



## Company law - questions and answers

### What are you calling for?

The UK government introduced a new Company Law Reform Bill - which outlines how companies should behave. We called for the Bill to be amended to include several new clauses.

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### Why do we need a new law?

Trade generates enormous wealth - trillions of dollars every year. And companies are powerful players. They are responsible for two-thirds of global trade and therefore have enormous influence over millions of the world's poorest people.

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### How could the new law help poor people?

Done well, trade has the potential to lift millions of people out of poverty. But all too often poor people are not seeing the benefits.

The amendments we asked make it a legal duty for companies to respect minimum international standards in their activities overseas. This would deter exploitation and help to ensure companies act as a force for good in poor countries.

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### Are you anti-business?

No - after all, we run a business ourselves! We believe companies can be a powerful force for good in poor countries. But it shouldn't be left to chance. We are not against companies making a profit but this should not be done at the expense of people or the environment.

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### Did companies resist the new law?

We had discussions with some large UK companies about corporate responsibility and the Company Law Reform Bill.

Although the Confederation of British Industry (the main UK business lobby group) publicly stated its opposition to new rules on companies, many enlightened businesses privately stated that they see a benefit in ensuring there is a level playing field that requires all companies to meet minimum social and environmental standards.

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### Won't this law make UK businesses uncompetitive?

Ultimately we need all companies to be subject to the same regulations and international solutions to ensure good corporate behaviour. One way forward would be to have international rules on human rights to be applied to business through the United Nations. We are also pushing for World Trade Organisation agreements to conform to International Labour Organisation (ILO) conventions that enshrine basic rights for all workers.

However companies are responsible for one third of UK investment overseas and 25% of the world's largest companies are listed on the London Stock Exchange - which makes them a pretty powerful bunch. We think the UK government should lead the way and set a precedent internationally.

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### What were you calling for directors to do?

We called for company directors to be aware of the impact of their decisions and activities on all 'stakeholders' (including local communities, employees, suppliers and the environment) not just shareholders, and to take steps to reduce negative impacts.

We also campaigned for companies to be required to report publicly on their social and environmental impacts and for a form of redress to be put in place.

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Aren't voluntary codes better than laws?

Some companies have put a lot of time and energy into drawing up 'corporate social responsibility' procedures and policies. But unfortunately there are some companies that hide bad behaviour behind glossy brochures and fine-sounding promises. That's why we need laws that will require all companies to produce thorough and useful reports on their impacts.

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What about small businesses isn't this a huge burden for them?

Many of the UK businesses we are concerned about are large companies with an international reach. These companies, rather than small UK businesses, are most likely to be affected by the changes we are seeking to company law.

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Won't the costs of regulation be passed on to suppliers, producers and consumers?

Most costs are likely to come in the changes companies may have to make to their reporting and auditing systems. Rather than being passed to suppliers or consumers, we believe businesses should bear any additional costs. Plus there is strong evidence that the benefits to a company of monitoring its supply chains outweigh any costs.

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Who supported this campaign?

The Trade Justice Movement (a coalition of over 60 organisations) and the CORE campaign (a coalition of over 130 charities and campaigning organisations) are all behind this call.

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