

With Rights, Come Responsibilities

In recent years multinational corporations have faced criticism from consumers, community groups, non-governmental organisations and even the United Nations, for not paying sufficient attention to the side effects of their business activities. In their pursuit of profit, companies have been accused of everything from violating labour rights, to destruction of the environment, to co-operating with oppressive regimes.

As a result, there has been increasing awareness amongst company executives and employees that, in a globalised world, decisions and actions can have unforeseen consequences in many different locations. As this awareness has grown, so has the idea that corporations must ensure that, as a minimum, their business activities do not have an adverse impact on the various 'stakeholders' they affect – including workers, consumers, local communities and the environment. After years of investment deregulation and trade liberalisation, companies are realising that, with rights, come responsibilities. A number of firms have taken steps to identify and address areas where their activities pose a risk to the well-being of people and the environment.

Others have voluntarily signed up to codes of conduct that set standards for good corporate 'citizenship', and/or have entered into partnerships with state or non-governmental organisations to support community and environmental projects.

Change, however, has been slow and in many cases only superficial steps have been taken. A mismatched patchwork of voluntary best-practice standards and codes of conduct has materialised, obscuring the main priorities and encouraging companies to undertake a 'pick-and-mix' approach to corporate social responsibility (CSR).

For clear and consistent practices of CSR to emerge, companies need a common set of enforceable rules. This is where the Government must play a role. The current laws governing corporate conduct, set out nearly 150 years ago, no longer equates with the way businesses conduct their affairs in an age of increased globalisation. New company law legislation is now needed to level the playing field and ensure that corporations based in Britain are not only more responsible to their wider stakeholders, but are also legally accountable for their actions both here and overseas.

What is the CORE Coalition

The Corporate Responsibility (CORE) Coalition was formed in response to the Government's failure in the *Modernising Company Law White Paper* to specify rules requiring companies to be more transparent and be held accountable to their wider stakeholders.

The White Paper represented the most radical overhaul of UK company law in 150 years, presenting the Government with a unique opportunity to create better rules; however it fell short of requiring companies to consider the wide ranging impacts they have on our lives and to reflect stakeholder concerns alongside long-term shareholder interests.

The founding members of CORE were Amnesty International UK, Christian Aid, Friends of the Earth, New Economics Foundation and Traidcraft. The coalition is now supported by over fifty organisations, including NGOs, church groups and trade unions.



Our approach

The primary focus of the Campaign is the **Corporate Responsibility (CORE) Parliamentary Bill**. The Bill is based on the principles of accountability, through enhanced director's duties, responsibility to a wider group of individuals and greater transparency through company reporting in terms of social, environmental and economic impacts. The Bill is now supported by over 300 hundred MPs, across all parties.

Whilst the Bill is the central focus, it is not the only avenue by which the Campaign is seeking to effect legal changes to corporate accountability in the UK. The Government's ongoing review of company law presents an ideal avenue for many of the principles within the Bill to be integrated into the overarching set of laws governing the way UK businesses operate.

In addition to this, CORE has drafted recommendations for the Department of Trade and Industry on how directors' duties and the proposed Operating and Financial Review (OFR) can be strengthened to promote the above principles. We are also exploring opportunities for specific legislation to amend particular statutes that affect corporate governance.

The Campaign's emphasis is on building a strong broad-based coalition, information dissemination to raise public awareness and encouraging key decision-makers to maximise support for the CORE Bill. CORE is also building links with the socially responsible investment sector and engaging with the business community, many of which see the benefits of a common set of legally defined corporate responsibility standards.

Why a Bill?

The Government's approach to corporate responsibility thus far has been to allow companies to set their own standards, or to sign up to one of the multiple voluntary CSR codes of conduct now in place. The hope was that business would respond to encouragement rather than coercion, giving companies the flexibility to 'innovate' within their CSR programmes.

The results of this hands-off approach have, however, been disappointing. Many of the FTSE 350 companies still do not produce regular social and environmental reports, and a consistent standard does not exist amongst those that do. This can make it difficult to distinguish substance from gloss, and means that companies taking corporate responsibility seriously must compete with the 'free-riders' in their industry who do not.

The Government's proposals will still allow directors to ignore the company's social and environmental impacts. Under these proposals directors are only required to consider and report on these impacts when deemed *material*. Although this is a step in the right direction, it is unlikely to balance the needs of wider stakeholders with shareholders' interests.

The CORE Bill would require companies to report on their social and environmental performance using a recognised set of reporting standards. Beyond ensuring these basic requirements are fulfilled, companies would still have substantial flexibility in implementing their CSR strategies. The aim of CORE is not to stifle innovation, but to ensure that reporting takes place above a platform of minimum standards.

In short, the CORE Bill is the next step in achieving the principles and ideals of the 'responsible company' into common practice.



How will it work?

The five main components of the CORE Bill are:

- 1) Requiring companies to prepare and publish reports on any significant social, environmental and economic impacts (triple bottom-line) of any of their operations in the preceding year; and to make the reports publicly available.
- 2) Companies would have to take reasonable steps to consult and respond to opinions expressed by stakeholders who may be significantly affected by any proposed projects.
- 3) Stakeholders would have the right to gain access to information held by a company, where it would enable them to protect or exercise their rights; although this would not require the disclosure of confidential information.
- 4) Directors of companies would have a duty to consider the environmental, social and economic impacts of their actual and proposed operations; and to consider the interests of their various stakeholders.
- 5) Where the actions of corporations or their subsidiaries cause serious environmental damage or direct harm to workers, consumers or communities – whether in the UK or overseas – the company would be directly liable for damages.

Show Your Support

In recent years, a seemingly endless series of corporate scandals have hit the headlines; from major accounting irregularities, to ‘fat cat’ pay rises, to unethical business practices here at home and in developing countries. Trust between the public and big business is the lowest it has ever been.

People increasingly see the sense in a mandatory set of standards for corporate transparency and accountability in the UK. Yet despite this, the Government has been reluctant to take action that might upset certain business leaders and the conservative financial institutions of the City. This fear has turned into paralysis, despite all signals from both the public and the markets themselves, pointing to the need for legislation to create a level playing field and ensure all companies operate to a minimum set of standards, both in the UK and abroad.

Globally we see other countries, including the United States, introducing new laws and reporting standards to deal with growing public and investor concern with unethical corporate behaviour and concerns over their social and environmental impacts.

The Government’s on-going review of UK Company Law presents the ideal opportunity for the standards laid out in the CORE Bill to be adopted as law. Success, however, is likely to depend on a vocal and active set of supporters demanding these changes, which is why your voice needs to be heard – whether as a worker, consumer, businessperson or citizen.

Here’s what you can do:

- Contact your MP, asking them to support the CORE Bill by signing Early Day Motion 113 – Corporate Social Responsibility
- Ask your union, church group, community organisation or trade association to sign up to the Campaign (www.corporate-responsibility.org). Remember, good corporate citizenship affects everyone.
- Encourage your company to approach CORE to discuss how the proposals will help to reduce ‘CSR gloss’, promote sustainable business and reduce costs.
- Express your support, by joining CORE as an individual.

