TRAIDCRAFT
Fighting poverty through trade

Corporate accountability

Companies control two-thirds of world trade and some are more powerful than nations. If we want to make sure that trade helps to end poverty, we have to look at companies and the rules and regulations that govern them. Company Law outlines what companies are legally required to do as they do their business, and what directors should consider when they make their decisions.

What's the problem?

Although companies can influence the fortunes of thousands of the world's poorest people through investment and trade, whether they behave for good or ill has largely been left to pure chance.

Companies have all too often pursued profit at the expense of people and the environment, thereby undermining international development.

One way to tackle this is through government regulation to encourage the good that companies can do and guard against the harm.

Background to the bill

The Companies Act was passed by Parliament in 2006 after nine year review process to modernise company law.

The review process highlighted a crucial need to ensure that directors behave with far greater consideration for their impacts on their stakeholders. There is urgent need for companies not only to share more information with these groups but also to address these people's concerns and grievances.

Campaigning

Traidcraft joined with other organisations, as part of the CORE coalition, and campaigned during the debates around this bill.

We briefed ministers, MPs, several bishops and peers. This resulted in constructive debates about the Companies Bill in both houses. The Bishop of Winchester spoke in favour of reporting on companies' supply chain impacts in the House of Lords debate.

We found there was a substantial groundswell of concern about the impact businesses have on vulnerable people's lives amongst our supporters - our postcard campaign was the most supported campaign action to date. As a result of this public support and other actions, some of our suggested issues/amendments were addressed in the text of the final act.

The outcome

While the Companies Act is not as progressive as we might like it to be, it highlights to companies' directors that their impacts on other stakeholders are central to the way they do business.

Following the Companies Act, from October 2007 company directors are enabled to consider these relationships and quoted companies are required to annually report on the following issues:

- Directors of companies will now be required to "have regard to" employee, community, environment and business relationships (with suppliers & customers), as well as having a reputation for high standards of business conduct, as they make decisions to benefit shareholders.
- Large UK companies with publicly quoted shares will have to report on employee, community, contractual relationships and environment issues as part of their annual business reviews.

However, the campaign to reduce the harmful impacts that companies have on their vulnerable stakeholders is not over yet. We will monitor how the Act is put into practice, and input into the Government's review of the Companies Act implementation in 2009.

We will also be researching with others how to work to create effective mechanisms that enable stakeholders which have been harmed to hold companies for their impacts, and seek redress.

Want to know more?

- Have a look at what we've written about Company Law.