

Investor Letter for UK Human Rights Due Diligence

We, the undersigned 39 investors representing over £4.5 trillion in assets under management and advice support a 'Business, Human Rights and Environment Act', ambitious UK primary legislation to mandate companies to carry out human rights and environmental due diligence across their own operations and value chains.

All businesses, including investors and other financial actors, have a responsibility to respect human rights and the environment. The process of continuously conducting robust human rights and environmental due diligence (HREDD) is a core requirement for businesses and investors in fulfilling that responsibility, as framed in the recognized international standards of the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. The investment community views rigorous due diligence legislation as good for businesses, investors, the economy, and the people it serves, as detailed in [The Investor Case for Mandated Human Rights Due Diligence](#), released in April 2020 and supported by over 100 global investors representing \$5 trillion in assets under management.

The UK government – a member of the UN Human Rights Council at the time of unanimous endorsement of the UNGPs in 2011 - has an opportunity to play a leading, proactive role both within the G7, where mandatory due diligence is currently high on the agenda, and globally where UK companies operating internationally are facing a growing web of due diligence legislation.

Investors can cause, contribute to, or otherwise be linked to adverse impacts through their investment holdings in companies or projects implicated in human rights and environmental harms. Comprehensive human rights and environmental due diligence by companies enables investors to identify the greatest risks to people and the planet linked to portfolios and to fulfill their responsibility to respect human rights. It allows investors to make more informed and sustainable investment decisions and demonstrate to beneficiaries that their money is being managed in line with international standards and expectations. Due diligence legislation will support investors' sustainability assessments, enhance risk analysis and processes for impact mitigation, and provide greater understanding of company operations, throughout the value chain. It will also enable investors to conduct better-informed engagement with investees, to respect human rights and give due consideration to environmental issues.

Governments have a duty to protect against human rights abuses, including those of businesses, through effective regulatory measures, particularly where voluntary corporate measures continue to leave significant gaps in human rights protections throughout value chains. Legislation can articulate the needed mandatory due diligence and contribute to a level playing field, increase legal coherence and certainty about the standards expected from businesses, clarify legal consequences for when those standards are not met, and increase engagement and leverage with value chain partners.

The European Commission is developing a new law, as part of the Corporate Sustainability Due Diligence Directive, mandating HREDD. The UK now has an opportunity to retain its leading role in business and human rights by bringing forward its own legislation.

Therefore we, as investors, make the following recommendations for robust UK legislation on mandatory human rights and environmental due diligence.

Due diligence processes aligned with international frameworks:

- In line with the requirements detailed in the UN Guiding Principles and the OECD Guidelines, businesses should have an obligation to identify, prevent, mitigate, and account for how they address their potential and actual human rights and environmental impacts through an ongoing due diligence process.
- Throughout the human rights and environmental due diligence process, businesses should meaningfully engage with actually and potentially affected stakeholders or their appointed representatives. Listening to the voices of workers, community members and others is vital to a company's understanding of risks to people and planet and strengthens its due diligence.

Scope:

- Mandated human rights and environmental due diligence should be cross-sectoral, covering the operations and value chains of all business enterprises and financial institutions, public and private, domiciled or based in, operating, or offering a product or service within the UK.
- The legislation should introduce an adaptable framework that sets an ambitious standard of conduct and requires the widest possible range of businesses to reach it. Rather than excluding smaller companies, the legislation should ensure proportionality by anchoring the due diligence requirements in the UNGPs and OECD Guidelines' understanding that, while the responsibility to respect human rights and the environment applies to all businesses, the means through which a company meets this standard will vary according to its size and the severity of its impacts, among other factors.

Remedy and accountability:

- Due diligence legislation should ensure accountability when businesses cause or contribute to harms, and should enable and support the provision of adequate and effective remedy. As laid out in the Pillar 2 of the UNGPs, dependent upon their connection to a harm, businesses should provide for, cooperate in, or use leverage to ensure remediation of adverse impacts in their global value chains and within their operations.
- Businesses should be held legally liable for harm, loss and damage arising from their failure to prevent adverse human rights and environmental impacts within their operations and throughout their global value chains and be required to adequately compensate victims of abuse. This should include appropriate administrative and civil liability legislative provisions for human rights and environmental adverse impacts within their operations

and throughout their global value chains, while also exploring the potential for other types of liability.

Enforcement:

- To ensure a level playing field in practice, the liability provisions must be enforced through the courts.

Governance:

- As investors, we look to good corporate governance to ensure that mandated due diligence requirements are fulfilled. Corporate boards should oversee and be accountable for the implementation of rigorous human rights and environmental due diligence processes; monitor, discuss, and report on their development; and ensure their results are reflected in forward-looking targets relevant for the prevention and mitigation of human rights and environmental risks and impacts and adequately considered and integrated in the company's overall strategy.

Finally, we renew our call on all governments to develop, implement, and enforce mandatory human rights and environmental due diligence requirements for businesses headquartered or operating within their own jurisdictions or, where appropriate, to further strengthen these regulatory regimes where they already exist.

Signed:

Abrdn

ACTIAM

Aikya

Apis Partners LLP

Ardevora Asset Management

BMO

Boston Common Asset Management

Brunel Pension Partnership

Cairn Capital Group Limited

Central Finance Board of the Methodist Church

CCLA

Charles Stanley PLC

Charles Taylor Investment Management Company Limited

Close Brothers Asset Management

Cometa Pension Fund

Dalriada Trustees

Digital Transformation Capital Partners

EQ Investors Limited

Equitile Investments Ltd

Ethos Foundation

Ethos Engagement Pool International

Future Super

Investec Wealth and Investment (UK)

Investor Alliance for Human Rights

Jupiter

Lady Lawyer Foundation (LLF)

Lady Lawyer Fashion Archive (LLFA)

Lady Lawyer Village (LLV)

Legal and General Investment Management

Local Pensions Partnership Investments

London CIV

Mineworkers' Pension Scheme

Niederösterreichische Vorsorgekasse AG

PIRC

Tulipshare

Storebrand Asset Management

UN Principles for Responsible Investment

Van City Investment Management Ltd

Zevin Asset Management