



Department for  
Business, Energy  
& Industrial Strategy

Darren Jones MP, Chair of BEIS SC & Nusrat Ghani MP  
House of Commons  
London  
SW1A 0AA

Paul Scully MP

Department for Business, Energy &  
Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

T +44 (0) 20 7215 5000  
E [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

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Dear Darren and Nusrat,

Thank you for your letter of 9 June regarding the Government's response to the Business, Energy and Industrial Strategy Committee's report on *Uyghur forced labour in Xinjiang and UK value chains*.

I would like to reiterate the Government's gratitude to the Committee for compiling this important and thorough report. The Government is fully committed to tackling the issue of Uyghur forced labour in Xinjiang and has given careful consideration to each of the report's recommendations.

As you know, the Government has already taken robust action to help ensure no UK organisations are complicit in the serious human rights violations being perpetrated against the Uyghurs and other minorities in Xinjiang. The Government is also taking forward further work to strengthen the Modern Slavery Act 2015 and reporting obligations.

We are also working closely with international partners. The Joint Communique issued by G7 countries following the G7 summit on 11-13 June reaffirmed the Government's commitment to tackling forced labour. G7 Leaders expressed their concern about the use of all forms of forced labour in global supply chains. Leaders committed to continue to work together including through available domestic means and multilateral institutions to protect individuals from forced labour and to ensure that global supply chains are free from the use of forced labour. G7 Trade Ministers were tasked to identify areas for strengthened cooperation and collective efforts towards eradicating the use of all forms of forced labour in global supply chains, ahead of the G7 Trade Ministers' meeting in October 2021.

Policy responsibility for the matters raised in the Committee's inquiry is split across several Government departments, and this letter reflects cross-Government input.

### Sanctions

Like you, I welcome the sanctions announced by the Foreign Secretary on 22 March, alongside Canada, the EU, and the US. The UK has consistently been at the forefront of international action to hold China to account for its human rights violations.

By acting on an agreed set of designations alongside our partners, we increased the reach and impact of these measures, and sent the clearest possible signal of the international community's serious concern and our collective willingness to act.

The Government keeps designations under the Global Human Rights Sanctions Regime and relevant evidence under close review.

Moreover, Global Human Rights sanctions are just one tool at our disposal. We will continue to act in concert with our partners to ensure that those responsible for human rights violations, both in Xinjiang and across the globe, are held to account.

#### ODA transparency

We remain committed to improving transparency of aid globally and maintaining high standards in aid spending. The Government recognises that transparency can help deliver better value for money, and we will continue to be accountable to parliament and to taxpayers for how we spend aid. BEIS was recently awarded the benchmark “Good” rank in the Publish What You Fund Aid Transparency Index. We are committed to work towards improving this score and will write to the committee within 6 months to set out our work to achieve this and the impact it has had.

#### Company whitelist/blacklist recommendation

As set out in the Government’s response to the Committee’s report, the complexities of global supply chains mean that companies need to be constantly vigilant in assessing and addressing their risk exposure. Even companies which appear to have domestic supply chains may be reliant on inputs which are imported. The openness of the UK economy and the complex supply chains on which we rely mean that a government-authorized whitelist scheme would provide limited assurance, whilst being costly to implement. We will continue to pursue a collaborative approach, helping businesses to make informed decisions and provide information for consumers about their sourcing and supply.

The Government notes the Committee’s blacklist recommendation. We 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. This guidance and support will add to the current tools available to individual contracting authorities when assessing a bidder for risks of modern slavery in line with public procurement regulations.

#### Overseas Business Risk (OBR) Guidance

OBR guidance is kept under constant review, and we are monitoring developments in Xinjiang closely to ensure guidance reflects the current situation. Based on the revised Overseas Business Risk (OBR) guidance that was published at the start of the year, HMG has embarked on a comprehensive programme of engagement with businesses and UK trade bodies. The Home Secretary hosted a CEO-level Business Against Slavery Forum on 16 June. Discussion on means of improving due diligence was a key focus of the event.

#### Cross-Government co-ordination

As set out in the Government’s response to the Committee’s report, there is already significant cross-government coordination of these issues within our existing structures, including at ministerial level. Cross-Whitehall governance structures are kept under review to ensure effective coordination at all levels on these important issues.

## Reforming the Modern Slavery Act

Ensuring a tough response to modern slavery remains a priority for this Government. The 2014 Modern Slavery Strategy and subsequent 2015 Modern Slavery Act have underpinned the Government's commitment to tackling modern slavery. More recently, since the nature of modern slavery, our understanding of it, and our response to it, have changed significantly over the past few years, the Government has announced a review of our Modern Slavery Strategy, clearly demonstrating the Government's continued commitment to tackle this abhorrent crime.

A new strategy will set the direction for the coming years, and we want to ensure it addresses the problem holistically as possible, placing preventative measures and vulnerable people at the centre of its approach. As we undertake the strategy review, we are planning a public engagement process and will publish a new strategy in Spring 2022 which will cover our cross-Government response, from law enforcement to victim support, and will consider how government and business can effect change including through their supply chains.

As we set out in our response, the Government has also committed to introduce measures to strengthen section 54 of the Modern Slavery Act 2015, including the introduction of financial penalties for organisations who fail to publish modern slavery statements, which will be enforced by the new single enforcement body. Implementing these provisions is a priority for this Government. We hope that the Committee can appreciate the pressures on parliamentary time, and we want to reassure you that we will introduce these measures as soon as we can.

In response to the Committee's question about the Modern Slavery Assessment Tool, the Home Office developed the Modern Slavery Assessment Tool to support public bodies to assess their supply base for modern slavery risks and provide tailored recommendations to suppliers on how to improve their anti-slavery processes. The Modern Slavery Assessment Tool is not designed to exclude suppliers.

The tool comprises around 30 questions about the measures suppliers have in place to identify and tackle modern slavery in their supply chains. The results of each assessment then enable public bodies to make informed discussions with their suppliers about the priority issues identified and how these can be addressed. Over 1,800 organisations have now used the MSAT to provide information and data on how they understand and address their modern slavery risks.

In terms of excluding suppliers from public contracts, as set out above, FCDO and the Cabinet Office are working 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.

## Director liability for Modern Slavery Statements

The Government's reason for not taking forward this recommendation was set out in our response to the Committee's report.

Under the Companies Act, Directors have a range of duties, including the provision of timely information about the financial position of the company. It is vital that members of the

company, investors, lenders and others can review timely financial statements. That is why disqualification from Director duties is deemed an appropriate sanction for failure to meet this requirement.

The Companies Act also requires Directors to have regard to a range of other areas, including the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; and the desirability of the company maintaining a reputation for high standards of business conduct.

Larger companies also have broader obligations to report on non-financial matters, including on governance and social and environmental impacts. The Government does not believe it would be proportionate to extend director liabilities to these areas as a whole, nor to one reporting topic within these obligations, important though they are.

Our updated Overseas Business Risk (OBR) guidance makes clear that conducting due diligence in Xinjiang is challenging due to limits on access, including for auditors, because it is highly unlikely that workers will be able to speak freely, and because of the extent and severity of human rights violations occurring there. Businesses will need to consider these challenges when assessing whether, through due diligence, they are able to ensure their operations do not directly or indirectly contribute to human rights violations. Ultimately, it is for businesses themselves to determine whether they are able to conduct effective due diligence, considering the risks highlighted in the updated OBR guidance.

I would like to thank you for your continued engagement with this important issue. I hope this response clarifies the government's position.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Scully', is centered below the text 'Yours sincerely,'.

**PAUL SCULLY MP**

Minister for Small Business, Consumers & Labour Markets  
Minister for London