



House of Commons  
Business, Energy and Industrial  
Strategy Committee

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# Uyghur forced labour in Xinjiang and UK value chains

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**Fifth Report of Session 2019–21**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
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## Business, Energy and Industrial Strategy Committee

The Business, Energy and Industrial Strategy Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Business, Energy and Industrial Strategy.

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## Summary

There is mounting evidence that the Uyghur population and other ethnic minorities in Xinjiang Uyghur Autonomous Region (XUAR) have been the subject of systematic human rights violations, including forced labour, sanctioned by the Government of the People's Republic of China. There is also compelling evidence that many major companies in the fashion, retail, media and technology sectors with large footprints in the UK are complicit in the forced labour of Uyghurs in Xinjiang.

This report examines the extent to which the forced labour of Uyghurs and other ethnic minority groups in the Xinjiang is contributing to UK value chains. It also makes a series of recommendations to the Department for Business, Energy and Industrial Strategy (BEIS) for ensuring that UK businesses do not profit from human rights abuses.

We received evidence from several companies laying out the steps they have taken to deliver transparency in their supply chains and to ensure they are not profiting from human rights abuses in Xinjiang and other parts of the world. However, we remain deeply concerned that companies selling to millions of British customers cannot guarantee that their supply chains are free from forced labour, and that modern slavery legislation and BEIS Department policy are not fit for purpose in tackling this serious situation.

Given the Government's admission that the situation facing the Uyghur people in Xinjiang is harrowing and that international supply chains are likely to be complicit in the perpetuation of forced labour in the region, we are disappointed by the lack of meaningful action that has been taken in relation to these crimes.

This report lays out a series of recommendations to the BEIS Department designed to strengthen anti-modern slavery requirements for businesses and to develop new policies for compelling companies to ensure that forced labour play no part in their supply chains. We recommend that a Director-led Working Group be established by the Department to produce a policy framework for creating a whitelist and blacklist of companies which do and do not meet their obligations to uphold human rights throughout their supply chains.

We also recommend that the Government accelerates proposals to amend and strengthen the Modern Slavery Act 2015, to enhance the transparency and accessibility of modern slavery statements and to develop options for civil penalties in the event of non-compliance. Furthermore, the BEIS Department should commit to full transparency in terms of official development assistance channelled to China and, in collaboration with other departments, fully assess the options for introducing targeted sanctions against Chinese and international businesses implicated in human rights abuses and the exploitation of Uyghurs in Xinjiang.

# 1 Introduction

## The forced labour of Uyghurs in the Xinjiang region of China

1. Xinjiang, or the Xinjiang Uyghur Autonomous Region (XUAR), is China's largest administrative region and has been an Autonomous Region since 1955. The largest ethnic group in the region is the Turkic-speaking Uyghurs. There is mounting evidence from a variety of credible sources that the Uyghur population has been the subject of systematic human rights violations, including slave labour, sanctioned by the Government of the People's Republic of China.

2. Since 2017, international bodies such as the United Nations' Committee on the Elimination of Racial Discrimination and NGOs, including Amnesty International, the World Uyghur Congress and the Uyghur Human Rights Project, have chronicled ongoing restrictive and oppressive measures employed by the Chinese authorities against ethnic minorities in the Xinjiang region.<sup>1</sup> In August 2017, the World Uyghur Congress published evidence revealing that over one million Uyghurs had been rounded up by Chinese police forces and moved to large 're-education' camps in Xinjiang over a five month period,<sup>2</sup> and in September 2018, Amnesty International launched a campaign to raise awareness of the situation and to lobby the Chinese Government to stop targeting Uyghurs.<sup>3</sup>

**More than one million Uyghurs were rounded up by Chinese police forces and moved to 're-education' camps in Xinjiang in 2017 alone.**

3. In November 2019, BBC Panorama reported on leaked Chinese Communist Party documents from 2017 showing the planning behind these mass-detention camps, which involve the extrajudicial internment and indoctrination of ethnic minority peoples in Xinjiang. The documents also laid out the draconian monitoring and disciplinary procedures used in the camps.<sup>4</sup> In February 2020, Human Rights Watch reported evidence of what it described as "horrific abuses" in Xinjiang, which included mass arbitrary detention, torture, forced political indoctrination, and mass surveillance.<sup>5</sup> In February 2021, the BBC reported on 'systematic rape' in the camps.<sup>6</sup> The UK Government has acknowledged that "[t]here is compelling evidence of widespread and systematic human rights violations taking place in Xinjiang, including the extrajudicial detention of over a million Uyghurs since 2017".<sup>7</sup> In January 2021 Siobhain McDonagh MP published a letter from the Minister for Asia, Nigel Adams MP, in which he acknowledged the "extra-judicial detention of over a million Uyghur Muslims and other minorities in 'political re-education camps'" throughout the region.<sup>8</sup>

1 United Nations, '[Committee on the Elimination of Racial Discriminations reviews the report of China](#)', accessed 20 October 2020; Amnesty International, '[Up to one million detained in China's mass "re-education" drive](#)', accessed 20 October 2020

2 World Uyghur Congress, '[Internment Camps](#)', accessed 20 October 2020

3 Amnesty International, '[Tell China to stop targeting Uyghurs](#)', accessed 20 October 2020

4 BBC Media Centre, '[China Cables: Secret documents expose plan for detention and indoctrination of Uighurs](#)', accessed 20 October 2020

5 Human Rights Watch, '[More Evidence of China's Horrific Abuses in Xinjiang](#)', accessed 20 October 2020

6 BBC, '[Their goal is to destroy everyone': Uighur camp detainees allege systematic rape](#)', accessed 16 February 2021

7 Department of Business, Energy and Industrial Strategy on behalf of Her Majesty's Government ([FL0002](#)) para 20

8 Siobhain McDonagh, [Twitter](#), accessed 16 February 2021

4. The allegations about the human rights abuses being committed against Uyghur people in Xinjiang goes beyond the internment camps. In a report submitted to the UN Committee on Economic, Social and Cultural Rights in December 2020, the Uyghur Human Rights Project provided evidence to support a range of serious allegations regarding the Chinese Government's treatment of Uyghurs in Xinjiang.<sup>9</sup> The report includes satellite images that show the destruction of Uyghur cultural landmarks, and evidence that Uyghur women have been forcibly sterilised as part of a population control programme, with population growth in the Xinjiang region falling by over 84% in the two largest Uyghur prefectures between 2015 and 2018.<sup>10</sup>

**There is compelling evidence that Uyghur women have been forcibly sterilised as part of a population control programme, with population growth in the Xinjiang region fell by over 84% in the two largest Uyghur prefectures between 2015 and 2018.**

5. Furthermore, in September 2020, the Guardian reported that after “graduating” from the detention camps, Uyghurs are often moved to factories around China as a source of free labour.<sup>11</sup> In its policy brief *Uyghurs for sale: 'Re-education', forced labour and surveillance beyond Xinjiang*, published in February 2020, the Australian Strategic Policy Institute (ASPI) identified 27 factories in nine Chinese provinces using Uyghur labour transferred from Xinjiang.<sup>12</sup> It is estimated that at least 80,000 Uyghurs were transferred out of Xinjiang from 2017–19 under Xinjiang Aid, a state-sponsored programme that encourages local government and business organisations to find employment opportunities for newly ‘re-educated’ Uyghurs in order to ‘aid’ the region’s development and stability.<sup>13</sup> According to ASPI, there is a direct pipeline of Uyghurs being transported from the camps to factories across China under the Xinjiang Aid programme. ASPI also identified more than 82 foreign and Chinese companies directly or indirectly benefiting from the exploitation of Uyghur workers in Xinjiang. ASPI’s list names leading brands in the automotive, fashion, retail and information technology sectors, including Adidas, Amazon, Apple, Google, Jaguar, Land Rover, Nike, Samsung, Uniqlo, Victoria’s Secret and Zara.<sup>14</sup>

**At least 80,000 Uyghurs were transferred from Xinjiang to work in factories across China from 2017–19.**

**More than 82 foreign and Chinese companies directly or indirectly benefit from the exploitation of Uyghur workers in Xinjiang.**

6. In October 2019, the United States’ Department of Commerce added 28 Chinese governmental and commercial organisations implicated in human rights violations against Uyghurs and other ethnic minorities in Xinjiang to its Entity List, an economic blacklist which restricts the export of items subject to Export Administration Regulations

9 Uyghur Human Rights Project, [LOI Submission to the UN Committee on Economic, Social and Cultural Rights \(66th Pre-Sessional Working Group\)](#), December 2020

10 Uyghur Human Rights Project, [LOI Submission to the UN Committee on Economic, Social and Cultural Rights \(66th Pre-Sessional Working Group\)](#), December 2020, p 4–9

11 The Guardian, ‘[Clues to scale of Xinjiang labour operation emerge as China defends camps](#)’, accessed 20 October 2020

12 Vicky Xiuzhong Xu, Danielle Cave, Dr James Leibold, Kelsey Munro, Nathan Ruser, [Uyghurs for Sale](#), February 2020, p 4

13 Xu, Cave, Leibold, Munro, Ruser, [Uyghurs for Sale](#), February 2020, p 12

14 Xu, Cave, Leibold, Munro, Ruser, [Uyghurs for Sale](#), February 2020, p 3–5; since its publication, ASPI has updated the policy brief to note correspondences from several brands clarifying their links to Xinjiang

(EAR) to listed entities.<sup>15</sup> The 28 Chinese entities included the surveillance technology companies Hikvision, Dahua Technology, and SenseTime, all listed in the ASPI policy brief. This action followed the addition of the Chinese telecommunications giant Huawei to the Entity List in May 2019, a company which was also named by ASPI.<sup>16</sup>

## Our inquiry

7. Concerned by allegations that products sold in the UK can be traced back to forced labour camps in China, we announced a one-off oral evidence session and published a call for evidence on 18 September 2020. Our inquiry focused on two key issues: i) the risks faced by UK based businesses when engaging supply chains that originate in China and how to achieve transparency in those supply chains, and; ii) what the UK Government can do to ensure that businesses and consumers in the UK do not perpetuate the forced labour of Uyghur. See appendix 1 for the full terms of reference.

8. We wrote to 15 high-profile companies in the fashion, retail and information technology sectors on 16 October, inviting them to give both written and oral evidence to the inquiry.<sup>17</sup> We thank all of those who gave evidence to our inquiry, including Mr Paul Scully MP, Minister for Small Business, Consumers and Labour Markets. A full list of the letters sent to companies is attached at appendix 2.

9. The Foreign Affairs Committee (FAC) launched a related inquiry into Xinjiang detention camps on 18 September 2020, examining how the UK Government can prevent UK companies from benefitting from forced labour in Xinjiang, support members of the Uyghur diaspora community, and strengthen the UK Government's atrocity prevention mechanisms.<sup>18</sup> We welcome the FAC's broader inquiry into this urgent issue, and have sent joint letters with the Committee to other companies, including Primark and UNIQLO, in relation to their links to Xinjiang.<sup>19</sup>

10. We also welcome the FAC's letter to The Rt Hon Dominic Raab MP, the Foreign Secretary, asking the Government to take formal steps towards determining whether the Chinese Government's policies in Xinjiang constitute genocide.<sup>20</sup> Given the then US Secretary of State Mike Pompeo's determination on 19 January 2021 that the Chinese Government has committed genocide against Uyghurs and other minority groups in Xinjiang,<sup>21</sup> and the clear concern President Joseph R. Biden has on this issue,<sup>22</sup> we

15 US Government Federal Register, ['Addition of Certain Entities to the Entity List'](#), accessed 28 October 2020

16 US Government Federal Register, ['Addition of Certain Entities to the Entity List and Revision of Entries on the Entity List'](#), accessed 28 October 2020

17 Letters were sent to the following companies: [Adidas](#), [Amazon](#), [Boohoo](#), [The Walt Disney Company](#), [Gap](#), [H&M](#), [IKEA](#), [M&S](#), [Nike](#), [Puma](#), [Stella McCartney](#), [The North Face \(VF Corporation\)](#), [TikTok](#), [Victoria's Secret \(L Brands\)](#) and [Zara \(Inditex\)](#). All the companies responded to the invitation and submitted written evidence, and seven companies agreed to send representatives: H&M, IKEA, VF Corporation, Puma, Nike, Boohoo and TikTok

18 Foreign Affairs Committee, ['Xinjiang detention camps inquiry'](#), accessed 15 October 2020

19 Foreign Affairs Committee, ['Correspondence with Primark relating to Xinjiang, dated 10/11/2020 and 20/10/2020'](#) and ['Correspondence with UNIQLO relating to Xinjiang, dated 23/11/2020 and 9/11/2020'](#)

20 Foreign Affairs Committee, ['Letter to the Foreign Secretary on determining whether the treatment of Uyghurs in Xinjiang constitutes genocide, dated 24/11/2020'](#)

21 US Department of State, ['Determination of the Secretary of State on Atrocities in Xinjiang'](#), accessed 20 January 2021

22 The Whitehouse, ['Readout of President Joseph R. Biden, Jr. Call with President Xi Jinping of China'](#), accessed 16 February 2021

support the FAC's efforts to urge the UK Government to reassess its position in relation to this matter. We suggest that the upcoming G7 may present good opportunities to show progress on this issue.

11. Furthermore, given ongoing concerns around the environmental impact of the fashion industry and working conditions in UK garment factories, the Environmental Audit Committee (EAC) commenced a follow up inquiry to its 2018 inquiry, *Fixing fashion: clothing consumption and sustainability* in October 2020.<sup>23</sup> Following the evidence given to our Committee by Andrew Reaney, Group Director of Responsible Sourcing for Boohoo Group, the EAC heard evidence from Mahmud Kamani, the Executive Chairman of Boohoo Group on 16 December 2020.<sup>24</sup>

12. Since our evidence session on 5 November 2020, there have been several key developments which have underscored the urgency of our inquiry. In December 2020, the BBC published a report titled "China's 'tainted' cotton", which provides detailed evidence to suggest that the Chinese Government is forcing hundreds of thousands of Uyghurs and other minorities into hard, manual labour in the cotton fields of western Xinjiang.<sup>25</sup> The BBC approached 30 international brands about their links to Xinjiang, and only a few gave assurances that they have policies to ensure their products are not made using raw cotton from Xinjiang. Following the BBC's revelations, BuzzFeed News released its own evidence that China has built over 100 new facilities in Xinjiang where Uyghurs and other minority groups are detained and forced to work in factories.<sup>26</sup>

**The Board of Deputies noted in a letter to the Prime Minister the similarities between what is "alleged to be happening in the People's Republic of China today and what happened in Nazi Germany 75 years ago: people being forcibly loaded on to trains; beards of religious men being trimmed; women being sterilised; and the grim spectre of concentration camps".**

13. On 15 January 2021, the Board of Deputies of British Jews wrote to the Prime Minister to recommend the Government support moves to strengthen trade legislation to allow the UK High Court to make a preliminary legal determination of genocide. In this letter, its President explain that "as a community, we are always extremely hesitant to consider comparisons with the Holocaust", but noted the similarities between what is "alleged to be happening in the People's Republic of China today and what happened in Nazi Germany 75 years ago: people being forcibly loaded on to trains; beards of religious men being trimmed; women being sterilised; and the grim spectre of concentration camps".<sup>27</sup> The Holocaust Memorial Day Trust recognises that Uyghurs have faced years of persecution and cultural repression, and has called for action on this and other human rights abuses.<sup>28</sup>

23 Environmental Audit Committee, '[Fixing fashion: follow up inquiry](#)', accessed 14 November 2020

24 Environmental Audit Committee, '[Formal meeting \(oral evidence session\): Fixing fashion: follow up](#)', accessed 5 January 2021

25 BBC News, '[China's 'tainted' cotton](#)', accessed 5 January 2021

26 BuzzFeed News, '[The Factories in the Camps](#)', accessed 5 January 2021

27 Board of Deputies of British Jews, '[Board of Deputies President urges Prime Minister to support Uyghur amendment](#)', accessed 25 January 2021

28 Holocaust Memorial Day Trust, '[Today](#)', accessed 3 February 2021

14. In the face of mounting evidence of forced labour and wider human rights abuses being committed against Uyghur peoples and other minorities in Xinjiang, the Foreign Secretary gave a statement to the House of Commons on 12 January 2021. The Foreign Secretary stated that “the evidence of the scale and severity of the human rights violations being perpetrated in Xinjiang against the Uyghur Muslims is now far-reaching. It paints a truly harrowing picture”. He laid out a new set of Government actions designed to further tackle this issue.<sup>29</sup>

**“The evidence of the scale and severity of the human rights violations being perpetrated in Xinjiang against the Uyghur Muslims is now far-reaching. It paints a truly harrowing picture” - The Foreign Secretary, 12 January 2021**

15. These actions include the launching of an urgent review of export controls as they apply to Xinjiang, the introduction of financial penalties for organisations that do not meet their obligations under the Modern Slavery Act 2015, and the issuing of new guidance to UK businesses about the specific risks faced by companies with links to Xinjiang.<sup>30</sup> We were disappointed by the Government’s statement, as it introduced no significant new measures to prohibit UK businesses from profiting from the forced labour of Uyghurs in Xinjiang and other parts of China. We are also deeply concerned about reports that the Government procured personal protective equipment from factories in Xinjiang and other parts of China implicated in modern slavery during the early part of the Covid-19 pandemic.<sup>31</sup>

29 HC Deb, 12 January 2021, [col 160–162](#)

30 HC Deb, 12 January 2021, [col 160–162](#)

31 The Guardian, [‘UK sourced PPE from factories secretly using North Korean slave labour’](#), accessed 1 December 2020; The Times, [‘Fines for UK firms buying goods linked to Chinese slave labour camps’](#), accessed 14 January

## 2 The transparency of business and value chain connections to XUAR

16. The Australian Strategic Policy Institute's (ASPI) *Uyghurs for Sale* policy brief made serious allegations about business relationships between high-profile international fashion, media and technology brands and factories in China accused of using the forced labour of Uyghurs and other minority groups. Given these concerns, we wrote to a number of companies in order to challenge them to clarify their links to the region and explain how they can guarantee transparency in their supply chains.<sup>32</sup>

17. All of the companies confirmed that they do not directly source products from factories or suppliers based in Xinjiang. A number also noted that they do not have any business relationships with the region, but none could guarantee definitively that the raw cotton they source for their products does not partly originate from Xinjiang. The technology company Segura Systems Ltd. (which runs a platform that enables fashion retailers and brands to manage the procurement of the garments they produce) asserts that “[a]ny large retailer that says they are absolutely sure that there is no material from [XUAR] in their garments is being disingenuous at best”.<sup>33</sup>

### The fashion industry

18. Several of the companies, including H&M, Puma and IKEA, are members of the Better Cotton Initiative, which is a global not-for-profit organisation that runs the largest cotton sustainability programme in the world and provides licences to farmers who meet certain environmental and labour sustainability standards.<sup>34</sup> The Better Cotton Initiative suspended licencing in Xinjiang in March 2020 due to concerns over human rights abuses, and on 21 October 2020 it ceased all field-level activities in the region. In his evidence, Maajid Nawaz, Founder of Quilliam International summarised the situation: “If 84% of China’s cotton originates in that area, I would say as a default, just as the United States of America has done in a law that is yet to be ratified, that we in Britain must approach cotton coming from China by default as having a presumption that it is tainted by enslaved labour and genocide unless it can be proven otherwise.”<sup>35</sup>

**The Better Cotton Initiative suspended licensing in Xinjiang in March 2020 due to concerns over human rights abuses.**

19. Despite these important actions, several companies accepted that it is not currently possible to fully trace the cotton used in final products, which means cotton produced in Xinjiang could still be

**“We in Britain should approach cotton coming from China by default as having a presumption that it is tainted by enslaved labour and genocide unless it can be proven otherwise” - Maajid Nawaz, Founder of Quilliam International**

32 Xu, Cave, Leibold, Munro, Ruser, *Uyghurs for Sale*, February 2020

33 Segura Systems Ltd. (FL0006) para 4

34 According to the [Better Cotton Initiative website](#), as of 2019 BCI had more than 1,800 members spanning the cotton supply chain. This groups includes 168 retailers and brands, 1,585 suppliers and manufacturers, 30 producer organisations, 42 civil society members, and 17 associate members

35 Q2 [Mr Nawaz]

part of their supply chains. David Sävman, Head of Supply Chain for H&M, noted that increasing supply chain transparency is a priority for the sector, and said “there are a lot of things going on”. He explained:

The first is classical paper trailing. You can continue to trace back packing lists, invoices, et cetera, to make the mass balance more granular. We have pilots for interesting ways to make it more exact, a lot of which are based on blockchain techniques, to make sure you have an open source so you can see the mass balance of accredited cotton in a much better way. There is already work today on things such as isotope analysis and proper DNA sourcing, where you can see where different fibres are from. It is not valid in scale today, but it is an interesting thing to have as a support going forward.<sup>36</sup>

20. Sean Cady, Vice President, Global Sustainability and Responsibility at VF Corporation, also explained that they “have a traceability team that manages the traceability back to the origins of our raw materials. Through that traceability effort, we can gain assurances that all our business partners throughout our extended supply chain comply with our global code of conduct and uphold human rights through that supply chain”.<sup>37</sup> He further noted that “[e]very factory in our supply chain must undergo an audit by our internal audit staff prior to us engaging with them”.<sup>38</sup>

21. Jaycee Pribulsky, Vice President for Global Footwear Sourcing & Manufacturing at Nike, explained that the company’s approach is aligned with the UN guiding principles on business and human rights and the International Labour Organization conventions.<sup>39</sup> She added that “[w]e expect all suppliers across Nike’s supply chain to be in compliance with our code of conduct and we regularly audit facilities across our supply chain”, but also noted “that there are limitations to audits. Audits are a moment in time, and we drive and seek continuous improvement”.<sup>40</sup>

22. Andrew Reaney, Group Director of Responsible Sourcing, Boohoo Group, stated that the company is “relatively new to this journey”, adding that “we specifically report and are going to report on tier 1 and tier 2, which for us, effectively, is manufactured goods. Beyond that, the next stage of our journey will be to do what we have just been talking about here, which is effectively starting to map fabrics, trims and finishes”.<sup>41</sup> Following the evidence session on 5 November, it was reported that Boohoo had hired Sir Brian Leveson to chair an independent review of the company’s supply chain and ethics.<sup>42</sup> John Lyttle, the CEO of Boohoo, has confirmed the appointment of Sir Brian Leveson to provide independent oversight of their Agenda for Change programme. His first report was presented to the Boohoo Board on 12 January 2021.<sup>43</sup>

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36 Q918 [Mr Sävman]

37 Q952 [Mr Cady]

38 Q952 [Mr Cady]

39 Q957 [Ms Pribulsky]

40 Q959, 962 [Ms Pribulsky]

41 Q967 [Mr Reaney]

42 BBC News, ‘[Boohoo appoints former judge Sir Brian Leveson to probe company’s ethics](#)’, accessed 26 November 2020

43 Confirmed in a [letter sent to the Chair of the Committee](#) on 14 January 2021

23. Marks & Spencer (the second largest clothing retailer in the UK by market share), has also taken action on this issue since the launch of our inquiry. In January 2021, M&S became the first UK company to formally sign the “Brand Commitment to Exit the Uyghur Region” organised by the Coalition to End Uyghur Forced Labour.<sup>44</sup>

**M&S became the first UK company to formally sign the “Brand Commitment to Exit the Uyghur Region”.**

24. **Given that evidence of serious human rights abuses in Xinjiang has been widely reported over many years, we are appalled that companies still cannot guarantee that their supply chains are free from forced labour. We found that many companies asserted that they have robust procedures for prohibiting human rights abuses while failing to undertake the necessary and basic due diligence procedures to know for certain that their supply chains are not implicated in slave labour or the abuse of minorities in China.**

25. **It is clearly unacceptable that Boohoo was found to have only minimal data about the different tiers in their supply chain, resulting in labour abuses in the UK. Boohoo and other companies need to accurately audit their supply chains both in the UK and around the world. We welcome Boohoo’s decision to appoint Sir Brian Leveson to review the company’s supply chain transparency in response to our inquiry. We would encourage other companies to undertake independent inquiries into their due diligence policies.**

## Media and technology companies

### TikTok

26. In September 2020, the Digital, Culture, Media and Sport Sub-committee on Online Harms and Disinformation highlighted concerns relating to the business links of some media and technology companies (with UK operations) in Xinjiang. In an evidence session held on 22 September 2020, the Sub-committee raised concerns around TikTok’s algorithm and the alleged censorship of content critical of the Chinese Government on the video-sharing platform with Theo Bertram, Director, Government Relations and Public Policy EMEA, TikTok.<sup>45</sup> In its written evidence to us, TikTok (TikTok Information Technologies UK Ltd) stated that it does not operate in China, and that it does not censor content that is critical of China or content related to Uyghurs.<sup>46</sup>

27. TikTok UK is a subsidiary of a global parent company, ByteDance Ltd, which is incorporated in the Cayman Islands. There is a China-based subsidiary of the same global parent company, called ByteDance (HK) Ltd.<sup>47</sup> TikTok UK noted in its written evidence that “[n]one of the companies that operate TikTok (including TikTok UK) roll up to the Chinese subsidiary”, but also confirmed that “the subsidiary of ByteDance Ltd that operates in China complies with Chinese law”.<sup>48</sup>

44 M&S (FL0033) para 1–2

45 Oral evidence taken before the Digital, Culture, Media and Sport Sub-committee on Online Harms and Disinformation on [22 September 2020](#), HC (2019–21) 646, Q92 [Mr Nicholson]

46 TikTok (FL0022) para 9–11

47 TikTok (FL0022) para 13

48 TikTok (FL0022) para 12, 20

28. Article 7 of China’s National Intelligence Law (2017) states that “[a]ny organisation and citizen shall, in accordance with the law, support, provide assistance, and cooperate in national intelligence work, and guard the secrecy of any national intelligence work that they are aware of”.<sup>49</sup> While TikTok stated that its policy is “not to share any [...] data with the Chinese Government and, in fact, the Chinese Government has never asked for it”,<sup>50</sup> it is clear that the National Intelligence Law compels Chinese companies to deny to any other Governments that they are sharing data, and keep secret any intelligence work they undertake on behalf of the state.

**Article 7 of China’s National Intelligence Law (2017) states that “[a]ny organisation and citizen shall, in accordance with the law, support, provide assistance, and cooperate in national intelligence work, and guard the secrecy of any national intelligence work that they are aware of.”**

29. Elizabeth Kanter, TikTok’s Director, Government Relations and Public Policy UK, reassured the Committee that aid sent to Xinjiang by the Chinese subsidiary of ByteDance, TikTok’s parent company, was not being used to inflict further human rights abuses in the region. She noted that “it is going to the farmers in the region to promote their goods to users of the Douyin app [a video-sharing app owned by the Chinese subsidiary of ByteDance]”.<sup>51</sup> She later clarified that the Douyin team “provided aid in Makit County to support local farmers to promote their produce via Douyin”.<sup>52</sup>

30. Yuan Yang, Beijing Deputy Bureau Chief and Technology Correspondent, Financial Times, previously discussed the algorithm and the alleged censorship of content on the platform with the DCMS Sub-committee. She noted that “the way in which [TikTok’s] algorithm plus its human moderators [...] recommend content is largely opaque”, and that “[i]n the distant future, I think [...] Chinese Government influence on the recommendation algorithm is a possibility”.<sup>53</sup>

**31. We welcome TikTok’s offer to review its algorithm, and we will visit their offices to do so with an expert team as soon as is possible. Meanwhile, we remain deeply concerned about the flow of information between TikTok UK, its parent company ByteDance Ltd and other subsidiary companies (such as ByteDance (HK) Ltd), which are subject to China’s National Intelligence Law. We invite TikTok to publish independently verified governance and data flow arrangements to confirm full legal separation between TikTok UK and other ByteDance Ltd group companies.**

### **The Walt Disney Company**

32. In 2017, The Walt Disney Company partnered with Chinese production company - Beijing Shadow Times Culture Co. Ltd. - on the filming of the motion picture Mulan in Xinjiang. The Rt Hon Sir Iain Duncan Smith MP (Co-Chair of the Inter-Parliamentary Alliance on China) has previously raised concerns about Disney’s decision to film part

**Disney thanked the security bureau in Turpan and the publicity department of the CPC Xinjiang Uyghur Autonomy Region Committee in its final titles to the Mulan film.**

49 Brown University, ‘[National Intelligence Law of the People’s Republic](#)’, accessed 23 October 2020

50 TikTok ([FL0022](#)) para 21

51 Q17 [Ms Kanter]

52 TikTok ([FL0032](#)) para 4

53 Oral evidence taken before the Digital, Culture, Media and Sport Sub-committee on Online Harms and Disinformation on [22 September 2020](#), HC (2019–21) 646, Q151 [Ms Yang]

of Mulan in Xinjiang and allegedly working with the security services in the region.<sup>54</sup> Disney told us that the UK Government had not issued a risk advisory for businesses working in the region at that time.<sup>55</sup> We wrote to Disney on 16 October 2020 and asked what risk assessments the company completed to ensure that no human rights abuses were taking place during the production of Mulan in Xinjiang. Disney's response to our letter failed to address this urgent question, and our subsequent attempts to solicit a satisfactory response from Disney were rebuffed.<sup>56</sup>

**33. We are deeply disappointed that The Walt Disney Company declined our invitation to give oral evidence, and to engage meaningfully with our inquiry. The Walt Disney Company has a responsibility to demonstrate that none of their actions supported oppression or undermined human rights during the production of Mulan. The Walt Disney Company still has many questions to answer, particularly in relation to concerns about whether it completed adequate risk assessments and put in place sufficient safeguarding measures during the production of Mulan in Xinjiang, and why it refused to answer questions before our Committee. Correspondence continues between the Committee and The Walt Disney Company.**

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54 HC Deb, 8 September 2020, [col 545](#)

55 The Walt Disney Company ([FL0017](#)) para 22

56 The Walt Disney Company ([FL0017](#))

### 3 UK Government action- the next steps

34. In the previous chapter, we made a series of recommendations for businesses regarding their links to Xinjiang. We now focus on the steps the UK Government must take to guarantee that businesses and consumers in the UK do not perpetuate the forced labour of Uyghur peoples in Xinjiang and more widely.

35. Responsibility for the initiatives and legislation governing this area of policy are spread across several Government Departments: the Home Office is responsible for modern slavery legislation and enforcement, the Foreign, Commonwealth and Development Office (FCDO) leads on the UK's diplomatic efforts and sanctions regime, and the Department for International Trade (DIT) determines import and export policy. While close collaboration is required across Government to tackle these issues - our work has focused on BEIS Department (the Department) policy regarding businesses with UK operations that have supply chains and commercial interests in Xinjiang.

36. Our recommendations to the Department focus on two key areas: First, we identify the need for the Department to scope out a new policy framework that would oblige companies to prove they are not profiting from slave labour or face legal penalties. Second, we propose amendments to the Modern Slavery Act 2015 that will ensure that the legal requirements regarding transparency and supply chains are fit for purpose and call for further resources to be allocated to the Department to ensure effective monitoring and enforcement of supply chain transparency and other Modern Slavery Act 2015 obligations that exist for UK companies.

37. In its written submission to our inquiry, the Department affirmed that the UK Government is “committed to upholding human rights and ensuring that UK businesses act responsibly in tackling modern slavery”.<sup>57</sup> The Department's evidence also sets out the steps that the Government is taking in “backing these expectations with action”:

The Home Office is strengthening the Modern Slavery Act 2015 to toughen up transparency requirements of large businesses and extend the requirements to the public sector. In addition, the FCDO, BEIS and DIT provide a range of advice to businesses on human rights issues across their supply chains, including pressing them to undertake appropriate due diligence to satisfy themselves that their activities do not support, or risk being seen to support, any human rights violations or abuses.<sup>58</sup>

38. The Department provides various kinds of support and guidance to businesses relating to supply chains and the conduct of businesses domestically and internationally. These include:

- The UK's National Action Plan to implement the UN Global Principles on Business and Human Rights.
- Statutory guidance for how organisations should meet their obligations under the Modern Slavery Act.

<sup>57</sup> Department for Business, Energy and Industrial Strategy ([FL0002](#)) para 1

<sup>58</sup> Department for Business, Energy and Industrial Strategy ([FL0002](#)) para 2

- The promotion of the OECD Guidelines for Multinational Enterprises, which provide guidance for businesses of all sizes, with principles and standards on responsible business conduct, including on human rights concerns.
- Encouraging companies to monitor their supply chains with rigour to uncover and remedy any associations they may find with forced labour or other labour abuse.
- Regularly engaging with UK businesses to provide support and advice on doing business internationally. The Department for International Trade and the Foreign, Commonwealth and Development Office provide country specific advice through the Overseas Business Risk Guidance, including on forced labour risks.<sup>59</sup>

39. The Department also set out several actions that the Government has taken more broadly in response to reports of human rights abuses in Xinjiang, specifically in relation to UK value chains and forced labour in the region. These include:

- Drawing attention to the issue in the UN Human Rights Council (HRC) and UN Third Committee.
- Highlighting concerns about forced labour in the UK's national statements at the UN Human Rights Council.
- Financing projects to better understand and spread awareness of how international business is contributing to human rights abuses in Xinjiang (including the Australian Strategic Policy Institute's *Uyghurs For Sale* policy brief).
- Speaking out publicly when China does not meet its obligations under international law.<sup>60</sup>

40. Minister Scully summarised further BEIS specific activity. First, the Government is working with other countries at the UN on guidance regarding human rights and the effects on businesses. Secondly, they are working with companies regarding domestic enforcement and on further evidence-based action. They also are studying the US Government's Magnitsky sanctions and the EU's work on human rights declarations. Finally, they are striving to showcase good behaviour by learning from others and using their convening power to work with companies, share best practice and influence the behaviour of consumers.<sup>61</sup>

**41. We believe the Department must do more to meet its commitments to uphold human rights, particularly in relation to businesses with links to China. While transparency of supply chain legislation falls under the remit of the Home Office, business transactions are a BEIS responsibility. Despite mounting evidence, the Department has shown little sign that it is taking a proactive or meaningful lead on investigating UK business links to forced labour and other human rights abuses in China or elsewhere. The Department must take urgent action in order to eradicate the use of forced labour in UK value chains, as set out below.**

59 Department for Business, Energy and Industrial Strategy (FL0002) para 16–19

60 Department for Business, Energy and Industrial Strategy (FL0002) para 21–24

61 Q68 [Minister Scully]

## Company Directors Disqualification Act 1986

42. The first area to be considered in order to eradicate forced labour in UK business supply chains is to strengthen existing legislation. In evidence submitted to our inquiry by the anti-slavery organisation Arise, concerns were raised about the limitations of the Company Directors Disqualification Act 1986, which requires company directors to ensure their organisations abide with all relevant laws and regulations. The Company Directors Disqualification Act 1986 does not currently extend to instances where companies fail to meet their anti-slavery reporting obligations, but Arise recommended that this legislation should be amended to include this requirement.<sup>62</sup> In evidence to us, the Minister agreed to reflect on whether a disqualification of businesses element or clause, which would disqualify businesses and Directors from setting up further companies if they are seen to be exploiting slave labour, could be added to the Company Directors Disqualification Act 1986.<sup>63</sup> He added that the Department is “committed to introducing a more effective corporate governance and reporting structure”.<sup>64</sup>

***43. We recommend that the Department reviews the Company Directors Disqualification Act (1986) to determine whether breaches of the Modern Slavery Act 2015 obligations on companies and directors should be the basis for future disqualification for company registration or director duties.***

## A new BEIS policy framework?

44. The BEIS Department’s risk advice to businesses regarding Xinjiang is outdated and regulation around supply chain due diligence (and penalties for non-compliance) are not sufficiently robust. As previously noted, the US Government’s determined on 19 January 2021 that the Chinese Government’s actions against the Uyghur constitute genocide. The Department must now take urgent steps to support companies in clarifying their supply chain links to the region.

***45. The Government cannot stand idly by while some companies keep operating with wilful blindness. We recommend the creation of a Director-led working group within the Department to tackle the ongoing lack of transparency in supply chains specifically linked to the use of forced labour of, but not limited to, Uyghurs in Xinjiang. The working group should coordinate action across Government in relation to the enforcement and strengthening of business compliance with relevant legislation, UN diplomacy, Magnitsky sanctions and human rights declarations.***

***46. In addition, we call on the Government to report to the Committee on the feasibility and legal basis of further measures in respect of supply chains linked to Xinjiang, including i) a whitelist of companies that have taken significant and clearly evidenced actions regarding their supply chain links to Xinjiang, and ii) a blacklist of firms that have failed to provide evidence that they do not have supply chain links to Xinjiang or refuse to answer questions about possible links. These lists should also include companies that secure contracts from the UK Government, and an updated version should be published every six months. Companies that are operating in Xinjiang must prove that they are not in breach of the Modern Slavery Act 2015.***

62 Arise (FL0004) para 16

63 Q82 [Ms Ghani]

64 Q82 [Minister Scully]

## The Modern Slavery Act 2015

47. Under the Modern Slavery Act 2015, companies with a turnover of more than £36 million must publish an annual statement on transparency in their supply chains. This can include information about modern slavery policies and due diligence processes. However, this only applies to modern slavery, which includes slavery, forced labour and human trafficking, but not to other forms of exploitation like underpayment.<sup>65</sup> A Government-commissioned independent review found that publication of these statements is not monitored and there are no penalties for not doing so.<sup>66</sup>

48. In the 2018/19 Labour Market Enforcement Strategy, Sir David Metcalf, the then Director of Labour Market Enforcement (DLME), noted that there are serious gaps in labour market enforcement, and suggested several interventions to improve compliance in supply chains.<sup>67</sup> The DLME recommended a more cooperative approach involving joint responsibility between suppliers and brands.<sup>68</sup> The DLME also proposed a ‘hot goods’ model, where products can be temporarily embargoed if workers’ rights were violated in their production.<sup>69</sup>

49. The Government is considering the DLME’s proposals, particularly in relation introducing joint responsibility and ‘hot goods’ rules.<sup>70</sup> The Government has sought views on these issues in its consultation on establishing a single labour market enforcement body to improve enforcement and create a level-playing field for businesses,<sup>71</sup> and “will respond in due course”.<sup>72</sup>

50. The Transparency in Supply Chains legislation which forms part of the Modern Slavery Act “established the UK as the first country in the world to require businesses to report annually on their work to prevent and address risks of modern slavery in their operations and global supply chains”.<sup>73</sup> However, the Department also admits that the Act does not currently require companies to guarantee their supply chains to be free from slavery or forced labour, arguing that “no business operating in any sector can consider themselves immune from the risks of modern slavery and the prevalence of this abhorrent practice”.<sup>74</sup>

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65 House of Commons Library, ‘[Worker exploitation in UK clothing supply chains](#)’, accessed 15 October 2020

66 [Independent Review of the Modern Slavery Act 2015: Final Report](#) (May 2019) p 67

67 Director of Labour Market Enforcement, [United Kingdom Labour Market Enforcement Strategy 2018/19](#) (May 2018) p 10

68 Director of Labour Market Enforcement, [United Kingdom Labour Market Enforcement Strategy 2018/19](#) (May 2018) p 15

69 House of Commons Library, ‘[Worker exploitation in UK clothing supply chains](#)’, accessed 15 October 2020

70 Department for Business, Energy and Industrial Strategy (FL0002) para 15

71 Currently, there are three enforcement bodies that sit under the DLME’s remit: HM Revenue & Customs (HMRC), which enforces the national living/minimum wage; the Gangmasters and Labour Abuse Authority (GLAA), which licenses gangmasters in horticulture and food processing; the Employment Agency Standards Inspectorate (EAS), which monitors employment agencies. The Government’s consultation proposed that if the single enforcement body were created, it would have responsibility for the areas covered by these bodies as a minimum. [Good Work Plan: establishing a new Single Enforcement Body for employment rights](#) (July 2019) p 16

72 Department for Business, Energy and Industrial Strategy (FL0002) para 15

73 Department for Business, Energy and Industrial Strategy (FL0002) para 3

74 Department for Business, Energy and Industrial Strategy (FL0002) para 4

51. The Department has identified further plans to strengthen the Modern Slavery Act, including plans to extend the reporting requirement to public bodies, to enhance the transparency and accessibility of modern slavery statements and to develop options for civil penalties for non-compliance.<sup>75</sup>

52. On 12 January 2021, the Foreign Secretary made a statement regarding business measures over Xinjiang human rights abuses, which included a recommitment to strengthening modern slavery legislation. The statement announced the publication of new guidance for businesses on Xinjiang, the launching of a review into export controls as they pertain to the region, and the introduction of financial penalties for organisations who fail to meet their statutory obligations to publish annual modern slavery statements.<sup>76</sup> While these measures aim to compel businesses to take the necessary steps to ensure transparency in their supply chains, they fall significantly short of requiring companies to guarantee that they are not complicit in modern slavery or other human rights abuses.

53. The Foreign Secretary also stated that UK public bodies with a budget of £36 million or more will be required to publish their own annual modern slavery statements from 2021. While we support this measure, it was announced by the Home Office several months earlier in September 2020.<sup>77</sup> The Foreign Secretary's statement therefore did little to advance the Government's position in terms of the fight against modern slavery and forced labour in Xinjiang.

54. In terms of more concrete actions the Government could take, the Arise Foundation drew a useful comparison with France's Corporate Duty of Vigilance Law, which goes further than the UK's Modern Slavery Act by requiring French companies to take steps to identify and prevent exploitation in their supply chain.<sup>78</sup> Arise noted that French businesses are required to publish a vigilance plan that "must be both 'adequate' and 'effectively implemented'".<sup>79</sup> Arise further stated that the Corporate Duty of Vigilance Law "also includes enforcement mechanisms, including providing for any interested party to petition a judge to ask for a compliance order to be issued", but it "stops short of placing the burden of proving compliance upon the company in question".<sup>80</sup> When challenged on what more the Government could do to ensure that the UK is in line with France at the very least, Minister Scully restated the Government's commitment to strengthening the Modern Slavery Act and future-proof transparency legislation but did not lay out a timetable for this.<sup>81</sup> We are worried that Ministers are not exploring all possible avenues for action despite the urgency of the situation in Xinjiang.

55. We are concerned by the Government's slowness to take the necessary actions on this urgent issue, especially as its own guidance on overseas business risk relating to China notes that it is difficult for UK businesses to conduct effective auditing procedures in China. The Government acknowledges that "[b]usinesses should be aware that conducting due diligence in Xinjiang is challenging due to limits on access, including for auditors".<sup>82</sup>

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75 Department for Business, Energy and Industrial Strategy (FL0002) para 6

76 HC Deb, 12 January 2021, [col 160–162](#)

77 Home Office, '[News story: New tough measures to tackle modern slavery in supply chains](#)', accessed 20 January 2021

78 Q81 [Ms Ghani]

79 Arise (FL0004) para 15

80 Arise (FL0004) para 15

81 Q81 [Ms Ghani, Minister Scully]

82 UK Government, '[Guidance: Overseas Business Risk - China](#)', accessed 12 January 2021

56. As Bloomberg noted in a 2014 article, there is a conflict between auditing processes underlying the financial statements of China-based companies listed overseas and China's State Secrecy Laws, which prohibit the sharing of 'State Secrets' that could "harm state security and national interests in the fields of political affairs, economy, national defence and diplomacy".<sup>83</sup> This represents a significant impediment to the Government's aim to future-proof transparency legislation, especially given that China does not allow minimum standards of transparency.

57. **The Transparency in Supply Chains legislation in the Modern Slavery Act was important when it was first introduced, but it has not kept pace with changes in business supply chains. The Modern Slavery Act is out of date, has no teeth, and we do not accept that businesses should be excused from doing basic due diligence to guarantee that their supply chains are fully transparent and free from forced labour and slavery.**

58. **The Department's commitment to working with other ministries to strengthen the Modern Slavery Act and Transparency in Supply Chain legislation is welcome. However, there is little evidence that BEIS-specific issues around corporate governance and audit regulations are being given sufficient prominence in these cross-departmental discussions in Government.**

59. **We are disappointed by the Government's refusal to commit to a clear timetable for making changes to the Modern Slavery Act. We recommend that the Government strengthen the supply chain transparency obligations for companies and introduce tough fines for non-compliance in line with other price/ earnings to growth responsibilities for companies.**

60. **We further recommend that the Government a) accelerate its plans to extend the reporting requirement to public bodies, b) enhance the transparency and accessibility of modern slavery statements, and c) develop options for civil penalties for non-compliance. We ask the Government to bring forward concrete plans for the implementation of these proposals as a matter of priority. These proposals should include a commitment to creating a publicly accessible digital depository on the Government's website containing annual modern slavery statements.**

## Magnitsky sanctions and international cooperation

61. Campaigners have long called for the Government to use the international sanctions regime (sometimes referred to as Magnitsky-style sanctions), to target entities in China implicated in the exploitation of Uyghurs in Xinjiang. However, as noted by William Browder, Head of the Global Magnitsky Justice Campaign, the Rights Lab, University of Nottingham, and Anti-Slavery International and CORE Coalition among others, the Government has thus far resisted calls to expand its sanctions regime to include Chinese entities accused of facilitating crimes against the

**The UK has yet to sanction a Chinese official accused of facilitating crimes against the Uyghur.**

83 Bloomberg, '[The Impact of Chinese State Secrecy Laws on Foreign-Listed Companies](#)', accessed 4 December 2020

Uyghur.<sup>84</sup> It is hard to understand why the FCDO has not yet used Magnitsky-style sanctions against Chinese officials officiating in Xinjiang, and an explanation for this would be welcome.

62. Sergei Magnitsky was a Russian lawyer who uncovered large-scale tax fraud. While working for Hermitage Capital, a firm based in London and run by the financier William Browder, he discovered that millions of dollars of Hermitage tax payments had been siphoned off into the pockets of Russian officials.<sup>85</sup> A Magnitsky Act naming the Russians involved was passed by the US Congress in 2012. It was later broadened to become the Global Magnitsky Act of 2016, applying to gross human rights abusers anywhere. Other countries, including Canada, Lithuania and Estonia have introduced their own versions of the legislation.<sup>86</sup>

63. The UK Government announced the first new sanctions using the Sanctions and Anti-Money Laundering Act 2018 in July 2020. They imposed asset freezes and travel bans on Saudi citizens alleged to have been involved in the murder of Jamal Khashoggi, the Saudi journalist murdered in the Saudi Embassy in Istanbul. Also targeted were Russian officials alleged to have been involved in the mistreatment of Sergei Magnitsky in a Moscow jail.<sup>87</sup>

64. In his written evidence, William Browder, Head of the Global Magnitsky Justice Campaign and CEO of Hermitage Capital Management, notes:

While it may be financially and politically impossible to implement broad sanctions against China, it wouldn't be impossible to impose Magnitsky Sanctions in relations to the perpetrators of human rights abuses against the Uyghurs. [...] There appears to be ample evidence regarding who bears responsibility for the network of concentration camps and who is implementing the policy of repression. There is also a precedent with Magnitsky Sanctions already being applied by the United States.<sup>88</sup>

### ***Strengthening the UK's sanctions regime***

65. The Coalition to End Forced Labour in the Uyghur Region emphasised that the time has come for the UK to expand its new Magnitsky sanctions regime to include Chinese and UK businesses and individuals who are profiting from the forced labour of Uyghurs in Xinjiang.<sup>89</sup> Minister Scully noted that the FCDO, which leads on the UK's sanctions regime, is studying the US Government's sanctions of Chinese entities and the Government is keeping all the evidence and any listings under close review.<sup>90</sup> We note that the FCDO has not provided any evidence to show they have asked the US Government how they collated the evidence to employ their own sanctions. As noted in the introduction, the US Commerce Department has already blacklisted around 30 Chinese companies and individuals implicated in human rights abuses in Xinjiang, including companies such as Huawei and Hikvision.

84 William Browder (FL0001) para 9 - 10; the Rights Lab, University of Nottingham (FL0003) para 3, 13 - 14; Anti-Slavery International and CORE Coalition (FL0021) para 11, 21

85 House of Commons Briefing, 'Magnitsky legislation', accessed 17 October 2020

86 House of Commons Briefing, 'Magnitsky legislation', accessed 17 October 2020

87 House of Commons Briefing, 'Magnitsky legislation', accessed 17 October 2020

88 William Browder, Head of the Global Magnitsky Justice Campaign (FL0001) para 9-10

89 The Coalition to End Forced Labour in the Uyghur Region (FL0014) para 13

90 Q72 [Minister Scully]

66. Minister Scully further asserted that introducing sanctions against Chinese entities could pose challenges to UK businesses if these were met with retaliatory economic measures, but he added that the Government “will not resile from our obligations on human rights, that extends to supporting businesses in the UK for ongoing situations post-sanctions”.<sup>91</sup>

**67. We are disappointed that Magnitsky sanctions have not yet been imposed on Chinese officials implicated in human rights abuses in Xinjiang. Given that the US Government has imposed such targeted sanctions, we do not accept the argument that the UK Government has insufficient evidence to impose new sanctions. We are also disappointed that the BEIS Department has failed to take a lead on determining the efficacy of sanctions against perpetrators of human rights abuses in Xinjiang.**

*68. We recommend that the Department, in collaboration with the FCDO and DIT, fully assess the options for introducing targeted sanctions against Chinese and international businesses implicated in human rights abuses and the exploitation of Uyghurs in Xinjiang.*

## BEIS Official Development Assistance spending in China

69. Finally, Arise raised concerns in their evidence about the BEIS Official Development Assistance (ODA) directed by the BEIS Department to projects in China, and whether ODA funding is being channelled to the Xinjiang region. Arise noted that “it is unclear what, if any, due diligence is performed on the companies which participate in these programmes”, and recommended that the Department should conduct a review of its ODA projects in China.<sup>92</sup>

70. The Department’s Allocation of Official Development Assistance (ODA) 2016 - 2021 notes that ODA funding is directed to China via the Newton Fund.<sup>93</sup> The Newton Fund promotes the economic development and social welfare of 17 partner countries on the OECD Development Assistance Committee (DAC) list of ODA recipients, including China.<sup>94</sup> It does so through strengthening partner country science and innovation capacity to address their development priorities.

71. The Newton Fund has a total budgeted UK investment of £735 million. For the spending review period of 2016 to 2021, the UK budget committed is £585 million, with partner countries providing matched resources.<sup>95</sup>

72. The Minister confirmed that “none of BEIS’s ODA funding is going into the Xinjiang region, either through funding projects based in the region, or through research partners based there”.<sup>96</sup> He added, however, that “BEIS cannot specify who researchers can contract

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91 Q75 [Minister Scully]

92 Arise Foundation ([FL0004](#)) para 17–19

93 Department for Business, Energy and Industrial Strategy, ‘[Allocation of Official Development Assistance \(ODA\) 2016 - 2021](#)’, accessed 26 October 2020

94 Department for Business, Energy and Industrial Strategy, ‘[Newton Fund: building science and innovation capacity in partner countries](#)’, accessed 26 October 2020

95 Department for Business, Energy and Industrial Strategy, ‘[BEIS official development assistance \(ODA\): what we are doing](#)’, accessed 26 October 2020

96 Paul Scully MP ([FL0031](#)) para 3

with for materials or services, as is standard practice for grant management. However, these suppliers must be compliant with wider fund policy on matters such as safeguarding and anti-slavery compliance”.<sup>97</sup>

**73. We were disappointed that the information provided by the Minister about the deployment of BEIS Department ODA funding in China only gave a high-level overview of the various research and training programmes taking place in China under the umbrella of BEIS ODA. This is important because it does not guarantee effective oversight of the use of BEIS funding in China.**

***74. We recommend that the Department commit to full transparency in terms of its ODA funding being used in China to ensure that no Government funds are being used to underpin human rights abuses. The use of taxpayer funds needs to be addressed. The Department should conduct an urgent review of its direct expenditure, including those via other UK Government departments - in particular the DIT and FCDO - or public bodies in China, to ensure it is compliant with the principles expressed in this report.***

***75. The Department should also publish a comprehensive supply chain review of Newton Fund-supported projects in China and provide the Committee with a full list of the organisations it works with in administering the Newton Fund and the sums of money involved.***

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<sup>97</sup> Paul Scully MP ([FL0031](#)) para 3; Attached to the Minister’s letter were three annexes which provide a line-by-line breakdown of the active projects receiving BEIS ODA funding taking place in China. The annexes cover all the Department’s ODA funds, which include the Newton Fund, the Global Challenges Research Fund (GCRF) and International Climate Finance (ICF)

## Conclusions and recommendations

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### The transparency of business and value chain connections to XUAR

1. Given that evidence of serious human rights abuses in Xinjiang has been widely reported over many years, we are appalled that companies still cannot guarantee that their supply chains are free from forced labour. We found that many companies asserted that they have robust procedures for prohibiting human rights abuses while failing to undertake the necessary and basic due diligence procedures to know for certain that their supply chains are not implicated in slave labour or the abuse of minorities in China (Paragraph 24)
2. It is clearly unacceptable that Boohoo was found to have only minimal data about the different tiers in their supply chain, resulting in labour abuses in the UK. Boohoo and other companies need to accurately audit their supply chains both in the UK and around the world. We welcome Boohoo's decision to appoint Sir Brian Leveson to review the company's supply chain transparency in response to our inquiry. *We would encourage other companies to undertake independent inquiries into their due diligence policies.* (Paragraph 25)
3. We welcome TikTok's offer to review its algorithm, and we will visit their offices to do so with an expert team as soon as is possible. Meanwhile, we remain deeply concerned about the flow of information between TikTok UK, its parent company ByteDance Ltd and other subsidiary companies (such as ByteDance (HK) Ltd), which are subject to China's National Intelligence Law. *We invite TikTok to publish independently verified governance and data flow arrangements to confirm full legal separation between TikTok UK and other ByteDance Ltd group companies.* (Paragraph 31)
4. We are deeply disappointed that The Walt Disney Company declined our invitation to give oral evidence, and to engage meaningfully with our inquiry. The Walt Disney Company has a responsibility to demonstrate that none of their actions supported oppression or undermined human rights during the production of *Mulan*. The Walt Disney Company still has many questions to answer, particularly in relation to concerns about whether it completed adequate risk assessments and put in place sufficient safeguarding measures during the production of *Mulan* in Xinjiang, and why it refused to answer questions before our Committee. Correspondence continues between the Committee and The Walt Disney Company. (Paragraph 33)

### UK Government action- the next steps

5. We believe the Department must do more to meet its commitments to uphold human rights, particularly in relation to businesses with links to China. While transparency of supply chain legislation falls under the remit of the Home Office, business transactions are a BEIS responsibility. Despite mounting evidence, the Department has shown little sign that it is taking a proactive or meaningful lead on investigating UK business links to forced labour and other human rights abuses in China or elsewhere. The Department must take urgent action in order to eradicate the use of forced labour in UK value chains, as set out below. (Paragraph 41)

## Company Directors Disqualification Act 1986

6. *We recommend that the Department reviews the Company Directors Disqualification Act (1986) to determine whether breaches of the Modern Slavery Act 2015 obligations on companies and directors should be the basis for future disqualification for company registration or director duties. (Paragraph 43)*

## A new BEIS policy framework?

7. *The Government cannot stand idly by while some companies keep operating with wilful blindness. We recommend the creation of a Director-led working group within the Department to tackle the ongoing lack of transparency in supply chains specifically linked to the use of forced labour of, but not limited to, Uyghurs in Xinjiang. The working group should coordinate action across Government in relation to the enforcement and strengthening of business compliance with relevant legislation, UN diplomacy, Magnitsky sanctions and human rights declarations. (Paragraph 45)*
8. *In addition, we call on the Government to report to the Committee on the feasibility and legal basis of further measures in respect of supply chains linked to Xinjiang, including i) a whitelist of companies that have taken significant and clearly evidenced actions regarding their supply chain links to Xinjiang, and ii) a blacklist of firms that have failed to provide evidence that they do not have supply chain links to Xinjiang or refuse to answer questions about possible links. These lists should also include companies that secure contracts from the UK Government, and an updated version should be published every six months. Companies that are operating in Xinjiang must prove that they are not in breach of the Modern Slavery Act 2015. (Paragraph 46)*
9. *The Transparency in Supply Chains legislation in the Modern Slavery Act was important when it was first introduced, but it has not kept pace with changes in business supply chains. The Modern Slavery Act is out of date, has no teeth, and we do not accept that businesses should be excused from doing basic due diligence to guarantee that their supply chains are fully transparent and free from forced labour and slavery. (Paragraph 57)*
10. *The Department's commitment to working with other ministries to strengthen the Modern Slavery Act and Transparency in Supply Chain legislation is welcome. However, there is little evidence that BEIS-specific issues around corporate governance and audit regulations are being given sufficient prominence in these cross-departmental discussions in Government. (Paragraph 58)*
11. *We are disappointed by the Government's refusal to commit to a clear timetable for making changes to the Modern Slavery Act. We recommend that the Government strengthen the supply chain transparency obligations for companies and introduce tough fines for non-compliance in line with other price/ earnings to growth responsibilities for companies. (Paragraph 59)*
12. *We further recommend that the Government a) accelerate its plans to extend the reporting requirement to public bodies, b) enhance the transparency and accessibility of modern slavery statements, and c) develop options for civil penalties for non-compliance. We ask the Government to bring forward concrete plans for the*

*implementation of these proposals as a matter of priority. These proposals should include a commitment to creating a publicly accessible digital depository on the Government's website containing annual modern slavery statements. (Paragraph 60)*

### Magnitsky sanctions and international cooperation

13. We are disappointed that Magnitsky sanctions have not yet been imposed on Chinese officials implicated in human rights abuses in Xinjiang. Given that the US Government has imposed such targeted sanctions, we do not accept the argument that the UK Government has insufficient evidence to impose new sanctions. We are also disappointed that the BEIS Department has failed to take a lead on determining the efficacy of sanctions against perpetrators of human rights abuses in Xinjiang. (Paragraph 67)
14. *We recommend that the Department, in collaboration with the FCDO and DIT, fully assess the options for introducing targeted sanctions against Chinese and international businesses implicated in human rights abuses and the exploitation of Uyghurs in Xinjiang. (Paragraph 68)*

### BEIS Official Development Assistance spending in China

15. We were disappointed that the information provided by the Minister about the deployment of BEIS Department ODA funding in China only gave a high-level overview of the various research and training programmes taking place in China under the umbrella of BEIS ODA. This is important because it does not guarantee effective oversight of the use of BEIS funding in China. (Paragraph 73)
16. *We recommend that the Department commit to full transparency in terms of its ODA funding being used in China to ensure that no Government funds are being used to underpin human rights abuses. The use of taxpayer funds needs to be addressed. The Department should conduct an urgent review of its direct expenditure, including those via other UK Government departments - in particular the DIT and FCDO - or public bodies in China, to ensure it is compliant with the principles expressed in this report. (Paragraph 74)*
17. *The Department should also publish a comprehensive supply chain review of Newton Fund-supported projects in China and provide the Committee with a full list of the organisations it works with in administering the Newton Fund and the sums of money involved. (Paragraph 75)*

## Appendix 1: Terms of Reference

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The BEIS Committee welcomes evidence submissions which consider the following key issues:

- The connection between the treatment of minorities in XUAR and company value chains supplying the UK apparel industry;
- The extent to which UK value chains either in the form of public procurement and services, or the private sector, are intentionally, knowingly or negligently supporting forced labour and human rights abuses;
- The mechanisms in place, including company audit and monitoring, to ensure goods, materials and services are not imported to the UK which are the product of forced labour;
- The effectiveness of the audit system and its ability to identify the presence of businesses within value chains which make use of forced labour;
- The Government's position regarding the risks of sourcing from XUAR and contracting with the companies with strong links to the region;
- The advice provided to British businesses by Government to help assess risk, ensure compliance, and avoid engaging value chains which rely on forced labour;
- The Government's response to evidence which suggests that businesses operating in the UK have engaged value chains which make use of forced labour in XUAR;
- The extent to which Chinese companies operating in the UK are engaged in XUAR and complicit in the human rights abuses within the region.

## Appendix 2: Letters to companies

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- Letter from the Chair and Nusrat Ghani MP to [Adidas](#)
- Letter from the Chair and Nusrat Ghani MP to [Amazon](#)
- Letter from the Chair and Nusrat Ghani MP to [Boohoo Group](#)
- Letter from the Chair and Nusrat Ghani MP to [Gap \(Gap Inc.\)](#)
- Letter from the Chair and Nusrat Ghani MP to [H&M Group](#)
- Letter from the Chair and Nusrat Ghani MP to [Hikvision](#)
- Letter from the Chair and Nusrat Ghani MP to [IKEA](#)
- Letter from the Chair and Nusrat Ghani MP to [Marks and Spencer](#)
- Letter from the Chair and Nusrat Ghani MP to [Nike](#)
- Letter from the Chair and Nusrat Ghani MP to [Puma](#)
- Letter from the Chair and Nusrat Ghani MP to [Stella McCartney](#)
- Letter from the Chair and Nusrat Ghani MP to [The North Face \(VF Corporation\)](#)
- Letter from the Chair and Nusrat Ghani MP to [The Walt Disney Company](#)
- Letter from the Chair and Nusrat Ghani MP to [TikTok \(ByteDance\)](#)
- Letter from the Chair and Nusrat Ghani MP to [Victoria's Secret](#)
- Letter from the Chair and Nusrat Ghani MP to [Zara \(Inditex\)](#)

## Formal minutes

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**Tuesday 9 March 2021**

Virtual meeting

Members present:

Darren Jones, in the Chair

Judith Cummins    Charlotte Nichols  
Richard Fuller    Mark Pawsey  
Ms Nusrat Ghani    Alexander Stafford  
Paul Howell

Draft Report (*Uygher forced labour in Xinjiang and UK value chains*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 75 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Fifth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 16 March at 9:45am

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Thursday 05 November 2020

**David Sävman**, Head of Supply Chain, H&M Group; **Hendrik Alpen**, Head of Sustainability Engagement & Head of Social Sustainability, H&M Group; **Maajid Nawaz**, Founder, Quilliam International

[Q1–8](#)

**Sean Cady**, Vice President, Global Sustainability and Responsibility, VF Corporation; **Andrew Reaney**, Group Director of Responsible Sourcing, boohoo group; **Jaycee Pribulsky**, Vice President for Global Footwear Sourcing & Manufacturing, Nike; **Elizabeth Kanter**, Director of Government Relations and Public Policy UK, TikTok

[Q9–67](#)

**Paul Scully MP**, Minister for Small Business, Consumers and Labour Markets, Department for Business, Energy and Industrial Strategy; **Michael Warren**, Director of Labour Markets, Department of Business, Energy and Industrial Strategy

[Q68–86](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

FLO numbers are generated by the evidence processing system and so may not be complete.

- 1 adidas UK ([FL0008](#))
- 2 Amazon ([FL0025](#))
- 3 Anti-Slavery International and CORE Coalition ([FL0021](#))
- 4 BEIS ([FL0002](#))
- 5 boohoo group ([FL0020](#))
- 6 British Retail Consortium ([FL0024](#))
- 7 Coalition to End Forced Labour in the Uyghur Region ([FL0014](#))
- 8 Ethical Trading Initiative ([FL0005](#))
- 9 Gap Inc. ([FL0013](#))
- 10 H&M Group ([FL0016](#))
- 11 HOPE not hate ([FL0034](#))
- 12 Hikvision ([FL0026](#))
- 13 Inter IKEA Group ([FL0015](#))
- 14 Lawyers for Uyghur Rights ([FL0009](#))
- 15 Marks and Spencer ([FL0028](#)), ([FL0033](#))
- 16 Nike ([FL0030](#))
- 17 Paul Scully MP (Minister for Small Business, Consumers & Labour Markets, Department for Business, Energy and Industrial Strategy) ([FL0031](#))
- 18 Professor Laura Murphy, Sheffield Hallam University and Dr Shawn Bhimanu, Northeastern University) ([FL0011](#))
- 19 Puma ([FL0029](#))
- 20 Quilliam International ([FL0023](#))
- 21 Rights Lab, University of Nottingham ([FL0003](#))
- 22 Segura Systems Ltd ([FL0006](#))
- 23 Stella McCartney ([FL0027](#))
- 24 The Arise Foundation ([FL0004](#))
- 25 TikTok ([FL0022](#)), ([FL0032](#))
- 26 VF Corporation ([FL0019](#))
- 27 Victoria's Secret (L Brands) ([FL0012](#))
- 28 Walt Disney Company ([FL0017](#))
- 29 William Browder, Head of the Global Magnitsky Justice Campaign ([FL0001](#))
- 30 Zara UK (Inditex) ([FL0018](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website.

### Session 2019–21

Number	Title	Reference
1st	My BEIS inquiry: proposals from the public	HC 612
2nd	The impact of Coronavirus on businesses and workers: interim pre-Budget report	HC 1264
3rd	Net zero and UN climate summits: Scrutiny of Preparations for COP26 – interim report	HC 1265
4th	Pre-appointment hearing with the Government's preferred candidate for the Chair of the Regulatory Policy Committee.	HC 1271
1st Special	Automation and the future of work: Government Response to the Committee's Twenty-third Report of Session 2017–19	HC 240
2nd Special	Future of the Post Office Network: Government Response to the Committee's First Report of Session 2019	HC 382
3rd Special	Safety of Electrical Goods in the UK: follow-up: Government Response to the Committee's second report of Session 2019	HC 494
4th Special	COP26: Principles and priorities—a POST survey of expert views	HC 1000