

Written evidence from BEIS on behalf of HMG (FL0002)

Introduction

1. The Government is committed to upholding human rights and ensuring that UK businesses act responsibly in tackling modern slavery. The Government has consistently supported the United Nations Guiding Principles on Business and Human Rights (UNGPs) which is the authoritative, voluntary international framework which steers businesses and governments around the world. The UK was the first state to produce a National Action Plan to respond to the UNGPs. Co-led by BEIS and the FCDO, the plan sets out the Government's expectations of businesses to respect human rights.
2. The Government is 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.

UK policy on forced labour in UK value chains

Regulatory measures

Responding to the following points in the inquiry's terms of reference:

- *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*

Modern Slavery Act 2015 and supply chain transparency

3. 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. In 2019, the Global Slavery Index (run by Walk Free) ranked the UK number 1 in the world for taking the most action to tackle modern slavery, and the Parliamentarian-led Independent Review of the Modern Slavery Act 2015 noted that the Act is 'ground-breaking legislation' and that other countries are following the UK's lead.
4. Sadly, no business operating in any sector can consider themselves immune from the risks of modern slavery and the prevalence of this abhorrent practice, which is why the Modern Slavery Act 2015 does not require companies to

guarantee their supply chains to be 'slavery free'. The complexities of global supply chains mean that companies need to be constantly vigilant in assessing and addressing their risk exposure.

5. 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.
6. The Government is looking to strengthen its approach. Following an Independent Review of the Modern Slavery Act, the Home Office ran a public consultation on a range of proposals to strengthen the Transparency in Supply Chains legislation. On 22 September 2020, the Government published its response and announced plans to strengthen the Act and transparency in business and public body supply chains by:
 - 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.
7. The Government has committed to implementing these changes when Parliamentary time allows.

Corporate due diligence – auditing and monitoring of supply chains

8. The Government ensures that large UK companies are held to account through corporate transparency requirements. Under the Companies Act, companies are required to cover human rights in their corporate reporting, where relevant for an understanding of the company, and to describe due diligence approaches, where these are in place.
9. Quoted companies are encouraged under the UK Corporate Governance Code to have an internal audit function. The purpose of internal audit is, broadly speaking, to provide assurance that a company's risk management, governance and internal control processes are operating effectively. This can include providing assurance to the company board as to the accuracy and completeness of annual modern slavery statements.

10. Companies also have the option of commissioning independent assurance on specific areas of risk or reporting beyond that required by the statutory audit, including on modern slavery.
11. One way the Government pushes for supply chain transparency has been through the FCDO's responsible business programme, which engages with business on human rights and supply chain issues. Through this programme, the Government funded Shift, a leading centre of expertise on the UN Guiding Principles on Business and Human Rights which works to improve companies' human rights reporting. The Government has also supported the Ethical Trading Initiative to improve workers' rights in company members' global supply chains. Through the new Vulnerable Supply Chains Facility, set up in response to COVID-19, the Government partners with organisations such as Fairtrade, Ethical Trading Initiative and Goodweave to promote responsible business practices throughout agriculture and garment supply chains.

Public procurement

12. The Government rules on public procurement allow for human rights issues to be considered in procurements across the public sector. Bidders may be excluded from public contracts where they have violated certain environmental, social and labour laws, including on human rights matters.
13. On 26 March 2020, the Government published the world's first 'Government Modern Slavery Statement', setting out the steps taken to prevent modern slavery in central Government supply chains. The statement sets out how in just one year the Government has:
 - launched the Modern Slavery Assessment Tool and worked directly with around 400 suppliers on implementing effective modern slavery due diligence;
 - published comprehensive guidance setting out the steps that all Government departments must take to identify and mitigate modern slavery risks throughout the commercial life cycle; and
 - increased the capability of commercial teams across government to prevent modern slavery by delivering training to over 250 commercial staff.
14. On 24 September, the Government announced ambitious plans to deliver greater social value through its commercial activities and incentivise businesses to become more responsible and sustainable. From January 2021 all new procurements will need to take account of social value in the award of central government contracts 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.

Director of Labour Market Enforcement Proposals for further regulation of supply chains

15. The Government has been working with stakeholders to explore options to improve compliance in domestic supply chains. In 2019, as part of the consultation on a single labour market enforcement body, BEIS consulted on two proposals from the Director of Labour Market Enforcement for further regulation. The first was to introduce joint responsibility, whereby heads of supply chains would be alerted when non-compliance is found in their supply chain and would be expected to work with the supplier to rectify the problem or face penalties or naming. The other proposal was to introduce an embargo of "hot goods", that is goods that are likely the product of forced labour, to disrupt supply chain activity where non-compliance has been found in the manufacture of goods. These proposals would likely only apply domestically due to the complexities of enforcement in international supply chains. The Government is considering the consultation responses and will respond in due course.

Advice and guidance to business

- *The advice provided to British businesses by Government to help assess risk, ensure compliance, and avoid engaging value chains which rely on forced labour*

16. The UK's National Action Plan to implement the UN Global Principles on Business and Human Rights sets out the Government's expectation that UK businesses should respect human rights across their operations and their international supply relationships. The plan sets out expectations of UK businesses' conduct, including compliance with relevant laws and respect for internationally recognised human rights; treating as a legal compliance issue the risk of causing human rights abuses; adopting appropriate due diligence policies to identify, prevent and mitigate human rights risks; and consulting people potentially affected in project design and implementation.

17. The Government also publishes statutory guidance for how organisations should meet their obligations under the Modern Slavery Act and report on activity to tackle modern slavery in their annual modern slavery statements. As a signatory to the OECD Investment Declaration, the UK promotes awareness 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. The UK National Contact Point (NCP) for the OECD Guidelines is based in DIT. It promotes the Guidelines and considers complaints brought against businesses for non-observance through a non-judicial grievance mechanism. The NCP also promotes the OECD's proactive agenda to identify and develop due diligence guidance for specific sectors, such as agriculture, mining and garment and footwear production.

18. The Government encourages companies to monitor their supply chains with rigour to uncover and remedy any associations they may find with forced labour or other labour abuses. Businesses, particularly large multinationals, can have large multi-tiered global supply chains which creates significant challenges to having visibility over working conditions across all their supply chains. The Government therefore recommends businesses pursue targeted approaches to

their human rights due diligence, identifying in their operations and through their business relationships where human rights issues might arise and focusing on these areas, in order to ensure the greatest impact in protecting vulnerable workers.

19. The Government regularly engages with UK businesses to provide support and advice on doing business internationally. DIT and the FCDO provide country specific advice through the Overseas Business Risk Guidance, including on forced labour risks. They also engage directly with business on specific issues. For example, the FCDO's Business Integrity Initiative and DIT organised two webinars in July for the retail and food and drink sectors on how to respond to corruption and human rights risks in overseas supply chains.

The Government's response to reports of forced labour in Xinjiang Uygher Autonomous Region (XUAR)

- *The connection between the treatment of predominantly Muslim minorities in XUAR and company value chains supplying the UK apparel industry*
- *The Government's position regarding the risks of sourcing from XUAR and contracting with the companies with strong links to the region*
- *The Government's response to evidence which suggests that business 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*

20. There 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. Satellite imagery suggests that the Chinese authorities continue to construct internment camps and demolish mosques and other religious sites. Reports of systematic restrictions on Uyghur culture and religion remain widespread, and there is evidence of extensive and invasive surveillance targeting minorities. There is also credible evidence of Uyghurs and other minorities in Xinjiang being subject to forced labour both within Xinjiang itself, and in other areas of China. A report by the Australian Strategic Policy Institute (ASPI) "Uyghurs for Sale", published in March 2020 and part funded by the FCDO, set out how forced Uyghur labour was being used in factories. Using case studies of three multinational companies' supply chains ASPI found that Uyghurs were working in factories that are in the supply chains of over 80 well-known global brands in the technology, clothing, and automotive sectors.

21. The Government has responded to this growing evidence of forced labour in Xinjiang by drawing attention to the issue in the UN Human Rights Council (HRC) and UN Third Committee. At the HRC in June, the UK read a joint statement on Xinjiang and Hong Kong on behalf of 28 countries. And on 6 October the UK joined 38 other countries in a statement at the UN Third Committee on 6 October 2020, which underlined the breadth of international concern about the issue.

These statements increase the reputational cost to China of continuing with its policies in Xinjiang, including forced labour.

22. The Government has repeatedly highlighted its concerns about forced labour in the UK's national statements at the UN Human Rights Council. Most recently, on 25 September, we expressed our grave concerns in our national statement at the UN Human Rights Council.
23. The Government has financed a number of projects to better understand and spread awareness of how international business is contributing to human rights abuses in Xinjiang. As a result of the ASPI reported referred to above, a number of companies conducted a review of their supply chains as a direct response to the report and some have pulled out of Xinjiang altogether. The Government has made clear its deep concern about this report's findings and the human rights situation in Xinjiang.
24. The Government also has serious concerns regarding the Chinese State's use of technologies in ways that violate human rights and harm individuals and society. Where China is not meeting its obligations under international law and falls below the standards required and expected of responsible governments and nation states, the Government has and will continue to speak out publicly.

UK Apparel Industry

25. There is rightly an increased focus on Xinjiang's place in international supply chains, and the risk that international businesses may be inadvertently contributing to human rights violations in Xinjiang. Through the Modern Slavery Act 2015, Government guidance, and engagement with business, the Government has a range of tools to address the issue of forced labour, and other human rights abuses in UK supply chains. As set out above, following a recent review of the Modern Slavery Act, the Home Office has announced a series of measures to strengthen the Act.
26. The cotton industry is frequently cited in relation to forced labour in Xinjiang. The region produces 84% of Chinese cotton which represents 22% of global cotton supplies and has a significant role in global apparel supply chains.
27. Given Xinjiang's importance to global apparel supply chains and the evidence published by ASPI this year, it is possible members of the UK apparel industry have connections with forced labour in Xinjiang in their value chains.
28. The Government understands that in light of the forced labour risk companies are investigating their links to Xinjiang. Some are also looking into physical tracing of their cotton supply chain. However, lack of access to the region to conduct assessments of suppliers creates significant challenges.
29. The Government continues to proactively engage with companies and industry stakeholders to raise awareness of the situation in Xinjiang and understand as far as possible the extent of links between Uyghur forced labour and the UK apparel industry.

Government Guidance to business

30. The Foreign Secretary and FCDO Ministers have repeatedly used debates and high profile statements in Parliament to draw attention to the Government's concerns about forced labour in Xinjiang, and urge all businesses involved in investing in Xinjiang, or with parts of their supply chains in the region, to conduct appropriate due diligence to satisfy themselves that their activities do not support, or risk being seen to be supporting, any human rights violations or abuses. The FCDO and DIT also issue specific advice to UK businesses in HMG's Overseas Business Risk guidance.
31. In addition, FCDO officials have been meeting businesses and industry stakeholders regularly to make them aware of the scale of the forced labour issue in Xinjiang. This has also allowed the FCDO to raise the ethical hazards of inadvertently contributing to human rights abuses in Xinjiang and the difficulties of conducting due diligence. Engagement also allows the Government to better understand how it can better support UK business in responding to the abuses in Xinjiang.

October 2020