your answers will explain to us why other departments appear to be doing more. Do you think that the Government have conflated labour market and immigration enforcement?

Mike Warren: No, I do not think so. There is a labour market enforcement architecture jointly overseen by the Department for Business and Trade and the Home Office, which I alluded to before. The DBT essentially owns the abuse and exploitation that does not meet the definition of modern slavery end of it.

We are responsible for the national minimum wage enforcement team that sits within HMRC. We are also responsible for the Employment Agency Standards Inspectorate, both of which look at non-compliance and, although it does not feel right to talk about moderate abuse, abuse short of modern slavery. Then, of course, there is the GLAA, which is Home Office owned and looks at the most serious labour market exploitation. That sits under the strategic direction of the director of labour market enforcement. That is an architecture focused on labour market exploitation, but on any given issue the bodies within that architecture will work together and with a range of other actors, including local authorities, and, where necessary, immigration enforcement. There is a very strong focus in the labour market exploitation regime on workers and making sure that workers can exercise their rights, and get what they are entitled to.

No, I do not think there is conflation. There are two ecosystems that overlap on specific issues in specific areas. There are good working relationships between labour market enforcement bodies and immigration enforcement, but I do not think there is conflation.

Baroness Barker: If the evidence shows over the next couple of years that the intervention in the care market and care visas has actually conflated this and caused a problem, who in government would be responsible for that? Who would carry the can?

Mike Warren: There are two departments leading the work on understanding what is happening in the care sector. That is DHSC and the Home Office. There is an awful lot of operational activity underpinning the Whitehall conversation, which involves labour market enforcement bodies, the GLAA obviously, the HMRC national minimum wage team and the employment agency team I am responsible for. There is a lot of operational activity. The challenge of working out where the Government have levers to address the issues emerging at local level sits with the Home Office and DHSC in the first instance, but with the support of other Whitehall departments.

Baroness Barker: We have a care market in this country that is sufficiently well understood that it has attracted a lot of investment. Why is that not something that your department is actively involved in? There are economic questions in it that impinge on modern slavery. How come your department is not involved and has taken such a back seat?

Mike Warren: Different departments across Whitehall are responsible for different sectors of the economy. I do not think it would help for DBT necessarily to insert itself into every area of sector ownership across government, where we do not have the subject matter expertise or the funding levers. DHSC owns the care sector. It has the expertise and the lines of responsibility and accountability. I am not sure it would help for DBT to double up and for us to insert ourselves into the conversation at that level. At an operational level, when it comes to questions of what is happening in the care sector in a labour market sense and the risk of exploitation and abuse, DBT and its arm's-length bodies are very much involved.

Baroness Barker: Thank you for that. It seems to me that the policy responsibility for this in government is all over the place. Therefore, it seems entirely understandable that the bodies responsible for enforcement and all the rest of it are similarly somewhat in disarray. What update can you provide on the establishment of a single enforcement body?

Mike Warren: The Government remain committed to the enforcement of employment rights and, in the area of labour market enforcement generally, have significantly increased the funding for enforcement bodies over the last 14 years, but there has been recognition that a single enforcement body, requiring a substantial piece of primary legislation, would be a big organisational change and create a significant amount of

disruption to the work of the three bodies that would be at the centre of it. The immediate focus at the moment is working with the director of labour market enforcement and those three bodies to ensure that they work together better and the taxpayer is getting value for money from that increased level of funding. The planning work for a single enforcement body is on hold at the moment.

Baroness Barker: That would go with the overall reluctance of your department to see this as a priority. Would that be fair?

Mike Warren: The priority is ensuring that the current players in the labour market enforcement landscape are working together better. As I say, the requirements around setting up a single enforcement body are quite substantial. You will be aware that there is no legislative slot in this Parliament for a single enforcement body. The question about where that fits in priorities will have to come at the start of the next parliamentary Session.

The Chair: Do you know how many inspectors of the labour market we have currently, and how that compares with the ILO standard for the number of inspectors we should have for our workforce?

Mike Warren: I do not have the exact figure to hand but I know that we are below the ILO standard.

The Chair: Would you be able to supply that?

Mike Warren: Yes.

The Chair: Thank you.

Mike Warren: If I can give you the departmental line on why that is, there is a certain amount of difficulty in comparing apples with apples across different countries. We would say that if you look at the labour market enforcement regime in the round, including the funding that we put into ACAS and the employment tribunal as other ways of ensuring that workers can get the rights they are entitled to, it is not perhaps as clear-cut a picture as the ILO figures that have us below that level.

Q174 **Baroness Shephard of Northwold:** Supply chains are very complicated and, clearly, they are not always well understood by all businesses. Can you explain how the Government engage with business to encourage best practice in large firms and small firms? I believe one of the things you do is to have quarterly round tables. Is that right?

Mike Warren: Yes.

Baroness Shephard of Northwold: And those are remotely organised; in other words, so that there is a bigger attendance, I assume. How do you invite people to those round tables? How do you select people? How do you select representative companies? Obviously, you have a special slot for SMEs. How do you ensure that there is cover? Do you involve, for example, the CBI or chambers of commerce in helping you to reach the

people who need to be reached? How do you do all that?

Matthew Davies: Shall I start with the first bit of your question and then move on to the quarterly business forum?

Baroness Shephard of Northwold: Yes. Fine.

Matthew Davies: This goes to some of the questions about who owns this and the department's role. If you will allow me, I will briefly describe the trade world, because it is informative.

When I am negotiating a trade deal, I have to cover chapters, including labour, the environment and transport, for example. Clearly, as a negotiator I have to take ownership of all those areas, but the policy ownership remains with the owning department. For labour it is partly with the Home Office and partly with other colleagues; for transport it is with the Department for Transport; for the environment and SPS it is with Defra. There is a sort of partnership working, and I do not think we would see that as abrogating our responsibility. Indeed, in trade, we think forced labour is very important and therefore work with those departments to try to deliver against those priorities, but the Home Office retains ownership.

The example of business engagement is similar. When it comes to understanding modern slavery provisions and providing information to businesses, ultimately, the statutory responsibility lies with the Home Office, but we, the Department for Business and Trade, can be a delivery arm for the Home Office in the sense that, as you would expect, we have good connections with a wide range of businesses. That is generally what we use to help the Home Office in its endeavours. We use our ability to engage with particular businesses and our convening power to draw together an opportunity to get information from businesses as to what they would find most useful and what they find difficult or hard to navigate.

That is what we do in general terms, and there are lots of opportunities across our activities to draw out specific information. Again, when I am leading a trade negotiation, I engage with a wide range of businesses to understand what they are most interested in, and elements of that will be relevant to the Home Office, so my team and I can feed that through to our Home Office counterparts and then reflect that in what we negotiate overall.

A specific thing we do is the quarterly business forum, which we find very useful. In answer to the question about how we select it, we have 15 businesses or organisations on there at the moment. They are a range of individual businesses that we judged might have quite broad or complex supply chains. As you know, every supply chain can be at risk of modern slavery, but some are more at risk than others, so we tried to pick a mixture of organisations that reflect that.

We also have some business representative organisations and we look to them to provide broader understanding, drawn from their membership, as to the kinds of issues they encounter, where they might find things useful and what is most challenging for them. That is what we use the forum for. As an example of the partnership working with the Home Office, we convene the forum and the people sitting behind me manage it, but Home Office colleagues join it, as do Foreign, Commonwealth and Development Office colleagues, so it is a joint way of gathering information.

Baroness Shephard of Northwold: Thank you for that. It seems to me that the department for business should have the most reason to engage with businesses, in case they are in breach of the law. That is a huge task, which is why I asked whether you sublet, as it were, some of the informing via the large or indeed small business organisations or via local government or elected mayors. There is a whole load of ways in which this can be done. Do you use any of those, or do you rely on your own department for business occasions and expect the Home Office and, I assume, Defra, to do some of the rest?

Matthew Davies: We do a mixture. More broadly, through our business engagement community, we send out materials that we draw up together and work on, and we encourage and expect the business representative organisations to share them with their members. In the case of this particular forum, we did a one-pager on the US Uyghur Forced Labor Prevention Act and encouraged sharing of that.

It goes back to the question of who, ultimately, owns the statutory responsibility and who holds the levers for delivering the information. We look to that channel as well. The Home Office has a statutory obligation to provide information to businesses, including SMEs, on guidance to meet the obligations of the Modern Slavery Act, but the quarterly forum told us that there are some areas where that could be improved, so we have been feeding that into the Home Office as well. We work in both ways.

Baroness Shephard of Northwold: Are you in a position to appraise the effectiveness of that approach? I recognise that the Home Office may be leading, but, after all, businesses are responsible for observing the law themselves. I quite see that it is a huge task, and you have lots of other things to do, but it seems to me that informing and raising awareness is one way of tackling the problems. Do you think you are given enough time in the department to get the message out as you would wish? You are allowed to say, "Not really".

Matthew Davies: Obviously, there are limits. We can only comment on what we are doing, rather than on the merits as such. I would put it in a different way. I see one of our jobs as being to hear from businesses about what is difficult, good, tricky, et cetera, and to try to use that to influence what is happening more widely. For example, we have agreed, as part of the quarterly business forum, to work in DfT, and with the

FCDO and the Home Office, on reviewing the structure of GOV.UK and the way that it provides information on these issues.

It is not our place to say what is working; it is more that we want to hear from businesses and then we will try to do the best we can to provide the information back to them in the best possible way.

Baroness Shephard of Northwold: Do you want to say something about SMEs? That is the only other tiny thing I would like to ask. Or have you covered it?

Matthew Davies: Yes, I have said all that I can say about that. The approach for other businesses would be also true for them.

Lord Kempself: Before we move off supply chains, has the department taken steps to analyse modern slavery in its own procurement supply chain?

Matthew Davies: We would give you the same answer that Home Office colleagues gave you, almost word for word. As you probably know, the government contract on that is held very centrally, so we would fall under the same—

Lord Kempself: It is the Cabinet Office.

Matthew Davies: Exactly.

Q175 **Lord Kempself:** I have one more question on supply chains, which is probably in the bailiwick of your department. Have you made any analysis or projection of the impact there might be on businesses in the UK of introducing all these various optional further duties on, for example, company directors or businesses more generally to investigate modern slavery within their supply chains?

Eoin Parker: The original Modern Slavery Act would certainly have come with an impact assessment that had looked at that. At such point as the Home Office comes forward with its views on the planned improvements, that too will have an impact assessment, on which we would work with the Home Office. We have not done a formal assessment of, for instance, copying what the EU has done with the CSDD directive because we currently have no plans to introduce an equivalent measure. The EU has done its own impact assessment, which we could send to the committee if you have not seen it, which has assessments of how much it would cost. Businesses would be our first guide as to what we think the relative impact would be. We have seen that the costs could be very sizeable, which is one reason why we wanted to see more evidence of the impact of those measures—to see whether they make a genuine difference to modern slavery and, frankly, whether companies are capable of complying with them.

Lord Kempself: Yes. Let us say that Ministers change their minds tomorrow and bring forward proposals to copy the EU regime. Obviously, one of the first things that you did would be to carry out an impact

assessment of whatever those measures might be on UK business.

Eoin Parker: Yes. If it became a live policy, that would be part of the policy-making process.

Q176 **Lord Randall of Uxbridge:** We have been talking about businesses, but obviously the financial sector has great potential around the world for influencing global business. Has your department had any conversations with the financial sector concerning modern slavery?

Matthew Davies: I am afraid we have not. Working with, regulating and creating structures for financial services is very clearly in the ambit of the Treasury, working with the Bank of England and the Financial Conduct Authority, so they would need to consider and engage with that.

Lord Randall of Uxbridge: What I cannot quite understand is this. If a business or the financial sector wanted assistance to understand the requirements or some clarification of how they could best agree with them, do you think that you, as a department, would have a role to play in that, given that obviously you have the interests of businesses at heart in many respects?

Matthew Davies: If it was a question of compliance with the provisions of the Modern Slavery Act, of course we would try to engage with them, whether it was a financial business or any other kind, and signpost them to the best possible information that we could. We also have a role, jointly with the Foreign, Commonwealth and Development Office, in trying to provide the best information we can, for any business, about operating overseas. The Government produce overseas business risk advice, which gives country-specific advice on some of the challenges, or not, of operating in particular territories. In providing that kind of information, yes, we would be trying to act as a partner to businesses and the Home Office, working with them. The Home Office leads on the particularities of the modern slavery compliance.

Apologies. I thought your question was about changing the regulatory structure for financial service industries to change the way they operate, which would definitely be something for the Treasury.

Lord Randall of Uxbridge: What I am getting at is that if I am a director of a company, I am a bit concerned that we are not complying, and I get in touch with your department, is there somebody there who will help me?

Matthew Davies: There would certainly be someone who would try to help you, through one of a number of routes, such as the export support service. If you got in touch with us and asked about a level of tax compliance, we would try to help by linking you to the right authority and information, and the competent people to aid you, because the Department for Business and Trade would not be the right people to provide tax advice; that would be HMRC.

Lord Randall of Uxbridge: But you are there to help businesses, in a

way. You want to encourage businesses to comply.

Matthew Davies: We are there to help businesses and to try to get them to the right information, but we would want to be careful not to overstep getting them to the right information and therefore saying, "We now own this". It is not the case that, because we are the Department for Business and Trade, we own everything to do with business. We are the interface point with business. In the same way, I suppose, the Foreign Office is the lead on international relations, yet I conduct trade negotiations for the UK, and HMRC conducts tax negotiations, et cetera. There has to be a splitting of responsibilities.

Lord Randall of Uxbridge: I see. Do you have any involvement in investor-led initiatives?

Matthew Davies: Again, I am afraid that that is not something we have. It would be for the Treasury and the Home Office.

Lord Randall of Uxbridge: By and large, on a scale, your department has less to do with modern slavery than a lot of the other departments that we are talking about. Is that a correct assessment? You feel that it is other departments doing it.

Matthew Davies: I understand how we are perhaps creating that impression. We certainly have less to do than the Home Office, yes, because the Home Office leads on this, but we do not necessarily have less than some other departments. I tried to describe how we have quite an active role in the trade space. We certainly think about understanding the impacts on businesses, so we see it as a priority and we see ourselves as active, but we want to make sure that we are in the right line of decision-making.

Lord Randall of Uxbridge: If I were to introduce a Private Member's Bill to make some of this reporting mandatory, which department would take it forward? Which would answer?

Eoin Parker: The Home Office, if you were looking, for instance, to introduce mandatory due diligence requirements. The way the responsibility is split in government at the moment, the Home Office would lead the legislation to do that. The Home Office would certainly work with us; we hold the Companies Act responsibilities and therefore have a level of expertise in company reporting, and how we use it and how it can be effective. We would work with the Home Office as it designed any measures that it was designing, and have a conversation about the way we are shaping it, but we would not own the legislation. We would be a partner in the creation—

Lord Randall of Uxbridge: But you would have an input.

Eoin Parker: We would have an input in the creation. We have worked with other departments doing similar things.

Lord Randall of Uxbridge: Thank you.

Q177 **Lord Watts:** If an investor wanted to invest in China, for example, and thought that the company he was going to invest in might include involvement in slave labour, would that be your responsibility? Would you monitor that investment? Would you advise him on that issue?

Matthew Davies: The question is what the role of government would be for that investor. To my understanding, it would not be our role to determine whether the investor should make that investment. The fact is that they should consider, in making that investment, whether they can be compliant with the obligations on them under UK law and broader moral obligations. In making that consideration, they would have to consider UK law, particularly, in this instance, the Modern Slavery Act, which is owned by the Home Office. It would be ultimately for the Home Office and the competent authorities to determine whether they have met the obligations, and they would want to determine an understanding of what the operating environment was in China, and how they might learn about that.

On the latter question, yes, we would give them as much information as we could; we would see that as part of our role, which is why the Department for Business and Trade and the Foreign, Commonwealth and Development Office together develop the overseas business risk advice, which is a single repository. Where we could, through our local contacts, we would provide them with more advice, but, ultimately, the investment decision would be for the company itself to make, with its own understanding of the UK legal footprint. That has to be how the law operates.

Lord Watts: The Home Office has the ability to monitor and take enforcement action against a British company that is failing to meet its modern slavery criteria, laid down in legislation. Is that right? Does the Home Office have the ability to do that?

Matthew Davies: Yes, that is my understanding of how the Act works. As I read it, a lot of your inquiry has been about the extent to which that is implemented, but that is the root of it.

Q178 **Lord Watson of Invergowrie:** Most people would agree that modern slavery is a complex and constantly evolving set of phenomena, so it requires a holistic, cross-departmental government strategy. In answer to a question from Baroness Shephard, you mentioned the FCDO, and we have talked a lot about the Home Office, but can you say a bit, generally, about the work that you do with other departments? For instance, care homes come under the Department of Health and Social Care, but they have employees. Fruit pickers come under the Department for Environment, Food and Rural Affairs, but they are employees as well. To what extent does that impact on you, and how do you go about working with other departments to try to have some sort of oversight of modern slavery?

Matthew Davies: Mike might want to say something about the labour market aspect, but, in the broader sense of how we work with other

departments, we would see our role a bit like how the Department for Health and Social Care articulated its role, as working with and supporting the Home Office in delivering or understanding how some of the provisions it has undertaken are to be taken forward. We are available to and work with the Home Office to provide insight from businesses as to what is difficult, or not, as I said.

We use our overseas trade levers to try to deliver certain things that we hope are part of the effort to combat modern slavery. That may be provisions in trade agreements; trying, as we did, to get a statement from G7 Trade Ministers on forced labour; or using our institutions within a broader range of agreements to continue dialogue with international partners. We work with the Home Office like that and see ourselves as one of the arms to help it to deliver. There will be other aspects that are spread across other parts of the department.

Mike Warren: If you are a worker in a care home, the aim of the labour market enforcement system, if you like, is to make sure that if you are experiencing a problem, you have somewhere or someone to turn to. As I said earlier, the Department for Business and Trade is responsible for the Employment Agency Standards Inspectorate, so if you are employed in a care home through an employment agency and you have concerns about that, you can go to the EAS, as it is called, and raise your concern there. If you are concerned that you are not being paid the living wage, you can go to HMRC, which has a national living wage enforcement team that we fund.

The question of who is on the ground offering support will depend significantly on the issue. It would not necessarily be the same players if you were a fruit picker as if you were a care worker. That is very much an operational matter, rather than a policy matter for Whitehall departments, but the big caveat is that, where you clearly have something that is evolving and creating new and higher levels of risk, as I think we are seeing in the care sector, the operational conversation naturally would tend to bring in the relevant policy departments.

Lord Watson of Invergowrie: But do you, as a department, take issues, whatever they are, to the Home Office, as I am sure it would mainly be, and say, "We need to work together on this"? You do not have to wait to be asked; there is open co-operation between you and other government departments on any aspect of modern slavery that any of the government departments thinks appropriate. Is that correct?

Mike Warren: Again, at an operational level, if my employment agency standards inspectors, while out looking at employment agencies, have suspicions that there is modern slavery somewhere in the background, or if the HMRC national minimum wage team have such suspicions, in the first instance, they will refer the issue either to the GLAA or the police. If it looks as though it is symptomatic of a wider, more systemic or policy issue, it will move up into the policy space, rather than the operational space.

Lord Watson of Invergowrie: We heard about the fact that legislation proposed in 2022 has not come to pass. There is no point going into the reasons for that at this stage, but the Home Office said in evidence to us that, in the absence of legislation, it has been engaged in updating the statutory guidance on Section 54 of the Act and making improvements to the modern slavery reporting statement registry. Has it involved you in those reviews?

Eoin Parker: It is in the process of planning work to update the statutory guidance, but I understand that we will be fully engaged in it. Matthew might want to talk about this, but the trade and forced labour business round table is one of the ways in which we will seek input.

Lord Watson of Invergowrie: Did you say that your department is fully engaged in it?

Eoin Parker: I said that we have been engaged in the sense of having had conversations—

Lord Watson of Invergowrie: You used the word “fully”, which is why I put it back to you.

Eoin Parker: Did I? Thank you. *Hansard* will tell me as well.

Lord Watson of Invergowrie: Do you want to come in on that, Matthew?

Matthew Davies: Yes. We run the quarterly forum and the Home Office joins it. As one of the agreed outcomes from there, we have agreed that we will use that group to feed into the statutory update of the guidance, which, as I said earlier, it is renewing.

Q179 **Lord Watson of Invergowrie:** I have one final question, which is about the fact that the transparency reporting requirements under Section 54 are handled by the Home Office. It has been suggested to us in evidence that it might be appropriate to move responsibility for the Modern Slavery Act statements to your department, away from the Home Office, because that would provide greater consistency. I say that because you have responsibility for reporting in a number of other areas of business, and there would perhaps be consistency in doing that, and, because you have that experience as a department, you might be able to introduce economies of scale that you could apply to modern slavery statements. How do you feel about the suggestion that that should be moved from the Home Office to your department?

Eoin Parker: I cannot speculate on the moving of policy responsibility across government departments. That is properly a question for Ministers about what they want to do. Ministers are very clear about where policy sits.

Lord Watson of Invergowrie: Yes, but you are very experienced; you would have a view on whether it was a good idea.

Eoin Parker: I do not think I can give you a view on whether it is a good idea per se. As I said in answer to a question from one of your colleagues, were the Home Office to develop new policy on mandatory due diligence, we would work closely with it, bringing that expertise together. We do not, as a department—certainly in my part of the department—have deep expertise in modern slavery, but we understand the Companies Act and company reporting and hence we would work together with the Home Office. That is the model; that is the way we have responsibility organised in government right now, and that is how we would work together with the Home Office. I do not want to speculate on whether we should take on responsibility, but that is how we would do it if it became something that Ministers decided they wanted to progress with.

Lord Watson of Invergowrie: Then you could do it.

Eoin Parker: We could work alongside the Home Office to provide it with our expertise.

The Chair: I am conscious that we are running over time. On your point about EAS and your inspectors on the ground, was there an early warning system from the inspectorate through the Department for Business and Trade and through to the Home Office that cases of extreme exploitation, at the very least, were occurring in that sector, associated with the increase in sponsors of visas?

Mike Warren: Both the EAS and the GLAA, and perhaps slightly less so the minimum wage team in HMRC, have been seeing the beginning of those trends in the care sector, but I am not sure that they had any earlier warning than the Department of Health—

The Chair: Was there no risk assessment when that scheme was put in place that it might open the way to extreme exploitation?

Mike Warren: I think that would be a question for the Home Office. I am not a—

The Chair: No, I mean for the inspectorate.

Mike Warren: I see. Not as far as I know. I would have to check. There is a continuous conversation between the operational bodies involved in the labour enforcement area that means that they have a very good sense of what is emerging at local level. Those conversations are fed up through things such as the DLME board into both the DBT and the Home Office policy world.

Baroness Hamwee: I just want to be sure that I heard this aright; I am not accusing you of anything. Did you say that you fund the national minimum wage team at HMRC?

Mike Warren: Yes. The Department for Business and Trade has policy responsibility for the national living wage, and funds HMRC to the tune of about £30 million, which I think pays for 400 or so inspectors who go out

and ensure that companies are paying the living wage to their employees.

Baroness Hamwee: You have policy and operational responsibilities, even though they are sitting in HMRC.

Mike Warren: HMRC is very clear on its operational independence. We have a service level agreement with HMRC, which is renewed annually. Essentially, we set HMRC a strategic question, to which it applies its operational experience and knowledge to answer annually.

The Chair: Thank you. That brings our proceedings to a conclusion. Thank you to our witnesses for taking part. We will follow up on the pieces of information that we discussed.