

## **techUK- Supplementary- Written evidence (MSA0095)**

techUK is the UK's leading technology membership organisation, with more than 1000 members spread across the UK. We are a network that enables our members to learn from each other and grow in a way which contributes to the country both socially and economically. By working collaboratively with government and others, we provide expert guidance and insight for our members and stakeholders about how to prepare for the future, anticipate change and realise the positive potential of technology in a fast-moving world. techUK launched in 2013 to champion the technology sector and prepare and empower the UK for what comes next, delivering a better future for people, society, the economy and the planet.

techUK members advocate for mandatory human rights and modern slavery due diligence to be introduced in the UK by way of an update to the Modern Slavery Act 2015. We recommend any revisions align with other jurisdictions (particularly the EU) as diverging regimes are difficult for companies to navigate and can result in high costs.

We appreciate the opportunity for our Sustainability Programme Manager, Weronika Dorociak, to represent the technology sector's viewpoint on different aspects of the Act and potential revisions during the oral evidence session held on 22 April 2024. In the following document, we address the follow-up questions raised during the meeting and offer further context to some of our statements made during the session. The below document should be read alongside [our response to the call for written evidence](#) on the same topic that we submitted to the Committee on 26 March 2024.

### **What are technology companies doing to find alternatives to critical minerals such as cobalt?**

techUK members are actively exploring alternatives to critical minerals like cobalt, although this presents significant challenges due to the unique properties of these minerals. While alternatives such as iron, magnesium, and nickel are being increasingly utilised across various industries due to their abundance, finding substitutes with comparable properties continues to be a complex task.

Technology firms are also gradually shifting towards using recycled materials to reduce dependency on newly extracted or manufactured resources. However, the adoption of recycled content faces challenges related to

variable quality and quantity. Recycled content varies in quality grades, and although it might be suitable and safe for use in other types of products, this is often not the case for electronics. The varied nature of this supply chain also means prices are volatile. This, combined with competition from various industries (such as FMCG or automotive) for these limited quantities, makes establishing a dependable supply chain for recycled materials an ongoing effort.

### **What would the cost be for due diligence for technology companies in the UK?**

Estimating the cost of human rights due diligence for the technology sector is a complex task influenced by various factors. A key challenge in estimating the cost stems from the diverse nature of these firms and their unique value chains. The cost of due diligence will vary depending on company size, the level of integration (some electronics firms make their own components, others source ready made parts from elsewhere), the number and nature of technology products they offer, the type of due diligence implemented, and the maturity of due diligence systems.

For larger technology firms, most due diligence costs are considered sunk costs, mainly involving salary expenditures for legal, HR, and procurement professionals. Significant amounts are also spent on ensuring compliance with various regulations in different jurisdictions, which typically requires the involvement of external consultants. Furthermore, there are internal time costs associated with conducting due diligence, including obtaining cross-jurisdictional corporate governance approvals from senior leadership. These do not tend to be tracked separately.

Technology companies have also invested in practical measures designed to combat modern slavery chains as part of their due diligence strategy. This includes internal awareness training, whistleblowing hotlines, living wage reviews for contractors, capability building for suppliers and partners, and more. Initial implementation of such initiatives typically incurs significant upfront costs, which may decrease over time as systems mature and collaboration opportunities arise.

The EU has previously estimated that due diligence would cost the wider industry €1.7-2.3 billion. However, this figure was calculated before the scope of the Corporate Sustainability Due Diligence Directive (CS3D) underwent reductions and applies to all industries in 27 countries. The OECD's calculation of cost estimates for the implementation of its guidance is, on the other hand, perceived as significantly underestimated by techUK

members. It is also important to highlight that, more generally, the global nature of supply chains complicates the disentanglement of country-specific costs from broader industry estimates.

### **Additional clarification around supply chains and China**

Conducting due diligence in countries such as China presents several obstacles and ethical concerns for technology companies. The most notable challenge arises with access to factories and the ability for auditors to conduct work freely and transparently due to government controls. This often necessitates reliance on bodies such as the Joint Alliance for CSR (JAC) for supplier audits.

Although technology products are not primarily manufactured in high-risk areas such as Xinjiang (unlike apparel or automotive), companies are aware that forced Uyghur labour can occur in factories that produce components or products elsewhere in China, as Uyghurs are often transferred or trafficked from Xinjiang to other cities in the south or east of China. As visibility decreases in lower-tier suppliers, there is an increased risk of such abuses going undetected, even if auditors are present on site. Xinjiang also remains a focal point due to its significance in polysilicon production and is particularly concerning for technology companies that are engaged in renewable energy initiatives, both directly and indirectly.

In addition to forced labour concerns, there are high-risk activities that may not qualify as forced labour locally but constitute serious abuses according to international instruments, for example passport retention and even recruiter fees. Western brands actively seek to determine whether these practices take place in their supply chains as they are typically considered unethical labour indicators and contradict supplier codes of conduct as well as industry best practice. However, they are unfortunately accepted and common in China. This illustrates that compliance with local laws alone is insufficient; however, going beyond that can cause significant problems because it requires navigating complex legal and cultural landscapes. Technology companies face similar challenges in relation to child labour in other Asian countries where some local laws only cover children under a certain age (e.g. 14 in India and 15 in Malaysia).

Whilst combating modern slavery risks in countries such as China is extremely difficult, disengagement is typically viewed as a last resort, as it may negatively impact individuals involved. Instead, technology companies focus on collaborating with suppliers to provide training and enhance visibility, aiming at addressing concerns and improving practices rather than

severing relationships outright. This approach seeks to uphold human rights standards within China's complex manufacturing landscape.

*10 May 2024*