



friends of the earth



Save the Children



Contact: Marilyn Croser, CORE
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Jenny Willott MP,
Minister for Employment Relations and Consumer Affairs,
Department for Business, Innovation and Skills
via email

8 May 2014

Dear Ms Willott,

Request for a meeting to discuss progress on supply chain transparency

We welcome your recognition at the adjournment debate on 8 April of the need to tackle the shortcomings in corporate governance which have contributed to decreasing levels of public trust in business. It was particularly encouraging to hear that government is considering further steps to enable UK businesses to engage with their global supply chains, address human rights issues and report effectively on the relevant actions they are taking.

There are several important opportunities where your leadership will enable the government to deliver on this agenda. We would be keen to meet to discuss these issues, outlined below, in more detail.

The Modern Slavery Bill

With support from major businesses, the Joint Committee on the draft Modern Slavery Bill has recommended that section 414C of the Companies Act 2006 is amended to require quoted companies to report on the issue in their annual strategic reports. We support the Committee's view that voluntary initiatives alone will not be enough to ensure that all companies take the necessary steps to eradicate slavery from their supply chains, as well as its recommendation that BIS make a commitment to amending the Companies Act 2006.

Transposition of the EU reforms on non-financial reporting

The EU directive on disclosure of non-financial and diversity information will allow Member States the flexibility to broaden the coverage of the directive from just listed companies. In discussions with CORE members, BIS officials recognised that it is clear that many, large non-quoted companies do have significant human rights and environmental impacts. We therefore ask that the government begins a review of the need for non-financial reporting requirements for non-quoted companies under UK Company law.

The forthcoming directive will also require the European Commission to develop reporting guidance to include resource consumption reporting on land and water footprint, material consumption and greenhouse gas emissions. The government should build on the success of the greenhouse gas reporting requirements, and we are keen to engage with BIS on the UK's input into this process.

The Financial Reporting Council's (FRC) new guidance on the Companies Act 2006

Following the review of narrative reporting and the consequent revision of the Companies Act 2006 in October 2013, the FRC has been tasked with preparing guidance for companies on the new reporting requirements, including the specific requirement for all UK-listed companies to report on 'human rights policies and the impacts of those policies'.

Although at present there is no specific requirement in the Act for companies to report on their supply chains or business relationships, such a requirement is set to enter into UK law with the transposition of the recently agreed EU non-financial reporting directive. The new FRC guidance could lay the ground for the introduction of the new EU requirements by including good-practice examples on supply chain reporting. This would send a clear signal to companies that supply chain transparency is considered central to corporate accountability.

Given the effort and resources that BIS has put into reform of non-financial reporting, corporate governance and supply chain transparency, it is important that these changes deliver successful outcomes. To do this we believe that it is vital that you ensure that the FRC is effective in its role. These issues imply further dialogue. Marilyn Croser from the CORE Coalition will contact your private office to identify a suitable date for a meeting.

Yours sincerely,

Andy Atkins
Executive Director, Friends of the Earth

Philippa Bonella
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