

Rt Hon Dr Vince Cable, MP
Secretary of State for Business, Innovation and Skills

January 22, 2014

Re: The European Commission's proposal on the disclosure of non-financial information by companies

Dear Business Secretary,

Many thanks again for the honor of sharing the platform with you at the launch of the UK Government's plan to implement the UN Guiding Principles on Business and Human Rights.

I understand that discussions at EU level on the proposed non-financial reporting directive are reaching their conclusion. This presents a significant opportunity to put in place a requirement that is likely to improve the way companies report on their social and environmental impacts.

Given that the UK has recently taken the very positive step of amending its own legislation to require company directors to reflect human rights issues in their Strategic Report, it would make sense for the UK to push for similarly robust reporting standards at EU level. This would also support the kind of policy coherence with regard to business and human rights that the UK Government's National Action Plan rightly aims for.

I am aware that there is a school of thought that considers companies need the flexibility to report to any standards they choose, and that the UK's position has at times seemed to reflect this view. However, this overlooks the fact that the UN Guiding Principles (UNGPs) have the in-built flexibility to apply to all sectors and companies, while enabling them to adopt policies and processes appropriate to their size and circumstances. The UNGPs are not prescriptive with regard to the scale and complexity of the means through which enterprises meet their human rights responsibilities. As you may be aware, a letter reiterating support for the inclusion of international normative frameworks in the EU Directive has been signed by leading European and global investors, including asset managers and pension funds that represent over 25 trillions Euros in assets.

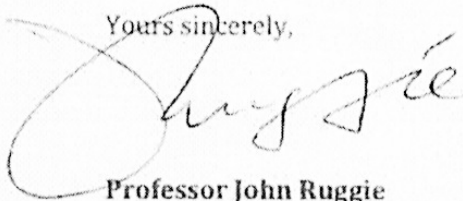
One of the key concepts in the UNGPs is 'due diligence', which in essence requires companies to assess the actual and potential human rights impacts with which they might be involved – including through their supply chains; to integrate and act upon their findings; to track their responses, and to communicate how these impacts are being addressed. I have heard directly from numerous companies the immense value of due diligence for managing human-rights related risk, and I believe

that it will be helpful for companies if this concept becomes part of the EU reporting Directive. This will in turn enable companies to report on human rights related risk in a manner that is both comparable across companies yet also fully flexible to their different sizes, types and operating contexts. Moreover, I would encourage that the EU Directive should embrace all large companies, not just listed ones. Large non-listed companies are currently able to operate to lower standards of transparency and conduct, which sets a split-level playing field on an issue that is relevant not just to listed companies and their shareholders, but to all businesses and the societies in which they operate.

I hope your Department will be able to support the kind of reasonable but robust provisions I refer to above, to achieve an effective EU non-financial reporting directive.

Please don't hesitate to let me know if I can assist further in any way.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Ruggie', written over a light blue circular background.

Professor John Ruggie

Chair of Shift

Berthold Beitz Professor in Human Rights and International Affairs, Harvard Kennedy School