



JANUARY 2014

**STATEMENT Re: UK Government position on EU Council negotiations on proposal for disclosure of non-financial and diversity information by certain large companies and groups - 2013/0110(COD)**

The EU Council is currently negotiating this important proposal on how the largest companies report. We consider this reform a vital step towards improving corporate accountability and transparency, and implementing the UN Guiding Principles on Business and Human Rights (UNGPs).

As civil society organizations we have actively engaged with the UK Government on this issue. To date more than 60,000 CAFOD and Friends of the Earth supporters have called on the Government to support strong mandatory reporting requirements for large companies on environment and human rights impacts, including their supply chains. The UK has unequivocally adopted the UNGPs as a benchmark for UK companies and has stated that it is committed to their international application. We are therefore concerned that at present, the position adopted by the UK in the Council negotiations appears inconsistent with this commitment.

Our specific concerns regarding the UK Government's current position are as follows:

- 1) Both listed and non-listed companies should report. Large non-listed companies may be exposed to, or create the same risks in relation to the environment, human rights (including labour issues), anti-corruption and bribery, as listed companies.**
- 2) The proposed safe harbour clause must be qualified in order not to undermine mandatory reporting. Requirements must ensure that the safe harbour clause can be applied in clearly defined exceptional cases only, and does not lead to reports which mislead the public. Adding an additional materiality threshold to the existing "comply or explain" approach in the Commission's proposal is unnecessary.**
- 3) The non-financial statement should remain fully integrated into the annual report.**

We urge the UK Government to show leadership on these points during these negotiations ,

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