

Who are we?



The Corporate Responsibility (CORE) Coalition is the UK's most active voice on corporate accountability, supported by over 130 organisations, including campaigning organisations, faith-based groups, community organisations, academic institutions and trade unions. CORE believes that the voluntary approach to corporate accountability has failed and is calling on the UK Government to enact laws that will ensure profit-making is done within the context of businesses' responsibilities to their stakeholders.

Further information: www.corporate-responsibility.org

Trade Justice Movement

The Trade Justice Movement is a coalition of over 80 UK organisations with over 9 million individual members. Together our member organisations and supporters are campaigning for fundamental changes to the unjust rules and institutions governing international trade, so that trade is made to work for the benefit of poor people and the environment. Our member organisations include development and aid agencies, Fairtrade bodies and companies, environmental organisations, trade unions, student and faith groups.

Further information: www.tjm.org.uk



Friends of the Earth

actionaid



Trade Justice Movement

Make UK business work for people and planet

Company Law Reform – The Companies Bill

Corporate Responsibility (CORE) Coalition / Trade Justice Movement
Parliamentary Briefing for MPs
September 2006

Last chance to make UK companies fit for the 21st century





Overview

The Company Law Reform Bill – the biggest reform of UK company law for 150 years – is set to reach its Third Reading on 19 October. The Trade Justice Movement and the Corporate Responsibility (CORE) Coalition – together representing more than 130 organisations and 9 million individual members – are campaigning for the tightening of the Bill's provisions on corporate social and environmental performance.

The Bill provides Parliament with an unmissable opportunity to put in place a legal framework, which ensures that UK companies are fit for the 21st century, combining successful enterprise with ethical and responsible corporate behaviour. But to achieve this, the Bill must be amended further and a bolder approach is needed.

Why do we need to amend the Bill?

At present the Bill places too much reliance on voluntary corporate social responsibility (CSR). It assumes that market pressures will drive companies to act responsibly and that such responsible behaviour will be in the long-term interests of shareholders. Unfortunately, our evidence shows that this is not always the case.

While many UK companies do take their wider responsibilities to society seriously and seek to minimise the negative impacts of their activities, member organisations of CORE and the Trade Justice Movement have uncovered many examples of UK companies taking shortcuts on health and safety and environmental protection overseas and failing to respect the basic rights of their workers and the local communities affected by their operations. Voluntary measures, such as codes of conduct or voluntary social and environmental reporting have failed to address these issues and deliver real change. Amendments to the Bill are needed to ensure that companies are:

1 Transparent:

Companies should be legally required to report on their social and environmental impacts.

2 Responsible:

Directors should be legally obliged to take reasonable steps to minimise any significant damage done to workers, local communities and the environment.

3 Accountable:

People overseas who are harmed by the activities of a UK company should be able to take action against them in a UK court where remedies at home are inadequate or unavailable.

What changes do we need?

1 Transparent

Requiring companies to produce annual social and environmental reports in the same way as they are required to annually disclose financial information is an essential first step on the road to better corporate social and environmental performance. The provisions in the Bill should be strengthened so that all 36,000 public and private, large and medium-sized UK companies are required to report on social, environmental, employee and supplier issues. The current draft only applies this requirement to publicly listed companies in the UK: only around 1,500. This means that there is an unfair advantage between companies who may be operating within the same sector. There should also be clear, mandatory standards on how companies report on these issues, and adequate audit requirements to ensure that the information included is correct, reflecting stakeholder concerns.

2 Responsible

The Bill sets out in law for the first time the duties of company directors, which previously were only defined by common law. In fulfilling their duty to shareholders, the Bill requires that directors prioritise the interests of shareholders and only 'have regard to' other factors such as the interests of workers and local communities, and the protection of the environment.

CORE and the Trade Justice Movement believe that this is too weak to lead to significant practical improvement in corporate social and environmental performance. The Government must create a broad incentive for company directors to be proactive in this area by introducing a positive duty to take reasonable steps to:

- Promote the interests of the company's employees;
- Foster the company's business relationships with suppliers, customers and others;
- Minimise any significant adverse impact of the company's operations on the community and the environment; and
- Reflect appropriately high standards of business conduct and ethics.

3 Accountable

Inadequate enforcement of regulation, underdeveloped legal systems, and complex corporate structures mean that it is not always possible for people overseas who are harmed by multinational companies to access adequate legal redress at home. New legal provisions must be considered as a matter of urgency to protect the rights of people overseas who face significant harm as a result of the activities of a UK company, enabling them to take legal action in the UK, with access to legal aid, if they are unable to access justice in the country where the abuse has occurred.

What can you do?

The Trade Justice Movement and the Corporate Responsibility Coalition are calling on MPs to support our proposed amendments to the Company Law Reform Bill during the key votes at Report Stage and Third Reading on 17, 18, and 19 October 2006.

Further Information

For more information about the campaign or our proposed amendments please contact:

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Quick Facts

52 of the 100 largest economies in the world are corporations

Around 70% of global trade is carried out by multinational corporations

Over 750,000 people in the UK have cast their Vote for Trade Justice, calling on the UK Government to make laws that stop big business profiting at the expense of people and the environment

90% of UK voters believe the Government should set out enforceable rules to ensure that companies are 'socially responsible'

Over 100,000 people have already lobbied their MP in support of proposed amendments to the Company Law Reform Bill

