a starter for 10:

issues & opportunities for Government on business, human rights and the environment
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10. The Bribery Act 2010
“There is no single silver bullet solution to business and human rights challenges. There are only many small ones.”

This briefing outlines the key UK business, human rights and the environment issues to be addressed in the coming twelve months. Work on these priority issues and opportunities should result in UK businesses having a clear understanding of what non-financial standards of conduct they are expected to meet and also improve UK company human rights impacts overseas.

1. Upcoming Bill on Access to Justice

The Ministry of Justice is expected to table a Bill soon after the 5th May 2011 elections, including the conclusions of Lord Justice Jackson’s review. This would significantly reform civil litigation funding and costs. Leigh Day & Co is currently the only law firm in the UK which represents overseas claimants in holding Multi National Corporations (MNCs) to account for human rights violations in developing countries. The Jackson review includes measures which Leigh Day & Co claim will provide a powerful deterrent against claimants' lawyers taking on such cases in the future. Past cases have resulted in out of court settlements for thousands of people, such as Lubbe & ORS v Cape PLC and Motto & ORS v Trafigura.

For discussion:

1.1 In what ways will these proposals affect access to justice for overseas victims of UK companies’ operations?
1.2 What actions should the government be taking to ensure overseas victims of UK company human rights abuses have access to justice?
1.3 What learning have businesses and government taken from past legal cases?

2. Implementation of the United Nations Framework on Business and Human Rights

The Special Representative to the Secretary General, Professor John Ruggie (the SRSG) has led the development of this framework. His mandate ends in June 2011, which is also when the Human Rights Council will agree a policy framework and next steps to operationalise it. The UK government have been strong supporters of the SRSG’s mandate, but it is unclear what the government’s plans are to implement the Human Rights Council’s recommendations.

For discussion:

2.1 What are the government’s strategies for implementation of the SRSG’s framework and guiding principles?
2.2 What should the government do to ensure implementation is effective?
2.3 What should the government do to ensure that all UK businesses carry out human rights due diligence?
2.4 How should the government engage with the follow up of the SRSG’s work, after his mandate ends in June 2011?
2.5 Has the FCO set out a strategy which sets out what departments across Whitehall are doing on each of the Guiding Principles? Will a baseline study be carried out?
2.6 What review and evaluation mechanisms will the government put in place to measure progress and to ensure progress is made? To what extent will Civil Society Organisations and other stakeholders be included in the definition of this strategy and monitoring of its progress?
2.7 What role should the Foreign & Commonwealth Office (FCO) advisory group on human rights have in implementing this UN framework and guiding principles?
2.8 What should be the role of the Department for International Development’s (DFID’s) new private sector team? What should be the role of DFID’s Development Finance Institution (The CDC)?
2.9 What actions has the Ministry of Justice taken to follow up its report: *The Private Sector and Human Rights in the UK*?
2.10 In the area of business and conflict:
   a) What human rights due diligence procedures does the Department for Business Innovation and Skills’ (BIS) Export Control Organisation (ECO) have in place, or plan to implement?
   b) What human rights due diligence procedures does the UK Trade and Investment’s (UKTI) Defence and Security Organisation (DSO) have in place, or plan to implement?

3. Proposal for a UK Commission for Business, Human Rights & The Environment

There has been much debate regarding opportunities to improve access to remedy through the introduction of a new non-judicial body, along the lines of a Commission for Business, Human Rights & The Environment. This idea is being proposed by members of the Joint Committee on Human Rights, the SRSG, the London School of Economics, the Corporate Responsibility (CORE) Coalition, Leigh Day & Co, the Liberal Democrats, and others.

*For discussion:*

3.1 Where are the current gaps in the UK provision of access to remedy for overseas victims of UK companies’ operations?
3.2 What role do non-judicial mechanisms play in ensuring access to remedy?
3.3 What should the government do to improve access to remedy for overseas victims of UK companies’ operations?
3.4 How would such a Commission function? What would be its mandate?
3.5 In February 2010, the government stated that it was considering this proposal. Where does the government stand on this proposal now?

4. Reform of Narrative Reporting Requirements

In the Coalition Agreement, the government stated it would reinstate an Operating and Financial Review (OFR) “…to ensure that directors’ social and environmental duties have to be covered in company reporting, and investigate further ways of improving corporate accountability and transparency.” Subsequently, the government’s ‘Plan for Growth’ includes plans to introduce amendments to the
Companies Act (2006), to simplify narrative reporting requirements and ensure companies present a clear, coherent and relevant picture of the business\textsuperscript{xv}. The government will consult on these proposals by the end of July 2011\textsuperscript{xvi}.

These reforms coincide with:

- The Climate Change Act (2008) requirement for the government\textsuperscript{xvii} to introduce mandatory Greenhouse Gas (GHG) emissions reporting for large public companies by 6\textsuperscript{th} April 2012\textsuperscript{xviii}.
- DG Internal Market and Services (DG MARKT) launched a public consultation on European Environmental & Social Reporting requirements in November 2010\textsuperscript{xxix}. The conclusions of this consultation are expected to be referenced in the upcoming CSR Communication produced by the European Commission\textsuperscript{x}.
- The Financial Reporting Council’s (FRC’s) current stakeholder consultation about the recommendations it published to improve company reporting and auditing\textsuperscript{xii & xiii}.

For discussion:

4.1 How is coherence on narrative reporting requirements being managed across Whitehall and the EU? How should the government manage this?
4.2 Which companies should be required to report on their environmental and social impacts?
4.3 What should be the criteria for the content of the report?
4.4 Should non-financial information be audited and if so, by whom?
4.5 Should non-financial reporting standards be enforced and if so, by whom?
4.6 Are there lessons which can be learned from the results of the recent House of Lords Inquiry into the financial audit market\textsuperscript{xxiii} to prevent similar challenges in the area of non-financial audit?
4.7 The government is “keen to avoid imposing unnecessary regulatory costs” and “the FRC and the Government are committed to ensuring good quality auditing in the interests of investors”\textsuperscript{xxiv}. How will the government ensure that the law and FRC standards are clear to investors and to businesses, so that they do not incur unnecessary compliance costs?
4.8 What should be the remit of the Financial Reporting Council (FRC) and its Financial Reporting Review Panel (FRRP)?

5. Review of the OECD Guidelines for Multinational Enterprises

At an international level, three review processes are all due to be completed by the end of May or early June 2011. These are: i) the OECD Guidelines for Multinational Enterprises, ii) the OECD Export Credit Agency Common Approaches and iii) the International Finance Corporation’s (IFC’s) Sustainability Framework. These processes are addressed in turn below.

The OECD Guidelines for Multi National Enterprises\textsuperscript{xxx} are multilaterally endorsed voluntary principles and standards, which aim to promote the positive contributions multinationals can make to economic, environmental and social progress. Adhering Governments are expected to comply with the OECD Council Decision and Procedural Guidance and recommend the guidelines to multinational enterprises operating in or from their territory. Government offices, called National Contact Points (NCPs), are mandated to ensure that national business community and other interested parties understand the guidelines, encourage adherence, solve related problems and report annually to the OECD Investment Committee.
Governments and other stakeholders are currently being consulted about the review of these guidelines and the update will be produced by May 2011.\textsuperscript{xvi}

\textit{For discussion:}

5.1 UK NCP decisions are not enforceable, or upheld by government. What is their purpose? What should be the role of the NCP? What has been the impact of UK NCP decisions to date?

5.2 Should governmental bodies withhold support to companies that have received a negative final statement from the UK NCP?

5.3 What should the government do to improve the environmental and human rights impact of the UK NCP? How should the government be working with the OECD to raise the performance of all 42 NCPs?

6. Review of OECD Export Credit Agency Common Approaches

These Common Approaches aim to harmonise the way that OECD states provide insurance and export credit services to corporations registered in their country that seek to do business abroad. To date, the Common Approaches have taken some steps to encourage Export Credit Agencies to categorise the environmental risk of projects they support, but little has yet been done in the area of human rights. Unlike other processes, this review has not had a period of public consultation and information about the review has not been made transparent. Only OECD member governments have seen the first draft of the revised Common Approaches and a second draft is expected to be finalised shortly.

The SRSG has highlighted two commonly unknown and unmeasured risks to ECAs:

1. Financial risk to the project may result from its adverse impact on the human rights of individuals and communities, which in turn could affect the ECA’s own exposure.
2. Moral, reputational, political and in some cases legal implications for an ECA when a client’s business activities or relationships contribute to human rights abuse abroad.

To avoid these risks, the SRSG suggests that ECAs should practice human rights due diligence, and require it of projects that receive ECA support.\textsuperscript{xvii}

\textit{For discussion:}

6.1 Should the second draft of the revised Common Approaches be subject to public consultation?

6.2 What would be the costs and benefits of this review process being made transparent?

6.3 Should the Export Credit Guarantees Department (ECGD) benchmark its standards against the IFC’s Social and Environmental Performance Standards, or against international environmental and human rights standards?

6.4 Should the ECGD carry out human rights due diligence for all projects prior to agreeing support? Should ECGD require companies receiving their support to carry out their own environmental and human rights due diligence, to demonstrate they have identified and are addressing related risks?

6.5 Should the human rights and environmental impact classification of all ECGD supported projects be publicly disclosed?

6.6 The ECGD’s Business Principles Unit (BPU) is responsible for the provision of project environmental and human rights due diligence. What has the government done to ensure the BPU’s staff have the necessary understanding, experience and resources to undertake effective human rights and environmental due diligence?\textsuperscript{xxviii}

6.7 Is there a need for periodic independent reviews of ECGD’s environmental and human rights due diligence? Should such information be made publicly available?
7. Revision of the International Finance Corporation's (IFC’s) Sustainability Framework

This framework sets out standards for managing the social and environmental risks associated with IFC activities, including social and environmental performance standards. A revised framework will be considered by the World Bank Group’s Board by June 2011 and is expected to include a new chapter on human rights.

For discussion:

7.1 How does the revised framework compare with internationally agreed human rights standards, in particular those set out by the SRSG, including due diligence and access to remedy?
7.2 How should the government seek to influence the revision of this framework?
7.3 How should the government seek to influence the enforcement of the implementation of this framework?
7.4 How do the practises of DfID’s CDC compare with internationally agreed human rights standards, in particular those set out by the SRSG, including due diligence and access to remedy?

8. The Role of National Human Rights Institutions: The Equality and Human Rights Commission

The Equality and Human Rights Commission (EHRC) is the accredited National Human Rights Institution (NHRI) for Britain. In October 2010 it set up a working group on business and human rights. This group has “the key aim of encouraging businesses to integrate human rights into their business practices” with a particular focus on business activities and human rights within the UK borders and producing practical guidance to UK SMEs. A draft final report mapping current business and human rights guidance and identifying gaps was expected by 28th March 2011, but the report will not be published until summer 2011.

At the 10th International Conference of NHRI’s in Edinburgh last year, the need was endorsed for NHRI’s worldwide to work more collaboratively with trade unions and NGOs to “support victims of corporate abuses, and facilitating their access to effective judicial and non-judicial remedies.”

For discussion:

8.1 In the case of UK business activity, what changes in NHRI mandates would be required to ensure their effective promotion and protection of human rights?
8.2 Should the EHRC have a role in addressing the negative impact of UK businesses on human rights? If so, what would that be?
8.3 What is the EHRC doing to improve access to effective judicial and non-judicial remedies for overseas claimants of UK company environmental and human rights abuses?
9. The Joint Committee on Human Rights (JCHR) Inquiry on the Private Sector & Human Rights

The JCHR published the results of this inquiry in November 2009\textsuperscript{xxxiv}. The JCHR’s key recommendations were that the government should:

- Define a coherent strategy to deliver on its human rights obligations.
- Ensure that all UK businesses have a clear understanding of their responsibility to respect human rights wherever they operate.
- Protect the UK’s reputation and the competitiveness of UK businesses overseas by taking a lead on defining a consistent international approach to business and human rights.

In the government response to the JCHR’s findings and recommendations, it stated:

\begin{quote}
\textit{“Government would like to see UK businesses taking account of their economic, social and environmental impacts and acting to address the key sustainable development challenges based on their core competencies whether they operate locally, regionally or internationally. The Government’s vision is to create a policy framework with levels of performance in the fields of health and safety, environmental impact and employment practices, whilst also encouraging and enabling wider responsible behaviour that stimulates innovation and application of best practice.”}\textsuperscript{xxxv}
\end{quote}

\textbf{For discussion:}

9.1 Since the government’s response to the JCHR inquiry, what work has been done and what results have been achieved?

9.2 What learning has the government put into practise from the findings of the JCHR?

9.3 What follow up do the JCHR plan on undertaking to ensure its recommendations have been addressed by government?

9.4 What has the government done to “play a role in encouraging UK businesses towards a due diligence approach to respect the human rights of those affected by their activities”?\textsuperscript{xxxvi}

9.5 What actions has the Ministry of Justice taken to follow up its report: \textit{The Private Sector and Human Rights in the UK}\textsuperscript{xxxvii}?

9.6 What actions have been taken by government to follow up the outcome of the 12\textsuperscript{th} November 2009 conference hosted by KPMG which found that: “businesses would benefit from clarification on what human rights mean to businesses within the UK; how success on respecting human rights could be measured and that a central source of information on human rights would be valuable.”\textsuperscript{xxxviii}

9.7 Does the government plan to develop a “central online portal for information on business and human rights”?\textsuperscript{xxxix}

9.8 Does the government plan to train UK Trade and Investment officers on business and human rights as part of their existing pre-posting training?\textsuperscript{xl}

9.9 What is the government’s list of “appropriate measures to support socially responsible investment”?\textsuperscript{xli} and what actions has it taken to implement these measures?
10. The Bribery Act 2010

The Bribery Act 2010 will enter into force on 1st July 2011. Guidance has been published to assist commercial organisations to both understand the Act and reduce their exposure to bribery.

For discussion:

10.1 The Serious Fraud Office is being disbanded, so where will/should the responsibility lie for enforcement of the Act?
10.2 Will there be adequate structures and resources in place to ensure that it is enforced effectively?
10.3 What mechanisms are in place to monitor businesses’ compliance with the Bribery Act 2010?
10.4 Will the Ministry of Justice’s guidance ensure that businesses implement this Act effectively?
10.5 What are the procedures a person who is not a UK citizen and who resides outside of the UK should follow to report suspected bribery by a UK company?

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April 2011

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References:

The FRC’s mandate is to “set standards for corporate reporting and actuarial practice and monitor and enforce accounting and auditing standards”. The FRRP is part of the FRC and “reviews accounts for compliance with the law and accounting standards”. However, statements by the FRRP have failed to clarify whether or not accounts have complied with the law or FRC standards. For example: the FRRP closed their inquiry into a complaint about Rio Tinto’s lack of narrative information in their reports after the Directors of Rio Tinto agreed to include such information in their 2010 report (see the statement by the Financial Reporting Review Panel on 15 March 2011 at: http://www.frc.org.uk/frp/press/pub2539.html). Since the FRRP made no comment whether this information was required to be disclosed by law, businesses are left uncertain regarding what the UK’s non-financial reporting standards are and what the role of the FRC and FRRP is, if they do not clarify what businesses must do to comply with UK law and FRC standards.

http://www.ifc.org/policyreview
http://www.business-humanrights.org/Links/Repository/1004149/jump

CORE calls to the EHRC helpline 7th and 13th April 2011. The report is being compiled by Middlesex University.

The findings of the inquiry are available here: Any of our business? Human rights and the UK private sector (24 November 2009), http://www.publishations.parliament.uk/pa/jt200910/jtselect/jtrights/5/5i.pdf