

Andrew Death
Deputy Director
Department for Business & Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY

16 August 2023

Dear Andrew

Acas and CIPD welcome the opportunity to respond to the Government's Non-Financial Reporting call for evidence. Together we commend to the Government the critical value of social factors within ESG to a pro-growth agenda and hence to value creation and risk mitigation.

The social aspect of ESG is less well developed or consistently reported upon as governance and environmental reporting. While we recognise the economic imperatives and global climate emergencies that require attention we also argue that matters of human and social capital also need to be prioritised by Company Boards. This was very much in evidence during the recent Covid-19 pandemic. Health and safety, labour and skill availability and job design and culture were all demonstrated to being material to company performance and therefore important and significant in their own right.

Our ask of Government is that you support a more strategic approach to social non financial reporting over the medium to long term. While some investors are focused on a narrow set of ethical and diversity dimensions of 'good CSR' there is robust evidence pointing to a need for Boards to identify a broader set of material 'S' dimensions to help businesses thrive and manage risks during uncertain challenging times and ultimately to drive value over the longer term.

Acas and CIPD have started to marshal the evidence on the evolving definitions of the 'S' dimensions. We are also reviewing the non-financial social metrics in UK and International frameworks to understand areas of commonality and gaps. We would be happy to share the evidence and emerging models with the Government in the Autumn.

Our response to the DBT call for evidence recommends:

- When considering changes to current legal requirements for companies to prepare non-financial information, that the Government be cognisant of the importance of 'S' factors to growth. There is a current gap in the way these are understood and used by stakeholders and investors, which is a risk to progress.
- The Government to invite Acas and CIPD to present their findings based on the large body of evidence demonstrating the positive link between material 'S' dimensions and long term value-creation and risk mitigation. Also on the implications for consistent reporting and benchmarking.
- That the Government acknowledges, and makes greater use of, the large body of management information available from Acas and CIPD on the causes of, and solutions to workplace conflict and what measurable practices create and build healthy, productive workforces.
- Using the shared convening powers of Acas and CIPD. There is a process of investor and corporate engagement planned over Q3-Q4, and the Government's involvement would be welcomed.

Acas and CIPD have each separately submitted detailed responses to the call for evidence, drawing on our rich research and insight on the workplace.

We would welcome further ongoing conversations to advance the UK's competitive advantage by engaging in a pro-growth conversation about the S in ESG.

Yours sincerely,



Clare Chapman
Acas Chair



Peter Cheese
CIPD CEO