



House of Commons

Business, Energy and Industrial  
Strategy Committee

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**Uyghur forced labour in  
Xinjiang and UK value  
chains: Government  
Response to the  
Committee's Fifth  
Report of Session  
2019–21**

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**Third Special Report of  
Session 2021–22**

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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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## Third Special Report

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On 17 March 2021, the Business, Energy and Industrial Strategy Committee published its Fifth Report of Session 2019–21, [Uyghur forced labour in Xinjiang and UK Value chains](#) (HC 1272). The Government's response was received via correspondence on 17 May 2021. The Government's response is appended below. The Committee's recommendations are in **bold** type, the Government response is in plain type.

## Government Response

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### **Letter from the Minister for Small Business, Consumers & Labour Markets, 17 May 2021**

Please find attached the Government Response to recommendations made by the BEIS Select Committee in respect of its inquiry into Forced Labour and UK Value Chains.

Since the Committee published its report on 17 March 2021, we have been carefully considering its recommendations. We are grateful to the committee for their inquiry into this important topic, as well as for members' engagement during the oral evidence session with me on 5 November 2020.

Policy responsibility for forced labour and supply chains is split across several Government departments, and the attached response reflects cross-Government input.

Paul Scully MP

# Appendix: Government Response

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## Introduction

1. The Government is grateful to the BEIS Select Committee (the Committee) for conducting this thorough and timely inquiry into the important issue of Uyghur forced labour in Xinjiang and UK supply chains. As the Foreign Secretary set out in his statement to the House of Commons on 22 March, the evidence points to a highly disturbing programme of repression in Xinjiang and the world cannot simply look the other way. The evidence is clear as it is sobering that the Uyghur population has been the subject of widespread and serious human rights violations, including forced labour.

2. As set out in the Integrated Review, the UK is committed to being a force for good in defending human rights around the world, using our independent sanctions regime to hold to account those involved in serious human rights violations and abuses. That is why on 22 March 2021, alongside the EU, US, and Canada, the Foreign Secretary announced the imposition of Global Human Rights sanctions against the perpetrators of gross human rights violations taking place against Uyghurs and other minorities in Xinjiang. By acting alongside our partners, we have increased the reach and impact of these measures, and we are sending the clearest possible signal of the international community's serious concern and our collective willingness to act. The Government will continue to work closely with our international partners in holding China to account for the egregious human rights situation in Xinjiang, including at the UN.

3. On 12 January, the Foreign Secretary announced a series of measures to help ensure UK businesses and the public sector are not complicit in human rights violations in Xinjiang. The measures include:

- Strengthening the Overseas Business Risk (OBR) guidance to make clearer the risks to UK businesses investing in, or with supply chains in, Xinjiang.
- A review of export controls as they apply to the situation in Xinjiang to ensure we are doing all we can to prevent the export of goods that may contribute to human rights violations in Xinjiang.
- The introduction of financial penalties for organisations who fail to comply with the transparency obligations of the Modern Slavery Act.
- Increasing support for UK government bodies to use public procurement rules to exclude suppliers where there is sufficient evidence of human rights violations from their supply chains.

4. We are implementing these measures in the following ways:

5. Revised and detailed **Overseas Business Risk (OBR) guidance** was published on 12 January, and based on this new guidance, HMG has embarked on a comprehensive programme of engagement with businesses and UK trade bodies. There have been high-level, Minister led sessions, including BEIS Minister Scully hosting a retail sector council on the issue of Xinjiang in February 2021 and the Secretary of State for International Trade hosting two roundtables on the issue of forced labour in Xinjiang in March 2021,

which 22 organisations attended. DIT continue to engage with businesses and trade bodies to talk through means of improving due diligence for operations in China. This issue will also be a focus of the Business Against Slavery Forum later this year which brings together the Home Office with 13 large UK companies with global supply chains across different sectors. The Home Secretary will be hosting a CEO-level Business Against Slavery Forum also later this year. HMG is keen to encourage businesses to continue to share their perspectives on how they are responding to the situation in Xinjiang.

6. The review of **export controls** as they apply to the situation in Xinjiang is underway. The review requires significant research into technologies of concern as well as the impact on legitimate trade and investment in those technologies. DIT, as the lead department on export controls, will report back to Parliament with the outcome of the review.

7. As announced on 12 January, **financial penalties** will be introduced for those who fail to meet their statutory reporting obligations under the Modern Slavery Act 2015 by failing to publish a compliant annual modern slavery report. The introduction of financial penalties requires amendments to the Modern Slavery Act 2015 and the Government is committed to amending the legislation as soon as parliamentary time allows. The Home Office is the lead Department and will provide further details on the size of penalties and when they will be introduced in due course.

8. In March 2021, the Home Office launched an online **modern slavery statement registry** to make modern slavery statements available in one place and provide a platform for organisations to demonstrate the progress they have made to prevent modern slavery. The Government registry will radically enhance transparency by enabling investors, consumers and civil society to scrutinise the action different organisations are taking to prevent modern slavery and monitor progress over time. The registry will be a key tool for Government to monitor and drive compliance with the Act. In future, it will become mandatory for organisations in scope of section 54 of the Modern Slavery Act 2015 to submit their statement to the service, as part of the proposed changes to strengthen section 54. In the meantime, the Government is encouraging all organisations in scope of the legislation to submit their most recent statement to the registry to share the positive steps they are taking and demonstrate the value they place on transparency to shareholders and the public. To lead by example, the Government has submitted the Government Modern Slavery Statement on the registry.

9. The Government Chief Commercial Officer has written to commercial directors across central government setting out the **public procurement** measure announced on 12 January. FCDO is working with Cabinet Office to provide additional guidance for commercial teams across government to more effectively exercise their existing discretion to exclude from government supply chains those suppliers linked with modern slavery and human rights violations. This new initiative builds on a wide range of work already underway to tackle modern slavery in public supply chains including increasing the capability of commercial teams across government to prevent modern slavery. This includes:

- Requiring most new central Government procurements to take account of social value criteria, such as reducing modern slavery risks, in the award of contracts, where relevant and proportionate, and place a minimum weighting of 10% of the total score for social value to ensure that it carries a heavy enough score to be a

differentiating factor in bid evaluation.

- The launch of the Modern Slavery Assessment Tool and work with over 500 central government suppliers on implementing effective modern slavery due diligence. More than 1,800 organisations have completed the assessment since March 2019.
- Guidance that sets out the steps that all Government departments must take to identify and mitigate modern slavery risks throughout the commercial life cycle.
- Increased capability of commercial teams across government to prevent modern slavery. The Home Office has delivered training to over 250 commercial staff on how to carry out modern slavery risk assessments so they can put guidance into practice in their departments.

10. The Government would like to thank the Committee for setting out its recommendations to businesses (recommendations 1–5). The Government would also like to thank the businesses that provided written and oral evidence to support the Committee’s report. It has been incredibly helpful to hear what businesses have to say about the issue of forced labour in UK supply chains, and the UK government is committed to helping to ensure UK organisations are neither complicit in nor profiting from the human rights violations in Xinjiang.

11. Our response to the Committee’s specific recommendations is set out below.

### Company Directors Disqualification Act

12. *WerecommendthattheDepartmentreviewstheCompanyDirectorsDisqualification 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)

13. The Department for Business, Energy and Industrial Strategy has worked with the Home Office to support the further development of the section 54 (Transparency in Supply Chains) provisions in the Modern Slavery Act 2015. This includes strengthening the monitoring and enforcement of the obligations on large UK businesses to publish modern slavery statements.

14. The Government has reflected on the suggestion to review the Company Directors Disqualification Act to further incentivise compliance with section 54, but it is not convinced of the case to pursue this approach at this time.

15. In considering the right course of action, the Government has weighed how the Modern Slavery Act’s transparency provisions compare to the wider framework of corporate governance and reporting. Whilst disqualifications of company directors are considered for some breaches of company law, we must consider the proportionality of such a penalty for failure to publish a modern slavery statement. Director disqualification orders for failures to file documents required under Companies Act legislation are only capable of being made by the court where a person has been in persistent default of the filing obligations. This means being found guilty, in a court of law, of repeated offences or occurs where a number of “default orders” are made against him or her (e.g. a court

order requiring late accounts to be filed). Introducing a disqualification penalty for this type of failure to publish information would also risk dilution of the “unitary principle” of company board responsibility and actions. This lies at the heart of the UK system of corporate governance.

16. The Government is clear that company boards should focus strongly and collectively on the critical importance of protecting human rights and preventing abuses across operations and supply arrangements. They should do the same for compliance with their transparency obligations under the Modern Slavery Act. The Government would be wary of any approach that singled out individual directors as solely responsible for the company’s transparency statement. This could have the unintended consequence of reducing senior engagement, not improving accountability, and undermining the collective responsibility of the unitary board structure. To address modern slavery risks effectively, organisations need to ensure sustained engagement across several business functions. The existing requirement in the Modern Slavery Act for statements to be approved at board-level and signed by a director was designed with this mind as the board should have collective responsibility for modern slavery transparency.

17. More broadly, the Government has followed through on its commitment to strengthen corporate governance and accountability. The Government published on 18 March 2021, for consultation, a White Paper “Restoring trust in audit and corporate governance”, which sets out ambitious plans to strengthen the UK’s audit, company reporting and corporate governance framework. This consultation runs until 8 July 2021. The White Paper incorporates proposals to act on recommendations from Sir Donald Brydon’s review of audit quality, including through a new audit and assurance framework in which public interest entities would be required to describe their approach to assuring company reporting beyond the statutory audit of the financial statements. Public interest entities currently consist largely of publicly listed companies and credit and insurance firms – the White Paper is also inviting views whether the definition of public interest entities should be widened to include very large private companies.

18. This new approach would augment the existing statutory requirements covering non-financial corporate reporting on material risks, including in relation to human rights and supply chains, and it should foster further, stronger scrutiny. Where relevant to understanding the company and its performance, non-financial information statements by companies in their annual reports should include information on human rights. The required disclosures include company policies, any due diligence performed in respect of those policies, and risks to the business, including where those risks may arise from business relationships in the supply chain. These statutory requirements are underscored by the Corporate Governance Code, which sets out the expectation that company boards should carry out robust assessments of emerging and principal risks and confirm how these are addressed in the annual report. Boards should be reporting, in this context, what they are doing about any significant risks of human rights abuses which arise in their supply chains.

### **A new BEIS policy framework**

19. *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)

20. The Government is committed to supporting businesses to tackle and prevent modern slavery risks in their supply chains. The Government encourages companies to follow the blueprint laid out in the UN Guiding Principles on Business and Human Rights on how to conduct human rights due diligence. We encourage companies to monitor their supply chains with rigour, to uncover and remedy any risks of forced labour or other labour abuses. We also recognise that this issue is not unique to Uyghur forced labour in Xinjiang, which is why many of the initiatives the Government is pursuing aim to create mechanisms that are actor agnostic and designed to tackle forced labour wherever it occurs.

21. UK policy on China, including on Xinjiang, is coordinated across Government. Our policy towards China is agreed by the National Security Council and is reviewed regularly. The NSC sets the UK's strategic objectives on China which cover the depth and breadth of UK-China engagement, and the implications of China's growing geopolitical and global role.

22. The China National Strategy Implementation Group, a cross-Whitehall group of senior officials, prepares NSC discussions and takes forward our detailed approach to China, including on Xinjiang.

23. A working level cross-Government working group was established in August 2020 to coordinate action related to the human rights situation in Xinjiang. Meetings are frequent and well attended by all relevant departments, and the group monitors progress on all Xinjiang-related work streams, including transparency in supply chain issues. This working group developed the package of measures announced on 12 January 2021 and continues to coordinate implementation and consider further action as appropriate.

24. Given there is already significant cover of these issues within our existing architecture, the Government is not currently considering the establishment of a Director-led working group. However, the Government notes the recommendation and would like to reassure the Committee that cross-Whitehall governance structures are kept under review to ensure effective coordination at all levels on these important issues.

***25. 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)

26. It is important for businesses to adhere to the UN Guiding Principles when considering their approach to modern slavery. Businesses should take heed of the updated

Overseas Business Risk (OBR) guidance<sup>1</sup> on Xinjiang to understand the human rights risks associated with links to that region and to take appropriate remedial action based on their circumstances. The Government encourages companies to follow both the OECD guidelines<sup>2</sup> for multinational enterprises on responsible business conduct and the blueprint laid out in the UN Guiding Principles<sup>3</sup> on Business and Human Rights on how to conduct human rights due diligence.

27. Generally, when businesses uncover issues, they should seek to work in partnership with their suppliers to remedy them and make continuous progress to prevent labour exploitation in their supply chains. Where this is not possible, businesses should reconsider their relationship with the supplier.

28. Sadly, no business operating in any sector can consider themselves immune from the risks of modern slavery and the prevalence of this abhorrent practice. Businesses can have complex multi-tiered global supply chains which create significant challenges in having visibility over working conditions across all of their supply chains. The complexities of global supply chains mean that companies need to be constantly vigilant in assessing and addressing their risk exposure. It would therefore be impossible for the Government to comprehensively verify whether tens of thousands of companies have taken significant and evidenced action to prevent modern slavery throughout their global supply chains.

29. The Government is not currently considering producing a whitelist of companies that have taken significant and clearly evidenced actions to rid their supply chains of forced labour in Xinjiang. We will continue to pursue a collaborative approach, helping businesses to make informed decisions for themselves. The Government is also working to strengthen the Modern Slavery Act (see response to recommendations 11 and 12).

30. The Government recognises the role of transparency and importance of consumers, investors, civil society and others in driving change. That is why, as part of our planned work to strengthen the transparency in supply chains legislation, in March 2021 we launched a new Government-run registry. This will radically enhance transparency and accessibility of modern slavery statements by bringing them together in one place and enabling investors, consumers and civil society to scrutinise the action that different organisations are taking to prevent modern slavery.

31. On the Committee's recommendation to identify firms which have supply chain links to Xinjiang, HMG announced earlier this year that the FCDO will work with the Cabinet Office to provide guidance and support to UK government bodies to exclude suppliers, where there is sufficient evidence of human rights abuses in any of their supply chains. Decisions to exclude suppliers will be made on a case-by-case basis by central government contracting authorities when undertaking procurements, in line with public procurement regulations.

**32. *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***

1 Overseas Business Risk guidance: <https://www.gov.uk/government/publications/overseas-business-risk-china/overseas-business-risk-china#business-and-human-rights>

2 OECD guidelines: <http://mneguidelines.oecd.org/guidelines/>

3 UN Guiding Principles on Business and Human Rights: <https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/>

***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)

33. The Transparency in Supply Chains legislation in the Modern Slavery Act 2015 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. No business can consider themselves immune from the risks of modern slavery and, given the complexities of global supply chains, the Government expects companies to be constantly vigilant in assessing and addressing their risk exposure.

34. The Transparency in Supply Chains legislation was designed to incentivise businesses to demonstrate annual progress in the actions they are taking to understand and tackle their modern slavery risks. By requiring businesses to report openly on their websites, the legislation enables consumers, civil society, investors and others to hold businesses to account and helps create a level playing field for responsible business. In September 2020, the Government committed to strengthen the legislation and the reporting requirements on businesses. These are set out in the response to recommendations 11 and 12.

35. The Government supports the UN Guiding Principles on Business and Human Rights, the voluntary international framework which set out steps to guide businesses to undertake human rights due diligence to identify, prevent, mitigate and account for impacts on human rights, including modern slavery and forced labour.

36. Legislation exists to hold businesses to account on these issues. Quoted companies must cover material human rights issues as part of their annual corporate reporting, alongside the requirements for large businesses to publish modern slavery statements in accordance with the Modern Slavery Act 2015; and, in both contexts, businesses can report where they apply due diligence.

37. The Government encourages companies to take a targeted approach to due diligence and to monitor their supply chains with rigour, so they can uncover and remedy any associations they may find with forced labour. Some businesses, particularly large multinationals, can have complex, multi-tiered global supply chains, which creates significant challenges in having visibility over working conditions across all their supply chains. Therefore, Government expects businesses to determine the most appropriate methods to assess and tackle modern slavery based on the nature of their operations and supply chains to ensure the greatest impact in protecting vulnerable workers. The Home Office's statutory guidance to businesses on the transparency in supply chains provisions in the Modern Slavery Act suggests that their modern slavery statements should include the risk assessment and due diligence they undertook, and show their progress, year-on-year, by setting and reporting against clear targets.

***38. 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)

39. The Government notes this conclusion. BEIS has worked with the Home Office to support the further development of the Section 54 (Transparency in Supply Chains

provisions) in the Modern Slavery Act 2015, including its monitoring and enforcement.

40. In 2019, the Government launched a public consultation seeking views on establishing a new single enforcement body for employment rights. BEIS will work with the Home Office to consider enforcement of the Transparency in Supply Chains legislation in line with the development of the single enforcement body for employment rights and issue a further update in due course.

41. As indicated in the response to recommendation 6, the Government has brought forward plans to strengthen corporate governance and accountability. On 18 March 2021 the Government published a White Paper consultation on “Restoring trust in audit and corporate governance”, which sets out ambitious reforms to strengthen the UK’s audit, company reporting and corporate governance framework. The consultation runs until 8 July 2021.

42. Previously, in September 2020, the Government also published plans for a radical overhaul of the powers of Companies House and related measures to improve corporate transparency. These include plans to verify the identities of company directors and beneficial owners. The Government will legislate for these measures when Parliamentary time allows, and also remains committed to introducing a Register of Overseas Entities which would record the beneficial owners of foreign companies owning UK property. There have been a number of cross-departmental discussions regarding how these measures could support action on human rights abuses. Verifying the identities of directors and beneficial owners of UK companies will help investigators to identify where those suspected of human rights abuses might have economic interests in the UK. The Register of Overseas Entities could also help investigators establish any links between UK property assets held by such companies and individuals.

## Modern Slavery Act

43. *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)

44. *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)

45. The Government partially accepts these recommendations and is taking forward action to strengthen the Modern Slavery Act 2015 and reporting obligations. To improve the quality and detail of reporting and accelerate action to prevent modern slavery, in September 2020 the Government committed to strengthen the reporting requirements on businesses under section 54 of the Modern Slavery Act 2015, including:

- extending the reporting requirement to public bodies with a budget of £36 million or more;
- radically enhancing the transparency and accessibility of modern slavery statements by requiring organisations to publish their statements on a new Government digital reporting service;
- improving the quality of statements by requiring organisations to report against specific topics, including how they risk assess their supply chains and the due diligence they have undertaken, and to clearly state if they have omitted a topic;
- driving greater accountability by setting a single reporting deadline on which all modern slavery statements must be published; and
- developing options for civil penalties for non-compliance in line with the ongoing work to establish a single labour market enforcement body.

46. Building on this, in January 2021, the Government announced that it will introduce financial penalties for organisations who fail to meet their statutory obligations to publish annual modern slavery statements under section 54 of the Modern Slavery Act 2015. Further details on the size of the penalties and how they will be administered will be announced in due course. The above measures, including the introduction of financial penalties, require amendments to the Modern Slavery Act 2015 and the Government is committed to amending the legislation as soon as parliamentary time allows.

47. In March 2021, the UK Government launched an online modern slavery statement registry. The Government is now encouraging all organisations in scope of the legislation to submit their statement to the registry, to demonstrate that they have reported under section 54 of Modern Slavery Act 2015. Since launch, over 3,500 statements covering over 11,000 organisations have been submitted to the registry on a voluntary basis. In future, we will mandate organisations in scope of section 54 of the Modern Slavery Act 2015 to submit their statement to the registry, as part of the planned changes to strengthen the legislation. The registry will be a key tool for the Government and others to monitor and drive compliance with section 54 of the Modern Slavery Act 2015. The ultimate goal of the registry is to bring all modern slavery statements in one place and radically enhance transparency by enabling investors, consumers, NGOs and others to scrutinise the action that different organisations are taking to prevent modern slavery.

48. Extending the reporting requirement under section 54 of the Modern Slavery Act 2015 to large public bodies, with an annual budget of £36 million or more, is a natural step towards increasing transparency. The UK public sector accounts for around £290 billion of annual expenditure and we have an unparalleled opportunity to harness this spending power to eradicate modern slavery in public sector supply chains. Many public bodies already publish modern slavery statements on a voluntary basis and on 26 March 2020, the UK became the first country to publish a Government Modern Slavery Statement setting out the steps we have taken to identify and prevent modern slavery in our own supply chains. From September 2021 onwards, Ministerial departments will publish their own annual statements.

49. The Government is committed to amending the Modern Slavery Act 2015 as soon as parliamentary time allows to extend the reporting requirement to public bodies, alongside

the other measure to strengthen the legislation, including the introduction of financial penalties and mandating that organisations publish their modern slavery statements on the Government’s modern slavery statement registry.

## Magnitsky sanctions and international cooperation

50. *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)

51. Having evaluated the evidence, on 22 March, under the UK’s Global Human Rights sanctions regime, the UK imposed asset freezes and travel bans against those responsible for gross human rights violations in Xinjiang. These measures were taken alongside the US, Canada and the EU, sending a clear message that the international community is united in its condemnation of China’s human rights violations in Xinjiang and the need for Beijing to end its discriminatory and oppressive practices against the Uyghurs. These designations send an unequivocal message that those responsible for serious human rights violations in China will face consequences.

52. Alongside four senior officials, the Government held to account the Public Security Bureau of the Xinjiang Production and Construction Corps. This organisation is responsible for enforcing repressive security polices across many areas of Xinjiang.

53. This sanctions regime is designed to address human rights violations or abuses in a targeted manner, designating individuals and entities that have been involved in such human rights violations or abuses. This is a ‘smart’ tool, carefully targeted to achieve its goals, while minimising potentially negative wider impacts.

54. Sanctions are just one tool at HMG’s disposal. On 12 January, the Foreign Secretary also announced a review into export controls as they apply to the situation in Xinjiang, to ensure we are doing all we can to prevent the export of goods that may contribute to human rights violations in the region. The UK will continue to work closely with our partners in holding China to account for the egregious human rights situation in Xinjiang.

## BEIS Official Development Assistance funding in China

55. *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)

56. We agree that transparency of BEIS’s ODA funding in China is of particular importance. BEIS is committed to improving the data management and transparency of its ODA funds. In the most recent Publish What You Fund assessment, BEIS achieved a “Good” 72% transparency score. BEIS is taking active steps to further improve its performance, including through rollout of the new data management systems.

57. BEIS ODA research & development funds operate through a devolved delivery model under which trusted UK partner organisations, such as UKRI or the national academies, are awarded funding from BEIS to then select and administer the most relevant and promising proposals in priority areas. These partner organisations are held accountable by BEIS through Allocation Letters that have anti-slavery provisions included within them. Partner organisations are the grant administrators for research and innovation activity and are required to escalate concerns within a quarterly reporting framework. BEIS is also instituting a process of audit sampling to further enhance our assurance mechanisms. The Independent Commission for Aid Impact (ICAI) recently found, in its Tackling Fraud in the UK audit, that BEIS's auditing approach is robust. BEIS does not deliver any ODA programmes through other government departments, although we do make payments to FCDO for the cost of hosting Newton Fund programme staff in their missions in Beijing and South China. No part of BEIS, including International Climate Finance, provides financial aid directly to the Chinese government.

58. At the time of the Select Committee, BEIS was also working with ICAI to support their work in writing an information note of all of Government's aid engagement with China. As part of this, BEIS provided a comprehensive project-by-project data pack concerning all ODA spending in China. This also confirmed that no ODA spending in China could be linked to the human rights abuses happening in Xinjiang. The ICAI Information Note<sup>4</sup> on the Government's aid engagement with China was published on 28 April and is available online.

**59. *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)

60. The Department agrees that there is a need for greater transparency in the use of BEIS Newton funds in China and elsewhere. To support this, BEIS is introducing a new digital data submission tool for Newton Fund partner organisations to report expenditure delivering the department's ODA programme activities. This will provide detail of the individual grants, awards or projects funded by partner organisations, usually to research organisations, such as universities. BEIS is not a grant administrator; BEIS allocates a budget to UK partner organisations (including UKRI and the national academies), who are experts in research subject matter and grant administration, to commission delivery of Newton funded research programmes. Partner organisations implement, monitor and report on delivery throughout the programme lifecycle. BEIS is continually working with partner organisations to enhance and assure the completeness, accuracy and consistency of ODA data received from partner organisations.

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4 ICAI Information note on the Government's aid engagement with China: <https://icai.independent.gov.uk/review/the-uks-aid-engagement-with-china/information-note/>