

CORE Coalition fringe event, Liberal Democrat conference, Glasgow, 2014

Business and Human Rights: A Liberal Cause

Tuesday 7 October 2014

Summary of speeches by panellists

Video Part 1 of 4

http://youtu.be/CmkpNGvNpsc?list=PLwfiZhVTtVJP9RDrMdbR2OD_TCrI2aO

Andrew George MP (Chair): Welcome and introduction

Overview of CORE Coalition and the business and human rights agenda. Summary of the Grocery Code Adjudicator Act and issues with supply chains. Andrew posed the question: what role should the British Government play in addressing the concerns associated with British businesses operating overseas and their impacts on developing countries?

Alistair Dutton, Scottish Catholic International Aid Fund (4 min 20)

SCIAF works closely with CAFOD (Catholic Aid Agency for England and Wales) and Caritas Ireland.

Range of scale of business operations, from street vendors to multinationals.

SCIAF and NGOs in general are not anti-business but pro-human rights.

Business generates economic growth and jobs and lifts people out of poverty. Eg. SCIAF helps people with disabilities in South Sudan to start their own business. Likewise, with survivors of sexual violence in the Great Lakes region of East Africa – empowerment through loans, training and access to markets.

Corporations also provide jobs and contribute to the local economy. However, the activities of some companies can be detrimental resulting in human rights abuse and environmental degradation.

Reference to SCIAF work in Colombia and foreign mining companies exploiting huge areas of land, violating the human rights of indigenous communities. Large-scale mining will destroy the local environment and inhibit their abilities to hunt, farm and fish.

The Catholic fund agencies are inspired by the social teaching of the Catholic which offers another perspective of thinking about business and development.

The Papal Encyclical Caritas in Veritate, was written immediately after the financial crash of 2008. Pope Benedict reminded us of some basic truths: the core purpose of life is not for the good of itself, but for the good of human beings. The core purpose of the economy is not for the good of itself, but for the good of the people who live and work in it.

Solutions: many voluntary measures already set out what states and businesses should do to act responsibly. But governments need to move beyond advice and guidance into greater monitoring and regulation.

The UN Guiding Principles on Business and Human Rights were adopted in 2011 and recommended companies adopt a due diligence approach. This should also mean reporting on its effectiveness publicly. These were reflected in the UK National Action Plan but only refers to UK listed companies, creating a difference in competition.

Lack of transparency and information is a major obstacle for monitoring the activities of businesses. This information should be accessible to citizens so that they and their governments can hold them to account.

Progress: From 2016, some large companies will have to report on the social and environmental impacts. However, those not listed on the LSE are not covered. Extending these requirements would be crucial for fair competition.

The current Modern Slavery Bill is a good opportunity to strengthen the due diligence process and to increase transparency within supply chains.

In Europe the UK also has the opportunity to press for improved corporate behaviour. To address the trade in conflict minerals, the EU is currently proposing a voluntary scheme on due diligence for a number of EU-based importers. The proposal's aim is laudable, but as it stands it is not strong enough. Reporting on sourcing of raw materials should be mandatory and include companies that first place products or component parts on the EU market. It needs to look at the whole supply chain. This will help in conflict-stricken countries such as Myanmar and the DRC, who are the very focus of our aid flows.

What we do with one hand, we undo with another.

Scotland procures £9 billion of goods and services using the public purse. Public bodies, too, should be required to purchase responsibly. The Scottish government could take a proactive role raising awareness among Scottish businesses about their obligations.

Conclusion: Much of thinking on this subject has already been done. And much of what is needed already exists. But it's voluntary and only applies to a few. We want standard reporting requirements so we can make comparisons between businesses. If mandatory, it will create a strong, fair and just framework for all businesses to compete. It would help to protect against human rights abuses, and protect everyone – particularly the poorest and most marginalised.

Louise Rouse, Share Action (19 min 45)

Business and human rights is a very liberal cause – and reporting, as it relates to human rights, is very much a Liberal Democrats cause. Last year's manifesto included a commitment to reintroduce the requirement for a financial review. They carried this into the coalition agreement and it led to the reforms of company reporting on the UK statute book.

Louise was formerly a corporate lawyer; even worse: a banking lawyer. Not speaking from an anti-business platform. However, human rights have been made subservient to business, particularly in large parts of the world where governments and media are weaker and corruption is rife.

Question: How do we elevate human rights so they take their proper place above business? Reporting is key here, and the information flow to stakeholders. Louise's role is to raise social and

environmental issues with her investors and explaining to boards why they should take an interest in these issues.

Reports are what are given to investors. Investors cover thousands of companies. Investors don't know everything about every company they invest in. Many of them were taken by complete surprise by Rana Plaza. Investors rely on the information companies give them.

Another traditional territory for this Liberal Democrat government has been looking to the investors and owners of companies to take responsibility. Yet, there are still deficiencies in these reporting framework. We should seek to reform and the Lib Dems are the party that have taken leadership.

Modern Slavery: from trafficking to exploitation. The Bill currently going through parliament is a fantastic advance but unless it includes a provision for the role that business plays in it, it will continue. There should be some sort of supply chain transparency in their reporting. The question is how we address it in legislative reporting. This is such an important issue, business has a role to play in tackling it.

Louise focuses on listed companies. But many private companies have private equity investors. E.g. Boots, Ikea, Wonga, many pension funds. From a stakeholder perspective, they have a role to play. From the stakeholder perspective, they are not completely removed simply because they are not listed.

It's important that we get it on the books, even if it is at first a transitional stage.

In terms of modern slavery, if you leave it open for companies to decide, it will not make great reading. It will mean the same 20 pages of blandness for every company. This Bill is a real opportunity to put to the test what reporting can do.

Tax: This was a very boring subject. It has now exploded.

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http://youtu.be/RIEXjiFxQ2w?list=PLwfiZhVTtVJP9RDrMdbR2OD_TcRI2aO

...Louise Rouse continued

We're seeing country-by-country reporting disclosed to the tax authorities, but not to the public/investors.

E.g. where public disclosure makes a difference – Rio Tinto is currently the only company in the FTSE100 that voluntarily discloses payments over \$1m made by its entities around the world to governments. When ShareAction reviewed the report, they saw that they paid a lot of tax in Singapore, where there aren't a lot of mines(!), and they didn't pay much tax in countries where they have a lot of mines. On the basis of this disclosure, they were able to ask Rio Tinto about their tax planning.

Sometimes people think NGOs are over-demanding, requesting too much paperwork. NGOs aren't asking for over-regulation. We want effective regulation for disclosure of information to allow us to go to the next stage for monitoring corporate behaviour.

In a New York meeting last week, Louise met with a group of major food companies that admitted it was only after Rana Plaza that they looked in greater detail within their supply chains; and realised they had issues.

Business and human rights is very much a Liberal Democrat cause. Proper, effective company reporting is definitely a Liberal Democrat cause.

Jenny Willott MP (2 min 45)

Jenny has a background in international development and provided maternity cover for Jo Swinson in the Department of Business. Jenny wanted to make a difference from the start, including supply chain transparency. It was very evident from the start the difference in approach that Vince Cable, Jo and Jenny had in comparison to the Conservatives. "There has been a real drive within the department to do much more around human rights, consumer action." It's fair to say that this wouldn't have happened had it been a Tory only government. This is also important to Vince who happens to have worked overseas.

It's not just a partisan thing. William Hague was extremely important in driving through the National Action Plan on Business and Human Rights. There is a feeling [inside government] we can really lead the way in the UK, and perhaps influence change in other countries, particularly developing countries."

We've brought in extended narrative reporting and tried to ensure that companies are producing much more useful information.

It's a really important step: the company has to gather that information, they have to look at their carbon footprint, their environmental impact, impact on human rights, business relationships (including supply chains), how they manage those risks. It changes the way businesses look at it.

Consumer power is a very effective tool at driving change of behaviour in companies. E.g. Nestle and baby milk. Due to the campaign, Nestle has changed its branding due the impact on its business because British consumers weren't buying them.

There is a really strong case from a business perspective, of why businesses should care about this. Study after study by the likes of Goldman Sachs show that businesses who have clearer social and environmental policies perform better and are more sustainable in the long term.

After the monumental financial crash of 2008 there is a real feeling out there that people don't trust businesses anymore – have lost faith. This is an important way for businesses to prove to consumers that they care about social/environmental impact and are being transparent.

While in BIS, Jenny worked with the British Retail Consortium to devise guidelines for the companies. There are huge numbers of people out there in voluntary organisations who are quite happy to assist with information and even practical things like factory inspections – making it as easy as possible for businesses.

There are some UK companies that are really innovative in this area; leading the way. It gives them a competitive edge to be at the forefront. Marks & Spencer's has built its whole brand around 'Plan A, there is no Plan B' – relating to the environment. It's an enormous part of their marketing and branding. Post-Rana Plaza, Primark has an entire website dedicated to the work they are doing in Bangladesh; with the victims and in the communities.

H&M lists every single factory that manufactures clothes for their companies. They have social standards they require of these factories and will conduct drop-in inspections.

Increasing transparency on tax: The government has signed up to the Extractive Industries Transparency Initiative. It's a really good example of quite a simple idea: oil and gas companies

publish how much they pay the government; the government publishes how much they receive; and someone has a look to see if the two match.

The EU has so many directives (e.g. accounting, transparency) which look at making sure companies in the EU publish how much tax they pay project-by-project and country-by-country. It also provides information to western consumers so they can make informed decisions.

DFID has put funding into an International Labour Organisation programme to improve conditions of factories in Bangladesh. Also funding into an initiatives that brings together the private, public and voluntary sectors and trade unions to work together to improve working conditions. This can be applied across the board and not just in one particular country. There are lots of practical implications for UK companies and the way they operate in international territories.

“If we are to make a difference, it’s about making sure the regulatory framework is right so we have proper reporting, so human rights abuses are highlighted... and that information is available for investors and consumers.” There is more to be done to make that information easier to absorb and translated into a way consumers can use it to inform their behaviour.

“The Lib Dems are really committed to this. We feel that it will make a huge difference in the future. If we can make a change now, it will hopefully have quite a profound impact on the behaviour of businesses and consumers and drive a real change in the way that corporates behave in the UK.”

Questions from the floor – part 1

1) Diarmaid McDonald, Stopaids (20 min 10)

1. TTIP – we’re not anti-trade, just against anything that places the balance of power too much in the favour of businesses over the people it will effect. What will the effect be on social responsibility?
2. Rana Plaza – the fact companies were surprised by this is not forgivable.
3. Pharmaceuticals – there is a gross mismatch between the direction and investment and investment in R&D in medicines and the needs of the world. What are the panels thoughts?

2) Leyla, International HIV/Aids Alliance (22 min 30)

Can the panel give their perspective on the role reversal of corporates and the state? – in the case where the state is the perpetrator of human rights abuses. The Alliance works a lot on LGBT rights around the world and we’re trying to challenge the criminalisation of homosexuality in countries such as Uganda, India and Nigeria. We’re working with Brunswick PR to build a coalition of businesses against homophobia. What can the UK government can do to work with businesses to this end?

3) Clive Sneddon, Angus & Mearns Liberal Democrats (23 min 30)

Re. changing company culture – while we also spoke about existing legislation becoming mandatory. If the ultimate aim is to change company culture, is there another way, other than going for detailed, mandatory requirements – which always runs the risk of companies asking what the least is they can get away with – would it be possible to ask companies to treat all of their customers, employees and suppliers fairly? That too is a way to make them think more about their operations. If fairness in treatment of human beings is a core requirement of doing business, that will surely impact on how they do their work.

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http://youtu.be/7t1I-ueLEJE?list=PLWfiZhVTtVJP9RDrMdr2OD_TCtRI2aO

Responses from the panel – part 1

Jenny Willott

TTIP – it is a completely confusing issue with briefings contradicting each other. MPs won't be able to get to grips with it until the final agreement is proposed.

Louise Rouse (1 min 55)

Rana Plaza - Both investors and companies were surprised. You will find it difficult to find a company who can tell you who all of their suppliers are. This is an overarching problem that has come up through globalisation.

We have completely accepted the globalisation of trade, but the universality of human rights appear to have got lost. "You can not sacrifice the universality of human rights for globalisation of trade; simplify your supply chain if you can't visualise what's happening. If you can't work out whether it's horse meat or cow's meat in your supply chain, simplify it."

TTIP – the lack of awareness is the problem. This agreement could determine everything and no one has a clue what's going. Louise is concerned that fossil fuel companies would be able to sue countries for climate change measures that would shut their businesses down. A global trade agreement should be the subject of much greater scrutiny and debate.

LGBT/human rights – it is a concern for companies. If you're operating in a country that criminalises some of your staff, or is operating against your company culture, how do you tackle that? This is mentioned in the National Action Plan that companies should consult local embassies.

Jenny Willott (5 min 30)

LGBT/human rights – companies consist of employees. People want to work for a company that is a good employer who has good values. There is a real business case for companies getting involved in this as well. Getting companies to lobby behind the scenes can be far more effective than donating governments.

Alistair Dutton (7 min 05)

Voluntary vs mandatory – the questions is: what we're making mandatory and why, and what's voluntary and why? What's important is that the process of internal reflection happens. What is sensibly mandatory says is: demonstrate to us that you know what is going on within your four walls and you're reflecting upon that. What you do with that, where you set the bar on human rights, is for you to decide. But we will have the information as consumers to influence change.

If we have a responsibility to know what is going on in our supply chains, then we're going to change the culture within the company.

The voluntary bit is about changing the culture. The mandatory bit is about telling us what type of company you preside over.

Questions from the floor – part 2

John, Business in the Community (8 min 40)

We work quite closely with BIS. On this agenda, we do overcomplicate it even though we try and make it really simple. If you're a CEO, human rights is just one of the many things you have to deal with. I'd actually like to see the government taking a more proactive role in bringing this stuff together. In South Africa every company has to do an integrated report using existing matrices – human rights alongside environmental/carbon. Pulling it together like this is a lot easier for companies.

Geoff Payne, Hackney Liberal Democrats (9 min 35)

What is happening in the supermarket sector? Aldi and LIDL are presenting very cheap products and forcing their competitors to lower their prices. Do you think market forces are sometimes so strong that they will override these responsibilities?

Andrew Stunell MP, (10 min 30)

There is a new clause to the modern slavery bill which will be debated in the committee and is about amending the Companies Act. This will include the need to report on social and environmental considerations, and also modern slavery – making sure their supply chain is reported on as well. Andrew is the proposer of that clause and they have received a lot of push back from the government. The Home Office says they can't get other departments to agree. Andrew is interested in Jenny's views and whether she could put pressure on BIS ministers.

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http://youtu.be/2F4VWBC-RQo?list=PLwfiZhVTtVJP9RDrMdbR2OD_TcRI2aO

Responses from the panel – part 2

Louise Rouse (11 min 30)

Company reporting – it should be broader than simply saying, 'and your supply chain'. It should give some indication of what that looks like. It should be in the Director's report – Louise would like to see an amendment to the Modern Slavery Bill more like the Green House Gases amendment.

Market forces – This is why we you need regulation. There are times when market forces go against the common good. That is the role of government.

Alistair Dutton (0 min 55)

Is it a middle class obsession as the poor can't always afford to make ethical purchasing decisions? – nobody thinks the football governing body is anti-football because they put rules in place to make for a better game. People who are experiencing harder economic times are often aware of how it is harder for other people. Sometimes people who live in splendid middle-class houses are less aware and less willing to help others.

Jenny Willott (3 min)

Doesn't agree with Alistair's last point. BIS conducted surveys which identified that the poorest are more likely to make decisions entirely on price. They may be concerned about the impact but they buy what they can. It is not the top priority. People with kids are most likely to buy at the first place they can get it because they don't have much time. We need to do more to get people to think about this.

Louise Rouse (5 min 05)

One of the most important speeches made by Philip Clark, former CEO of Tesco, said that good food isn't cheap. What is the true cost of the product? If a company makes £billions in profit from selling shirts, they have to make sure that the shirt is made ethically. It becomes a wider society question.

Jenny Willott (6 min)

Modern slavery – this is a really challenging one within government. One argument says we should not pick out slavery as a separate human rights issue, otherwise it puts slavery above and beyond other human rights abuses.