

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT MODERN SLAVERY ACT 2015 (TRANSPARENCY IN SUPPLY CHAINS) REGULATIONS 2015

Monday 19 October 2015

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The Committee consisted of the following Members:

Chair: MR DAVID HANSON

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|--------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| † Baker, Mr Steve (<i>Wycombe</i>) (Con) | † Neill, Robert (<i>Bromley and Chislehurst</i>) (Con) |
| † Bradley, Karen (<i>Parliamentary Under-Secretary of State for the Home Department</i>) | † Prisk, Mr Mark (<i>Hertford and Stortford</i>) (Con) |
| † Bridgen, Andrew (<i>North West Leicestershire</i>) (Con) | † Quin, Jeremy (<i>Horsham</i>) (Con) |
| Campbell, Mr Gregory (<i>East Londonderry</i>) (DUP) | † Smith, Angela (<i>Penistone and Stocksbridge</i>) (Lab) |
| † Champion, Sarah (<i>Rotherham</i>) (Lab) | † Streeting, Wes (<i>Ilford North</i>) (Lab) |
| Crawley, Angela (<i>Lanark and Hamilton East</i>) (SNP) | † Thomas, Mr Gareth (<i>Harrow West</i>) (Lab/Co-op) |
| † Elphicke, Charlie (<i>Lord Commissioner of Her Majesty's Treasury</i>) | † Tracey, Craig (<i>North Warwickshire</i>) (Con) |
| † Hayman, Sue (<i>Workington</i>) (Lab) | † White, Chris (<i>Warwick and Leamington</i>) (Con) |
| † Huddleston, Nigel (<i>Mid Worcestershire</i>) (Con) | Fergus Reid, <i>Committee Clerk</i> |
| † Lewell-Buck, Mrs Emma (<i>South Shields</i>) (Lab) | † attended the Committee |

First Delegated Legislation Committee

Monday 19 October 2015

[MR DAVID HANSON *in the Chair*]

Draft Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015

4.30 pm

The Parliamentary Under-Secretary of State for the Home Department (Karen Bradley): I beg to move,

That the Committee has considered the draft Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015.

It is a privilege to serve under your chairmanship today, Mr Hanson. I believe that it is the first time that you have chaired a parliamentary Committee. I congratulate you on this elevation to being a more senior Member of the House of Commons, but I will miss the sparring that we enjoyed when you were on the Front Bench. I welcome the hon. Member for Rotherham, who is a worthy addition to the Front Bench. I look forward to working with her on our shared policy area.

The draft regulations were laid before the House on 7 September. The Modern Slavery Act 2015 includes a landmark transparency in supply chains provision. The provision will require all commercial organisations above a certain turnover threshold that carry on a business in the United Kingdom to disclose what steps they have taken to ensure that their business and supply chains are slavery free. Requiring commercial organisations to be transparent about such activity will give the public, consumers and investors the necessary information to make informed choices about where they shop and with whom they do business. Many businesses are already taking action to prevent modern slavery, but the legislation will create a race to the top and encourage those who have done little to do more.

The 2015 Act does not specify the turnover threshold at which the provision will apply because the Government wanted to consult on such an important issue first. The Government have always wanted to create a level playing field between businesses with the resourcing and purchasing power to take action, while avoiding placing any undue burden on smaller businesses. To get that right, we decided to consult first and then set the threshold in regulations after the Act was passed.

The Government held a public consultation on the turnover threshold and the content of statutory guidance for businesses between February and May this year. Responses were received from a range of businesses, business groups, non-governmental organisations and others, with respondents overwhelmingly supporting a £36 million threshold. Many respondents noted that such a threshold would align with the definition of a large company in the Companies Act 2006, providing clarity and consistency for businesses.

The Government agreed with the responses, so the draft regulations specify that the provision in the Act will apply to all commercial organisations with a total

turnover of £36 million or more a year. The turnover threshold reflects the Government's ambition in this area, because it was the lowest threshold suggested in the consultation, thus capturing the most businesses and creating the broadest level playing field of the options considered.

The regulations specify how total turnover should be defined for the purposes of the provision. The total turnover of a commercial organisation is calculated as its turnover and that of any subsidiary undertakings. Therefore, in calculating total turnover, parent companies will have to include the turnover of all their subsidiaries when considering whether the provision applies.

The Government are determined to ensure that this important provision works effectively on the ground in the long term, which is why the regulations require the Secretary of State to publish a report at least once every five years, setting out the regulations' objectives and assessing the extent to which they are being achieved and whether they remain appropriate. That will ensure that the provision remains relevant and effective for businesses tackling modern slavery risks in future.

The UK is the first country to introduce this kind of transparency in supply chains legislation in relation to modern slavery. This ambitious legislation will help to ensure that UK consumers do not unwittingly drive demand for modern slavery anywhere in the world and that the UK is recognised as a world leader. For this groundbreaking legislation to work effectively, it is vital that it applies to the right businesses with the resources and purchasing power to effect real change and that the provision is kept under close review. The regulations will ensure that that is the case, and I commend them to the House.

4.34 pm

Sarah Champion (Rotherham) (Lab): It is a huge pleasure to serve under your chairmanship, Mr Hanson. I have been very proud to serve with you on the Benches and know that you will be very able in your guidance of the Committee. It is also a pleasure to speak on these regulations, because the Minister took a different approach with the Modern Slavery Act 2015: a cross-party Committee worked on the drafts and we then went forward in a collaborative manner. The Act is much stronger for that.

We have no objections to the regulations. We like the fact that they were consulted on and that 79% of those who responded agree with the level set, to follow the Companies Act 2006. Nevertheless, I would like some assurances. Throughout the lifetime of the 2015 Act, we have had concerns that companies are being asked to supply the information that "may" be included. The Government argue that that gives businesses the flexibility to choose what works best for them to tackle slavery, but the fundamental issue with the Act is that there is no information on what businesses must include. That allows businesses to pick and choose what to include, which prevents direct comparison between business reports, and allows companies to highlight strong and, potentially, very weak points. Ultimately, that takes away the teeth from the Act.

There is also a danger of slavery and human trafficking in the supply chains of smaller companies. I appreciate that that is difficult to legislate on, as smaller companies

lack the resources to conduct due diligence, but the issue demands highlighting. How does the Minister plan to address the smaller companies that might flout the legislation?

4.36 pm

Karen Bradley: I thank the hon. Lady for her comments, particularly those on the Modern Slavery Act 2015. She was an active member of the Bill Committee, and I agree that the Act is better legislation as a result of the extensive consultation and collaborative work from across the House.

The hon. Lady discussed what must be included in the scope of the declaration. We will, of course, issue guidance to accompany the regulations. We have again consulted widely with business and business organisations to ensure that the guidance is relevant and appropriate. One of the biggest issues we found was that, although businesses were crying out for legislation on slavery and people trafficking, they were also concerned about how they could implement the requirements of such legislation. We therefore worked with businesses to ensure that the guidance reflects that and to give them the support that they need. Ultimately, it is for businesses to ensure that consumers know what they are doing and what they are buying, so we feel it is right to leave a degree of flexibility. Consumers, NGOs and others will push to ensure that the race to the top that we hope to see does actually happen.

The hon. Lady asked about small companies. She is right that we did not want to impose an unnecessary burden on them, but let us be clear that there is no place for slavery in any supply chain. Although the legislative

obligation is on large companies—those with a turnover of more than £36 million—we do expect small companies to look for slavery and ensure that there is none in their supply chains.

Andrew Bridgen (North West Leicestershire) (Con): Does my hon. Friend the Minister agree that a lot of small companies will be part of the supply chain for large companies, so they will be covered under the legislation?

Karen Bradley: I thank my hon. Friend, who makes the exact point I was coming to. There are many small companies in the supply chain. On the whole, the small companies that are the lifeblood of industry in my constituency are suppliers to the larger business that will be reporting and will expect those smaller companies to provide the information required to make appropriate and user-friendly reports.

This legislation is about putting power in the hands of the consumer and saying to the British public that they will have a groundbreaking provision that will help them to make informed decisions about whether they want to buy goods from businesses that do not take the issue seriously. Businesses themselves can come out and be proud of the work that they are doing to ensure that there is no slavery in the supply chain. I am confident that the regulations will help to ensure that the UK is, and is seen to be, the world leader that we are on modern slavery.

Question put and agreed to.

4.40 pm

Committee rose.

