



SOMO

Annual Report 2012



Colophon

SOMO

Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations

Annual Report 2012

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Director's Report



A good year for SOMO

2012 was a good year for SOMO. We can report many good results, we started new initiatives and the internal organisation has been further developed. The context in which this happened remains challenging, and SOMO is developing a set of building blocks that, between trade and aid, can help contribute in a structural way to sustainable and just international development.

SOMO booked results on three levels. Through constant research and thus fulfilling our role of watchdog, companies change their policies on supply chain responsibility. Secondly, SOMO's work contributes to a better informed public debate on the structure and size of the financial sector, the possible negative effects of food speculation and the role of the Netherlands in the global tax avoidance industry. Thirdly, SOMO advocates and works on the development and adjustment of public policies to promote a better observance of human rights. These activities contribute to protect and respect remedy mechanisms. SOMO is doing this on a national, European and international level. Because of the long tradition of knowledge building and policy advocacy, SOMO has many interlocutors among officials and politicians in The Hague, Brussels and also in international organisations such as the OECD and the UN.

In the remainder of this introduction, the context of SOMO's work is outlined, followed by our response to this context and how SOMO as an organisation is looking for ways to anticipate on future development in funding and sourcing.

Context

During the most severe economic crisis in post-war history, the economic power and political leverage of multinational corporations continues to increase. Despite mounting evidence that decades of continuing rise of global corporate power has resulted in huge social and environmental costs, the paradigm of facilitation, deregulation and liberalisation of markets is still at the heart of regulatory models of many

governments. While citizens and the environment pay the price of the lasting food, financial, energy, resource and economic crises, governments lack the political will or opportunities to correct the power imbalance and fill the global governance gaps.

The persistent belief in neoliberal politics is now being translated into the traditional aid and development realm. SOMO considers this a flawed and outdated view. A steady flow of reports by civil society organisations (CSOs) and trade unions show furthermore that the corporate contribution to development is not necessarily a positive one. Research into the structures, policies and practices of the largest and most dominant market players is needed. SOMO's focus is on building a countervailing power through groups and CSOs aiming to enhance a diversity of social interests relative to dominant capital interests.

The increasingly globalised nature of multinational corporations (MNCs) entails that business relationships are becoming more and more complex. At the same time, there is a growing public perception that corporations and brands should be held accountable for the consequences of their actions throughout the supply chain. Also, there is a newly emerging debate for better regulation of financial markets and institutions, following the discussion on tax revenues and tax avoidance in developing and in developed countries.

In the current debate on trade versus aid development, SOMO's focus and research are much needed and of growing importance. Research and analysis show that sustainable international development needs something else than the new trade agenda. Economic growth does not automatically lead to a fairer distribution of wealth.

Nor does the simple promotion of employment improve the quality of work nor the respect for human rights.

Building Blocks

In 2012, SOMO continued its innovative way of working, using various building blocks to create an integrated working approach aimed at influencing companies and governments to create better regulation, policy and business behaviour. Via our four pillars of work (Corporate Research, Sectors and Supply Chain Research, Corporate Accountability and Economic Justice), SOMO provides a unique perspective that can help support the work of CSOs, international organisations and governments.

SOMO's building blocks for a global economic development that is sustainable and fair are:

- ❑ To combat poverty and promote wealth and income equality via redistributive policies and fair taxation.
- ❑ To champion the protection of global public goods and improve democratisation and self-determination by dismantling the dominant international trade and investment framework.
- ❑ To support development of precautionary measures within governments and due diligence on human rights by companies.
- ❑ To work against destabilising systems such as: market liberalisation which ignores workers' rights, economic practices that undermine the confidence in financial systems and one-sided protection of intellectual property (or owner rights) at the expense of (local) interest groups and stakeholders.
- ❑ To stimulate the development of business policies and practices which contribute to peace and which dismantle private interests in case of political instability.
- ❑ To facilitate access to grievance mechanisms for (groups of) people who are affected by human rights violations in supply/production chains.
- ❑ To solidify public organisations and trade unions to take on the role of watchdog and defend social and environmental interests worldwide.

New Developments within SOMO

In 2012 SOMO started two large new programmes in which all four pillars of SOMO's work are integrated: the programme on Human Rights and Grievance Mechanisms and the programme on Fragile States.

The programme on Fragile States focuses on post-conflict countries and areas, including the Democratic Republic of Congo, Liberia, Sierra Leone, South Sudan and Colombia. The programme aims to ensure a fair and sustainable reconstruction process by empowering local communities to improve their livelihoods in relation to private sector development, and by ensuring that the foreign private sector operates in a responsible and conflict sensitive way.

With the four-year programme on Human Rights and Grievance Mechanisms, SOMO aims to improve the accessibility and effectiveness of non-judicial grievance mechanisms for stakeholders who experience adverse impacts on their human rights as a result of business activities. The programme aims to equip workers, communities and individuals, as well as the CSOs that represent them with knowledge and practical tools to effectively file complaints with an appropriate grievance mechanism.

Another major development in 2012 was the increased demand from CSOs for research on individual companies. Although SOMO has been performing this service for a long time, it has seen its role as a risk management consultant grow in the last year. An increasing number of partners are also asking for advice on how to interact with MNCs. SOMO can fulfil this growing demand because of its extensive knowledge of Corporate Social Responsibility (CSR) standards, combined with experience in extensive research on company structures. SOMO is also contributing to the goals of partners and clients by running training and capacity building events, and by providing knowledge to (network) partners to make their intervention strategies more effective.

As the organisation of SOMO evolves, so will its funding mechanisms. In this evolution, thinking about new ways of funding and sourcing are more and more integrated in daily activities and regular meetings. Thinking about new resources goes beyond looking at new possible funds, and also includes exploring partnerships within the academic world and with other CSOs.

SOMO is actively looking at new funding and sourcing possibilities:

- ❑ Through building new relationships with the academic world;
- ❑ Through developing new professional services;
- ❑ Through different models for funding and sourcing (crowd funding, cooperation with other CSOs);
- ❑ Through developing ready to go project proposals.

About SOMO

SOMO, the Centre for Research on Multinational Corporations is an independent, not for profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation investigates multinational corporations and the consequences of their activities for people and the environment around the world.

Mission

SOMO strives towards global economic development that is sustainable and fair, as well as towards the elimination of the structural causes of poverty, environmental problems, exploitation and inequality. Through research targeted at achieving sustainable change and strengthening cooperation, SOMO seeks to offer social organisations worldwide, especially those in developing countries, the opportunity to promote sustainable alternatives and to provide a counterweight to unsustainable strategies and practices of MNCs.

This countervailing power takes form through strong CSOs which can initiate positive change on the basis of reliable information and close cooperation, guided by the principles of social and economic justice, sustainable development, transparency and the fair distribution of power.

Objectives

SOMO has identified three objectives, to achieve this mission:

- ❑ CSOs contribute to sustainable development through increasing influence on multinationals: (groups of) people are able to influence their own living and working conditions (in particular in the Global South);
- ❑ Corporate conduct and policies serve sustainable development;
- ❑ Government regulation serves equitable distribution of wealth and sustainable development.

Strategy

SOMO follows four strategies to achieve the main objectives, namely:

- ❑ Knowledge building (researching MNCs and their supply chains);
- ❑ Strengthening cooperation and information-sharing among CSOs globally;
- ❑ Building capacity of CSOs in the Global South;
- ❑ Advocacy for policy change in order to engage relevant CSOs with prospects for action towards:
 - Governmental policy makers;
 - Corporate board members and managers;
 - Other stakeholders, such as consumers, investors, shareholders, in media and in education.

Given SOMO's mission and objectives, SOMO conducts action-based supply chain research whereby the aim of the research is to contribute to significant improvements in human and labour rights and in the protection of the environment. The intervention logic is as follows:

- ❑ Research is carried out in close cooperation with local organisations. In doing so, local organisations' capacity to conduct research and lobby is supported and improved;
- ❑ Findings are discussed with companies, both at local management and at headquarters level. Companies are challenged to act more accountably and to improve their corporate policies;
- ❑ SOMO, in collaboration with local organisations, fulfils a watchdog role, which implies following up on previous research to monitor the improvements that have been made and to urge companies to make changes that lead to improvements on the factory floor and in the communities.

This methodology, which is usually combined with training, meetings and lobby towards companies and governments, leads to companies taking more responsibility for their supply chain, both in policy and in practice. A standard yet essential method used in capacity building and networking is the organisation of meetings and conferences for actors of the Global South and the Global North. These gatherings serve to meet researchers and civil society actors in person, to exchange knowledge, to debate and to create a mutual understanding of perceived problems and solutions and shared strategies. Also, in order to build research and lobby capacity within CSOs worldwide, SOMO develops research and lobby manuals.

Governance

SOMO is a foundation with a supervisory board made up of three members. The vacancy for the position of treasurer was fulfilled in the spring of 2012. The board members – Dick de Graaf (chairman), Ronald Messelink (treasurer) and Melanie Peters – operate on a voluntary basis. The Board of Directors consists of Ronald Gijsbertsen. Together with programme managers Esther de Haan and Joris Oldenziel, he forms the management team. This management team steers the organisation that is structured in six teams:

- four thematic teams (Corporate Research, Sectors & Supply Chains, Corporate Accountability and Economic Justice);
- Communication team;
- (Financial) administration team.

Sources of finance

SOMO's programmes are funded in four ways:

- Subsidies: European Commission, Dutch government. Projects SOMO carries out within the IMPACT and FGG alliances are subsidised through the MSF2 (Dutch fund for NGO programmes from the Ministry of Foreign Affairs);
- International fundraising: In 2012 SOMO received funds from the Dutch Human Rights' Fund for studies on grievance mechanisms, from the Sigrid Rausing Trust for the Sustainable Trade Initiative (IDH) projects of SOMO in the electronics supply chain, and from Doen Foundation for research and advocacy work on the electronic supply chain;
- Commissioned research: SOMO conducts specific analyses and studies for CSOs;
- Membership contributions for facilitation/host work for international NGO networks.



Part I

SOMO

**as Knowledge
Provider**



Thematic Highlights

in 2012

Corporate Research

SOMO's furthered its investigations into how beer promotion workers operate in Cambodia. In its report *Promoting Decency* SOMO revealed that promoters marketing beer brands such as Heineken and Carlsberg, have to sit and drink beer with customers, often undergo sexual intimidation, have to work on their weekly days-off and occasionally resort to prostitution as the income is not sufficient to meet their basic needs. Many of them do not dare to take their annual leave days, out of fear of losing their job or part of their income. In some cases, they are not allowed to take all their annual leave. In response to the report, the Danish Confederation of Trade Unions (LO), entered into dialogue with the Carlsberg Group and the Dutch organisation of unions (FNV) opened discussions with Heineken.

Sector and Supply Chains

SOMO and the India Committee of the Netherlands (ICN) continued their work on tackling bonded labour practices in Southern India. Following *Captured by Cotton* (2011) was *Maid in India*. Both publications have significantly contributed to steps being taken in the EU and in the US against these practices. Both a number of garment brands as well as Dutch, European and American politicians have started to take action against this kind of labour. Immediately after the release of the *Maid in India* report, Dutch Parliament adopted a resolution requesting the government to come to an agreement with the garment sector on full supply chain transparency and eradication of child labour in the textile supply chain.

Out of the four Indian manufacturers featured in the reports, three agreed to work with local Indian civil society organisations. In addition, in 2012, a total of fifteen brands and retailers committed to support a multi-stakeholder action plan to address labour rights concerns in the Southern India textile and garment industry, coordinated by the Ethical Trading Initiative.

Corporate Accountability

The Corporate Accountability team launched a new four year programme on Human Rights and Grievance Mechanisms: *Stand Up For Your Rights!*. In 2012 activities included planning and strategising with the project partners, developing training modules, training material, researching and analysing grievance mechanisms and the organisation of a 'Train-the-Trainer' seminar. Nineteen representatives from twelve Southern CSOs participated in this. The training focussed on capacity development and knowledge transfer to the partners, with the aim of creating a multiplier effect. Essentially, SOMO trained partner organisations on how to independently train their regional CSOs in the use of grievance procedures as a method to get redress for human rights abuses and other violations committed by companies.

Economic Justice

In coordination with a network of European CSOs, SOMO took the initiative to inform Dutch politicians about the EU legislative process on food price speculation to put forward a parliamentary motion to ensure that the Dutch Minister would take a position in the EU legislative process, namely to effectively limit commodity price speculators. SOMO's activities resulted in the resolution being accepted by the Dutch Parliament on the 10th of April 2012 (motie De Lange/Koopmans). SOMO's activities added pressure on the Dutch decision-makers (Minister of Finance, civil servants) to ensure that EU legislation was effectively contributing to limiting financial food price speculation. The commodity derivatives markets are important determinants for prices of food such as maize and sugar, which are often imported by poor developing countries, or which are exported as cash crops.



Corporate Research

The Corporate Research programme brings together all the specific research on corporations by SOMO, ranging from company profiles, in-depth research into practices in developing countries, targeted private actor strategies with various stakeholders, and more structurally, continuous monitoring and assessment of company performances.

Because multinational corporations (MNCs) operate in a rapidly changing environment, and because of their newly perceived role vis-à-vis development in the Global South, in the spring of 2012, SOMO decided to transform the Corporate Research pillar into a knowledge centre: the Corporate Research Knowledge Centre (CRKC). This research centre aims to play a binding role for all of SOMO's activities. It provides the space to conduct deep investigations into individual companies from the sectors that SOMO works on in its Sectors and Supply Chains pillar. It also contributes to coherent SOMO work by providing case studies that can be used by the Corporate Accountability team. At the same times these case studies can give concrete examples which can be used by the Economic Justice team to illustrate broader advocacy objectives.

The work carried out by the CRKC can be divided into three sub-sections:

Controversial company cases

In-depth, on the ground research of high-risk activities of selected companies and their supply chains, with the aim to produce new case studies of corporate malpractice.

Nidera

In 2011 a group of Argentine and Dutch NGOs (CEDHA, INCASUR, SOMO and Oxfam Novib) filed a complaint with the Dutch National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises against the Dutch/Argentine seed producer Nidera. The complaint was based on research undertaken by CEDHA in Argentina, and supported by SOMO. Based on official reports by Argentine

Government departments, the groups alleged that Nidera had abused the human rights of temporary workers at its corn seed processing operations in Argentina. The complainants called on Nidera to develop and implement an effective human rights policy and commit to including concrete human rights due diligence procedures.

The mediation process that followed resulted in newly adopted and strengthened policies on human rights due diligence, in particular for the issues at stake, and an agreement to allow the complainants to conduct site visits to verify improvements. The case was a major successful outcome in terms of policy changes within the company. Real improvements in working and living conditions of workers in Argentina were achieved, and the case had a potential positive influence on conditions in the industry as a whole.

Early 2012, CEDHA undertook an independent field visit to monitor working conditions at Nidera's plantations. This field visit confirmed major improvements in the working conditions of Nidera's agricultural workers. A final statement issued by the Dutch NCP in March 2012 confirmed the positive outcome of the dialogue between the parties. Both parties thanked the Dutch NCP for providing an environment that enabled constructive dialogue and discussion. The case has received press coverage in national and international media.

Vattenfall

In the report *Cut and Run*, SOMO, Green Advocates and Swedwatch, describe how farmers in Liberia have been negatively affected by Vattenfall and Swedfund's decision to terminate their involvement in the Liberian biomass company Buchanan Renewables. The report concluded

that Vattenfall and Swedfund conducted insufficient due diligence to prevent negative impacts of their divestment on the local rubber farmers. The report follows up on findings in SOMO's 2011 report *Burning Rubber* which described the impacts of Buchanan Renewables on sustainable development in Liberia. Buchanan Renewables, in which the Swedish companies had a minority share, sourced old rubber trees from smallholder farmers for the company's biomass operations and planted young rubber trees to replace the felled rubber trees. The smallholder farmers relied on Buchanan Renewables to support them in caring for the young rubber trees during the seven years before the trees start producing rubber.

At the time of publication of *Burning Rubber*, the relations between Buchanan Renewables and smallholder farmers had begun to improve, and maintenance of the young trees had picked up. However, after Vattenfall and Swedfund decided to end their relationship with the company and divest in May 2012, Buchanan Renewables terminated the contracts with all smallholder farmers. As a consequence these farmers are now faced with the significant financial burden of maintaining trees that are not yet generating any income.

Tailor made company profiles

These provide an overview of company structures, financial information, CSR policies and practices, tax payments and avoidance, and corporate lobbying among others. SOMO supports different types of stakeholders with different types of engagement strategies towards individual companies, such as labour strategies with trade unions, capital strategies with investors and shareholders, consumer strategies (benchmarks) with consumer organisations.

Heineken/Carlsberg

SOMO's report *Promoting Decency?* builds on previous research into how beer promotion workers operate in Cambodia. The report found several improvements over the past couple of years in the working conditions of beer promoters. These are mainly due to the efforts of Beer Selling Industry Cambodia (BSIC), the industry body of breweries that Heineken and Carlsberg are members of. Despite these efforts however, there are still a significant number of issues to be dealt with to provide decent working conditions for beer promotion workers.

The report revealed that the Cambodian beer promoters have to sit and drink beer with customers, often undergo sexual intimidation, have to work on their weekly days-off and occasionally resort to prostitution. The income of beer promotions workers is not sufficient to meet their basic needs. Often it is not clear for the beer promotion workers how their performance fees and the amounts on their pay slips are calculated at the end of the month. Many of them do not dare to take their annual leave days, out of fear of losing their job or part of their income. In some cases, they are not allowed to take their entire annual leave.

In response to the report, the Danish Confederation of Trade Unions (LO) entered into dialogue with the Carlsberg Group and the Dutch organisation of unions (FNV) opened discussions with Heineken on how the companies can ensure better working conditions in the beer promotion sector in Cambodia.

Research strategies

To improve the research qualities and responsiveness of the CRKC and to further develop SOMO's network of partner organisations worldwide. In November 2012 SOMO strengthened the capacity of nineteen representatives from twelve partner organisations to perform company research. In interactive modules partner organisations were guided through a step-by-step approach to perform research and focussing on different aspects of company research, including researching corporate structures, financial and tax research, and company engagement. The training was very well received by the participants and highlighted the value of skills sharing and joint learning.

Corporate Research

Overview of projects 2012

Capital Strategies and Shareholder Activism

Within this project, SOMO cooperated with the Dutch Association of Investors for Sustainable Development (VBDO). SOMO drafted company profiles for selected Dutch stock-listed companies focussing on unaddressed, unresolved or controversial issues or CSR developments during the past year.

Corporate Research Methods and Strategies

This project centred on several activities related to corporate research strategies including: building research capacity with strategic SOMO partners, combined with a business and human rights training; capturing SOMO's research knowledge and method into a partner research manual; creating sustainable relations with universities; supporting innovative research strategies and database expansion.

International Corporate Research Alliance

In 2012, SOMO continued to build an international corporate research alliance. A first round of discussions has started with organisations in 2011. In 2012, a new draft proposal was developed on the basis of this first assessment of needs and interests.

Controversial Company Case #1

This project is aimed at developing so-called controversial company cases around specific controversial practices involving multinational companies.



Rubber tree farmer – Liberia

Sectors and Supply Chains

Sectors and Supply Chains is SOMO's oldest field of work. Here SOMO links the adverse effects of globalisation in developing countries to the responsible *drivers for change*, often the MNC's at the end of the chain. A major goal of the on-going work is to strengthen the integrated approach within and between the various clusters. This means analysing specific sectors and supply chains in relation to other sectors, drawing parallels, and using the lessons learnt to transfer knowledge between the various sectors.

SOMO's work in the different clusters of Sectors and Supply Chains is mutually reinforcing. In this respect SOMO is in a unique position to present a more complete picture on how stakeholders are being impacted in different industrial sectors and throughout supply chains. This provides significant added value for impacted stakeholders and for partners in the Global South who use the research as the backbone for various projects and advocacy campaigns.

In 2012, SOMO focused on six strategic sector clusters:

Food & Agriculture

This cluster focuses on socio-economic conditions in agricultural production in developing countries and how they are impacted by international trade and distribution. In 2012 the cluster concentrated on research on labour rights of workers in tea, coffee, flowers, fresh fruits and vegetables production, abusive buyer power practices of European supermarkets and CSR policies of the world's largest food multinationals.

Also in 2012, SOMO researched supermarket buyer policies. SOMO took a close look at the sourcing policies of the five leading supermarkets in the Netherlands which together control roughly half of fresh fruit and vegetables (FFV) sales in the Netherlands. The policies were analysed through surveys, desk research and additional interviews with supermarket policy makers.

The production of green beans in Morocco was subsequently selected to verify supermarket sourcing policies with the socio-economic conditions on the ground. Morocco has established itself as a leading developing country supplier of FFV to the EU and as the leading extra-EU supplier of green beans by far. Green beans production is relevant because it is one of the most popular vegetables imported from developing countries and comparatively little information on socio-economic conditions in its production is available in the literature.

Extractives

This cluster identifies the (geopolitical) struggle for resources and business in conflict zones to improve transparency in business and government payments. In the past year the work concentrated on the rights of African communities impacted by existing and potential mining operations to give or withhold their free, prior and informed consent (FPIC) in planning and decision-making processes related to the mining operations.

Electronics

The aim of this cluster is to improve labour conditions in production countries by researching the impacts of recent CSR initiatives. The labour rights of workers in electronics supply chains, in particular the rights to freedom of association and collective bargaining, and the rights of temporary and migrant labourers were central to the research.

In May 2012, GoodElectronics and makeITfair organised a Round Table bringing together civil society organisations and representatives of the electronics industry. About 80 participants congregated to exchange information and discuss the key topics of temporary labour and wage issues in the global electronics industry. An important outcome of the Round Table was that the UN Guiding Principles for Business and Human Rights can form the common ground between electronics companies and civil society organisations in addressing labour issues such as the excessive use of temporary labour.

Furthermore, SOMO focussed efforts on the improvement of labour conditions at Foxconn factories producing for Apple. Brand-name companies like Apple can set the standards for the entire industry as they have the leverage and the means being the biggest and most profitable brand and contract manufacturer respectively.

Energy & Public Services

This cluster concentrates on the principle of universal access to sustainable energy and water. The team focused on the human rights of workers in, and affected by, energy supply chains (e.g. coal, biomass, uranium, solar).

In May 2012, SOMO organised one of the first ever strategic expert meetings within the solar photovoltaic (PV) supply chain to ensure that workers' rights and the environment are respected throughout this supply chain in order for the solar PV industry to make a genuine contribution to sustainable development. The expert meeting brought together twenty representatives of campaign groups, universities, trade unions and CSOs from North America, Europe and Asia. Participants discussed the challenges of labour rights and environmental practices in the worldwide solar photovoltaic industry. The meeting resulted in a consensual decision to establish a global "Good Solar" information exchange network for civil society organisations in producer countries in the Global South, as well as in consumer countries in the Global North. This result is significant because it represents one of the first – if not the first – attempts to facilitate civil society networking, information exchange, capacity building and joint strategy making at the level of solar supply chains.

Garments

This cluster focuses on the impacts of CSR initiatives on the labour conditions in producer countries. In 2012 the human rights of young female workers in Indian garment factories were central to the research.

SOMO, together with the India Committee of the Netherlands, continued their work on tackling bonded labour practices in the garment industry in Southern India. The 2011 report *Captured by Cotton* was followed in 2012 by *Maid in India*. Immediately after the release of *Maid in India*, Dutch Parliament adopted a resolution requesting the government come to an agreement with the garment sector on full supply chain transparency and eradication of child labour in the textile supply chain. Also, a number of garment brands as well as Dutch, European and American politicians have started to take action against bonded labour practices. And three out of the four Indian manufacturers featured in the two reports agreed to start working with local Indian CSOs. In addition, in 2012, fifteen brands and retailers committed to support a multi-stakeholder action plan for addressing labour rights concerns in the Southern India textile and garment industry, coordinated by the Ethical Trading Initiative.

Pharmaceuticals

This cluster unveils and addresses rights and responsibilities in clinical trials in developing countries.

In 2012 research was done on the rights of the participants in these clinical trials. The European Medicines Authority included many of SOMO and Wemos's recommendations in its *Reflection Paper on Clinical Trials Conducted in Third Countries for Marketing Authorisation in Europe* of April 2012, including on transparency of the ethical aspects of clinical trials that form the basis for drug approval to the European market. Another highlight is that the ethical concerns related to increased use of contract research organisations in developing countries that conduct the clinical trials, are placed on the agenda of pharmaceutical companies.

Sectors and Supply Chains

Overview of projects 2012

Textiles & Garments

SOMO continued its work on bonded and child labour in the textiles and garments industry in Southern India. Together with the India Committee of the Netherlands, SOMO published the report *Maid in India*.

Energy Systems

This project addressed various aspects of the energy system with the aim to make the global system of energy provision more sustainable and ensuring that it genuinely meets basic human needs. Aspects included: fuel supply chains (uranium, coal, biomass); electricity provision; finance of electricity infrastructure, and trade in electricity as a commodity.

GoodElectronics Network

The GoodElectronics Network offers a platform for CSOs from around the world to engage in joint activities (research, campaigning, lobby, media, engaging with the industry, etc.) to motivate and push the electronics industry to improve its record in respecting human rights including labour rights throughout the electronics supply chain.

Extractives for Electronics: Free Prior and Informed Consent & Conflict Minerals

The project around free prior and informed consent (FPIC) will develop a toolkit for communities on how to use FPIC in order to capacitate communities to defend their rights towards multinationals (and governments). The initial phase consisted of collecting information, refining the concept and popularising FPIC as an instrument in South Africa.

Sustainable Electronic Production and Consumption

To raise awareness on the working conditions and environmental pollution in the supply chain of consumer electronics and to work towards improvements together with our strategic partners.

Scoping Research Food and Agriculture

Looking into possibilities for future research for the food and agriculture cluster.

Food and Agriculture Research Partners

In this project the research and lobby capacity of two SOMO partners, SRI (China) and Malawi Carer (Malawi), has been improved.

Natural Stone

The overall goal of the project is to contribute to making the natural stone production in India more sustainable. Specific focus lies on the improvement of working conditions, getting child labourers back to school, respecting the rights of tribal groups and Dalits, and environmental aspects.

Impact of CSR Standard Systems in Food and Agricultural Supply Chains

Research on impact of ethical labels/standards such as Fairtrade, Rainforest Alliance and Utz Certified on labour conditions in the flower, coffee and tea sector has started in both Kenya and Indonesia.

Ethics in Clinical Trials

As a continuation of SOMO's work in previous years, strategy meetings with European and Southern partners were held to develop proposals for post-trial treatment of trial subjects. Furthermore, SOMO engaged with relevant European institutions to lobby for better implementation of ethical principles in clinical trials.



Corporate Accountability

SOMO strives for a sustainable and fair global society in which corporations' drive for profit is corrected by the interests of society at large and in which they respect human, social and environmental impacts. Such a world requires a global governance system in which corporations are accountable to their stakeholders, including private individuals, workers, local communities, and their representatives.

To achieve this, SOMO pursues a smart mix of regulatory and voluntary CSR measures at national, regional and international level. This includes extra-territorial regulation, implementation of internationally recognised corporate accountability standards and principles, and the development of guides, tools and systems for monitoring and verification.

As a result of SOMO's long term active involvement in the development and (re)negotiation of the most important corporate accountability (CA) instruments, the organisation is well positioned to perform the crucial function of critical watchdog. It does this by using the organisations' corporate research, while working with and supporting its network, and performing policy advocacy. Most of the work is channelled through SOMO's active involvement in corporate accountability networks that SOMO either hosts or actively supports. These are the Dutch MVO Platform, OECD Watch, and the European Coalition for Corporate Justice (ECCJ).

Building on the previous year's work, when the OECD Guidelines for Multinational Enterprises were revised, and the UN Human Rights Council adopted the new UN Guiding Principles on Business and Human Rights (UNGPs), the focus in 2012 was on consolidation and dissemination of these CA standards and instruments to partners across the networks. SOMO concentrated on making them accessible for CSOs in these networks, as well as advocacy toward national and multilateral institutions to promote progressive and effective implementation of these standards and principles.

SOMO's corporate accountability work benefits from the output of the organisation's other pillars. The Sectors and Supply Chains team and the Corporate Research team provide the empirical proof that fuels the CA advocacy work. It

also helps to identify instances when CSR mechanisms are failing to protect environmental and human rights, which enables the team to investigate whether grievance mechanisms can provide redress for victims of corporate misconduct. The Corporate Accountability pillar is also closely linked with the Economic Justice pillar as economic justice is a precondition for true Corporate Accountability.

SOMO identified the following priorities in its corporate accountability work for 2012:

Corporate Accountability Guidelines and Regulation

SOMO's research time and again indicates that voluntary CSR initiatives do not suffice in protecting workers and communities from negative corporate environmental and human rights impacts. In 2012 the team continued to work on developing regulatory and policy proposals to strengthen the regulatory framework for CA at the national and international level, in cooperation with the Dutch MVO platform, OECD Watch and the ECCJ.

In the course of 2012, Dutch Parliament adopted several CSR related motions that strengthen the CSR requirements for government support to business, including the condition that companies should comply with the OECD Guidelines. The lobbying efforts of the MVO Platform and its members clearly contributed to these policy changes, since the Platform's input was frequently used in policy discussions. This success demonstrates how voluntary standards like the OECD Guidelines can translate into more binding corporate regulation.

As host of the OECD Watch network SOMO contributed to further implementation of the 2011 updated OECD Guidelines for Multinational Enterprises, through active advocacy at the OECD and towards National Contact Points for the OECD Guidelines. SOMO has highlighted the new responsibilities of MNCs under the updated OECD Guidelines, based on the new provisions related to due diligence requirements, human rights, living wages and supply chain responsibilities. This has resulted in new opportunities to submit complaints against MNCs and their impacts throughout supply and value chains.

In 2012 SOMO, CEDHA, INCASUR and Oxfam Novib successfully concluded an OECD Guidelines case against the Dutch/Argentine seed multinational company Nidera. After a series of negotiations an agreement was reached with the company. As part of the agreement, Nidera strengthened its human rights policy, formalised human rights due diligence procedures for temporary rural workers, and allowed the NGOs to monitor its Argentine corn seed operations through field visits. In the fall of 2012, following alarming reports from local organisations SOMO, together with Indian, Norwegian and Korean companies, filed another OECD Guidelines case against Korean steel company POSCO and the investing pension funds ABP and the Norwegian Government Pension Fund - Global for their involvement in adverse impacts in India.

CSO Cooperation

In order for CSOs to make maximum use of existing international CSR standards and advocate effectively for better regulation of MNCs, organisations need to work together. SOMO facilitates cooperation by hosting or participating in a number of CSR networks including the Dutch MVO Platform, the ECCJ and OECD Watch. The work in 2012 focussed on facilitating these networks while critically monitoring the implementation of international CSR instruments, most importantly the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In 2012 priority was given to the ambitious implementation of the UN Guiding Principles by businesses and States as well as addressing the weaknesses in the current UN business and human rights regime, adopted in 2011. Activities included the development, piloting, review and dissemination of a guide for civil society organisations on how to use the UNGPs in company research and advocacy, expert input to the UN Working Group on Business and Human Rights on the fulfilment of their mandate, and collaboration with Southern partner organisations CEDHA and Cividep in these activities.

The launch of the guide *How to use the Guiding Principles in Company Research and Advocacy* was an important

achievement in 2012. The guide, the second in a series of guides for CSOs on corporate accountability themes, translates the Guiding Principles into practical tips. Civil society organisations can use them to hold companies accountable for complying with internationally recognised human rights and to monitor enterprises in this area. It has been widely welcomed by the target group, and has become one of the most downloaded publications on the SOMO website. The first guide in the series was published in March 2012 on the theme of multi-stakeholder initiatives, and aims to provide a strategic perspective for CSOs, strengthening their influence in these initiatives.

Grievance Mechanisms

SOMO works on improving the effectiveness and accessibility of non-judicial grievance mechanisms for victims of business related human rights abuse. To better achieve this, 2012 marked the beginning of a four year programme on Human Rights and Grievance Mechanisms. The programme focuses on:

- Capacity building of adversely affected workers, communities and individuals, as well as civil society organisations to apply grievance mechanisms;
- Improving the effectiveness of and access to grievance mechanisms for stakeholders who experience adverse human rights impacts as a result of business activities;
- Advocacy to strengthen existing grievance mechanisms and develop new mechanisms at the appropriate levels to ensure the protection of human rights and adequate access to remedies.

The Corporate Accountability team launched a new four year programme funded by the Dutch Ministry of Foreign Affairs named *Stand Up For Your Rights!*. This programme extended SOMO's focus from the OECD Guidelines to other grievance mechanisms, including the World Bank's Inspection Panel and the Compliance Advisor Ombudsman of the International Finance Corporation (IFC) and Multi-lateral Investment Guarantee Agency (MIGA). In 2012 most activities have been preparatory, including planning and strategising with the project partners, developing training modules and training materials, the organisation of a 'Train-the-Trainer' seminar as well as researching and analysing grievance mechanisms. The 'Train-the-Trainer' seminar took place in Soesterberg, the Netherlands, in November 2012 with nineteen representatives from twelve Southern NGOs participating. This was the major output of the programme in 2012. The training focussed on capacity development and knowledge transfer to the partners, with the aim of creating a multiplier effect. Essentially, SOMO trained partner organisations how to train their regional NGOs in the use of grievance mechanisms as a method to get redress for human rights abuses and other violations committed by companies.

Corporate Accountability

Overview of projects 2012

Participation and Support of ECCJ

Through supporting the European Coalition for Corporate Justice this project promotes corporate accountability by bringing together national platforms of CSOs working on this topic to lobby at national and EU level for better regulation for multinational enterprises.

OECD Watch Network

SOMO hosts the OECD Watch Network, an international network of more than 80 civil society organisations from across the world promoting corporate accountability and responsibility. OECD Watch members share a common vision about the need for corporate social responsibility and sustainable development. OECD Watch specifically focuses on improving the effectiveness of the OECD Guidelines for Multinational Enterprises.

CSR Instruments - ISO 26000 and UN Global Compact

SOMO hosts the Global Compact Critics Blog, an online platform where civil society organisations and individuals share critical information on the functioning of the UN Global Compact. With the Global Compact Critics blog SOMO aims to offer a platform for discussion and for airing critiques of the Global Compact. SOMO worked on a publication in which three CSR instruments are compared: the OECD Guidelines for Multinational Enterprises, ISO 26000 and the Global Compact.

UN Business and Human Rights

The project is centred around the United Nations Guiding Principles (UNGPs), and aims to contribute to ambitious implementation of the UN guiding principles for business and human rights by businesses and States and, in the long run, to address the weaknesses in the current UN business and human rights regime.

Strengthening Effective CSO Participation in MSIs

The project produced two guidebooks: one on multi-stakeholder initiatives for CSOs and one entitled *How to use the UN Guiding Principles on Business and Human Rights in Company Research and Advocacy*.

Legal Proposals for Corporate Accountability

This project aims to contribute to the development of legislative proposals for corporate accountability at national, regional (EU) and international level (OECD, UN). By initiating legal research projects, in cooperation with Amnesty International, SOMO aims to contribute to the lobby and advocacy of CSOs for binding regulation.

MRF Grievance Mechanisms

With this four-year programme, SOMO aims to improve the accessibility and effectiveness of non-judicial grievance mechanisms for stakeholders who experience adverse impacts on their human rights as a result of business activities.

Support MVO Platform

SOMO hosts the Dutch MVO Platform and is an active participant and steering group member of this platform. The platform is a network of 31 civil society organisations and trade unions. The goal of the MVO Platform is to stimulate, facilitate and coordinate activities of the different organisations in order to reinforce each other's efforts.

Fragile States Programme

Between 2012 and 2016, SOMO will carry out a global programme on responsible and conflict-sensitive business as a central element in the peace building process. The goal of the programme is to ensure a fair and sustainable reconstruction process by empowering local communities to improve their livelihoods in relation to private sector development and by ensuring that the foreign private sector operates in a responsible and conflict-sensitive way.



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Demonstration at Rio +20 – Brazil

Economic Justice

As politics lag behind the global financial markets, the world is in need of a political economic system that is aimed at economic justice and sustainable development. SOMO believes that economic reform is essential to ensure that the global economic system and its major actors are guided by sustainable development leading to a world in which poverty is eradicated, a fair distribution of power and wealth is the standard, and consumption of natural resources is limited to the planet's natural capacity.

Structural political and institutional changes are needed in the way corporations are financed, owned, governed and regulated. The economic contribution of corporations to society should be enhanced through more just taxation policies and the internalisation of social and environmental costs and financing geared towards sustainability of business and society. The recent economic crisis has provided an opportunity to push for more structural and fundamental economic reform at the European and at the global level. SOMO works at policy coherence across the wide range of policy areas that have implications for sustainable development and poverty eradication.

In order to promote these reforms, SOMO's Economic Justice team has been focussing on tax justice, trade and investment agreements and their negotiations, and financial reform in the EU with an impact on developing countries. It also focuses on policy coherence in relation to the Dutch government's development policy and support for Dutch MNCs.

The Economic Justice projects are closely linked to the work undertaken by the other SOMO pillars. Also, Corporate Accountability and Economic Justice are intrinsically linked: without corporate accountability, economic justice cannot be delivered. Micro-level information at the community and workplace level produced by the Sectors and Supply Chains and Corporate Research pillars provides evidence and ammunition to demonstrate structural injustices at the global institutional level.

Tax Justice

Increasing research illustrates that the global taxation regime is detrimental to development as multinational corporations evade and avoid taxes in both the North and South by establishing business activities and financial accounts using low tax and secrecy jurisdictions. Developing countries in particular are affected negatively from tax evasion by MNCs. In 2012, the Economic Justice team focussed on strengthening internal and external research capacity and capacity building and advocacy on the role of policy and company practice in tax avoidance and evasion and its impact on developing countries.

2012 was another important year in the improvement of international and national tax systems towards increased economic justice. SOMO continued to implement capacity building workshops and exchange information and expertise on tax justice issues together with its Southern network partners Tax Justice Network Africa (TJN Africa – Kenya), Action for Economic Reforms (AER – Philippines) and Jubilee South – Asia Pacific Movement on Debt and Development (JS-APMDD – Philippines).

All Southern partners continued using the commonly developed Tax Justice Toolkit (*Tax Justice Advocacy: A Toolkit for Civil Society*) to inform CSOs in their regions about national and international tax justice issues, building capacity of their network members to engage in tax justice research and advocacy.

In 2012, three training seminars were held by SOMO and partner TJN Africa (in Ghana, Cameroon and Amsterdam). The training was based on introducing and disseminating the Tax Justice Toolkit, which is now in high demand in all regions (reprint of 600 additional copies).

Research, capacity building and campaigns have resulted in Northern tax conduit systems and tax havens that allow for capital flight from the South to have come under increased pressure. Since tax competition has been a problem, all this has led to acknowledgments by the OECD and G20 countries of the need for more fundamental and worldwide reform and the EU has taken first legislative steps to end harmful tax regimes.

SOMO's research has emphasised the huge amount of trust offices without 'substance' and the numerous 'double tax treaties' in the Netherlands as conduits for tax evasion and avoidance. Tackling this problem is incorporated in the European Commission proposal to end harmful tax regimes, which is part of the EU's new action plan that encourages European governments to work together to clamp down on tax evasion and avoidance.

Trade and Investment Agreements

SOMO monitors and analyses the impacts of trade regimes and investment agreements on sustainable development and poverty eradication, and seeks to influence policy reform with the relevant institutions. In 2012 the focus was to work on the Free Trade Agreement (FTA) between India and the EU, as well as carrying out capacity building work in West Africa and scoping research on public procurement liberalisation in the ASEAN region.

Current rules in international trade and investment agreements are incompatible with the goals of poverty reduction and equitable and sustainable development.

On the eve of the EU-India Summit in New Delhi in February 2012, SOMO participated in a conference and in advocacy activities, organised by SOMO's partner Madhyam. SOMO especially expressed its concern about the negative impact of this FTA on the financial sector and vulnerable groups in India, since European banks generally cater to the rich middle classes while neglecting farmers and the poor. Furthermore, these banks are active in developing and trading high risk financial products (derivatives) which could lead to financial instability in India.

SOMO also criticised the FTA between the EU and Colombia, demonstrating that the liberalisation of investments and new rules aimed at the protection of European investments under FTAs primarily benefit European business, while undermining democratic decision making and social rights in the receiving country.

Financial Reform

The projects in the financial reform cluster aim to increase awareness about the need to curb speculative banking methods and raise public and political debate through strengthening Dutch, EU and international networks to promote financial reforms. A lot of advocacy work was done in 2012 to promote alternative reforms in the financial sector, and more specifically on EU financial reforms for development.

The financial crisis has led to numerous new EU regulations on the financial sector. SOMO participated in exposing the need for far reaching reforms in some of areas in which financial reform takes place (e.g. bank reform, financial markets, long term investment), with focus on relevancy for developing countries and sustainable development. SOMO raised awareness through a regular newsletter on EU financial reforms and as member of Finance Watch.

Commodity derivatives markets are important determinants for prices of food such as maize and sugar, which are often imported by poor developing countries, or which are exported as cash crops. Price rises and price volatility can make food unaffordable for the poor and make it difficult for small farmers to plan their production. SOMO supported research by Madyam in India, which exposed how efficient regulation of Indian derivatives markets against speculation is needed to prevent farmers from agricultural commodity price speculation.

In 2012, there was a greater political acceptance that financial speculators (e.g. commodity index funds) on commodity derivatives markets were influencing the pricing. However, financial lobbyists were trying to prevent legislators stopping or limiting financial speculators operating on derivatives markets.

In coordination with a network of European NGOs, SOMO closely monitored the EU legislative process that could stop food speculation on EU derivatives markets and helped other CSOs including Friends of the Earth International to be active at the right moment and the right time to prevent EU legislation to be meaningless in limiting food price speculation that also affects developing countries.

Private Gain, Public Loss

Global policy commitments to sustainable development and poverty eradication contradict with the increasing competition for access to resources and raw materials, fuelling conflict and unsustainable resource use. As such this work focuses on critically assessing the Dutch economic foreign policy, more specifically on the merging of the new development and business agendas.

Economic Justice

Overview of projects 2012

Tax Justice

This project looks at the role of policy and company practice in tax avoidance and evasion and its impact on developing countries. The project encompasses research, capacity building and advocacy elements.

Investor Obligations in International Investment Agreements

This project focuses on the governance gap between the extra-territorial operations and far-reaching rights, embedded in investment treaties, of MNCs and the (binding) regulatory oversight of governments which is still mainly national or regional.

Alternative Trade Regime

Research on investment in ASEAN/ Indonesian Free Trade Agreements and its development impact. Contribution to national and international trade networks. More specifically, SOMO works within the Alternative Trade Mandate project on the development of a sustainable EU mandate on trade and investment.

Researching Financial MNCs

In researching the investment of financial MNC's SOMO has increased the awareness of the need to curb their speculative manoeuvres. As the research is done with southern partners this brings much needed strength to the current informal and fragmented global CSO network on financial reform. In 2012 SOMO wrote a report on the too big to fail financial sector in the Netherlands.

Alternatives to Banking and Food Speculation

The project aims at monitoring and raising the political and public debate about those EU financial reforms that are important for developing countries and sustainable development.



Meeting at Rio +20 – Brazil

Part II

SOMO

& NGO

Networks



'Train-the-Trainers' seminar – The Netherlands

SOMO as a Member and Host of NGO Networks

SOMO participates in a number of coalitions and networks. For some networks it plays a coordinating role, in others it is a member of the steering committee. SOMO hosts three (inter)national NGO networks: the Dutch MVO Platform, OECD Watch and GoodElectronics. For these networks, it facilitates the secretariat, website and newsletter to improve the exchange of information between its members. SOMO also informs members of the public who are interested in their specific activities on behalf of the networks.

It is SOMO's goal to strengthen cooperation between NGOs in order to influence the social, environmental, human rights and economic impact of MNCs and their contribution to sustainability and poverty eradication.

Knowledge developed by members of the networks can easily be shared with other members and common strategies are developed to influence policy-makers, corporations and other stakeholders. SOMO's aim is to provide other NGOs with information that can be used in their lobbying and advocacy work. When SOMO plays a role as host for a network, it is also involved in advocacy and lobby work on behalf of this network.

MVO Platform

The MVO Platform is a network of 31 Dutch civil society organisations and trade unions working together to promote corporate accountability and to advocate for better CSR policies in the Netherlands. The network's goal is to stimulate, facilitate and coordinate activities of the different members in order to reinforce each other's efforts. The MVO Platform focuses on CSR in developing countries. Activities include formulating joint strategies, workshops and working groups and political lobbying. SOMO hosts the Dutch MVO Platform and is an active participant and steering group member.

In the course of 2012, several CSR related motions were adopted by Dutch parliament that strengthen the CSR requirements for government support to business and

increase transparency in supply chains. These more stringent CSR requirements for government support are expected to have a lasting effect on the companies that apply for government support.

Multiple strategy meetings amongst platform members resulted in increased knowledge and capacity of its member organisations on the UN Guiding Principles on Business and Human Rights and Transparency. The increased knowledge and capacity of members around the UNGPs and transparency, is expected to result in more focused and elaborate policy influencing in the years to come.

Regular activities of the MVO Platform include, amongst others, a general assembly held every quarter, working group meetings, internal newsletters and the development of joined vision documents. In 2012 the most important activities were:

- The *CSR Frame of Reference*, the basic vision document of the MVO Platform was updated and distributed. This key publication was translated into English, Spanish and Chinese.
- The network performed advocacy at the national level focusing on implementation of the OECD Guidelines, especially on conditions for state support to business, as well as access to justice and remedy for victims of corporate abuses. The MVO Platform provided input to Members of the Dutch Parliament. Some of them adopted several of the proposed issues. Seven advocacy letters were sent to Parliament and Ministries.

- In April 2012 the Dutch Government resigned and elections were called. The MVO Platform provided input to political parties for their party programmes and compared, analysed and ranked the CSR policy plans presented in these programmes. This information was communicated to the broader public by a specific website: mvo-meter.nu
- Two internal conferences were organised. The first focused on NGO corporate strategies and included a context analysis on CSR trends as well as a discussion on the synergies between different approaches for CSOs to influence corporations. The second conference (*Practice What You Preach*) was a members' skills exchange on the internal social responsibility policies of NGOs and trade unions.
- The MVO Platform received a delegation of 20 Dutch lawyers and organised an information and debate programme for them.
- In 2012 working groups on financial institutions, UN Guiding Principles and supply chain responsibility were active in the exchange of information, formulation of common viewpoints and in preparing and implementing advocacy strategies for the MVO Platform.
- The MVO Platform participated actively in the European Coalition on Corporate justice, among others at the EU expert conference on the implementation of the UN Guiding Principles on Business and Human Rights (UNGPR) under the Danish presidency (May 2102).

OECD Watch

As an international network of more than 80 CSOs from across the world that promotes corporate accountability and responsibility, OECD Watch is committed to testing the OECD Guidelines for Multinational Enterprises as part of the wider CSO campaign towards binding regulation of multinationals. OECD Watch monitors the work of the OECD Investment Committee, which governs the Guidelines, and that of the individual National Contact Points for the OECD Guidelines in OECD and adhering countries. As recognised NGO representative OECD Watch serves as a focal point for bringing civil society perspectives into discussions around the Guidelines.

Work in 2012 centred on raising awareness on the 2011 update of the OECD Guidelines and their effective implementation. As host of OECD Watch and member of its Coordination Committee, SOMO has participated in consultations at the OECD and had a direct influence in discussions on how to implement the Guidelines and further their effectiveness. By its membership of various OECD working groups, including the working groups on stakeholder engagement in the extractive industry and due diligence in the financial sector, OECD Watch also acts as advisor to the OECD on specific themes. By bringing a Southern perspective into the discussions OECD Watch has made important contributions to increasing the relevance of the OECD Guidelines for victims of corporate misconduct.

To increase the outreach of the network and make more CSOs aware of the updated OECD Guidelines and the new opportunities to hold companies accountable for their misconduct, OECD Watch produced a brochure that provides a brief overview of the content of the OECD Guidelines and the associated complaint mechanism. This brochure has been translated into Spanish and French to enhance engagement of members and other CSOs in Latin America and Francophone Africa with the OECD Guidelines.

Highlights of 2012 also include outreach generated through the organisation of three capacity building events in Brazil, Senegal and India. Through these events the capacity of more than 60 CSOs to understand and use the OECD Guidelines' complaint mechanism has been strengthened. Regional outreach to strengthen the capacity of CSOs to network and share knowledge on the OECD Guidelines was done in cooperation with regional members as part of an internal project to facilitate and increase regional participation of members in the network. As part of its ongoing work OECD Watch furthermore assisted and supported CSOs who were preparing or were already involved in OECD Guidelines complaints. This has strengthened the capacity of 54 organisations to apply the OECD Guidelines and engage in a complaint process.

SOMO is also member of a wide range of international civil society networks. In 2012 SOMO was member of the following networks:

- Red Puentes
- Seattle to Brussels Network (S2B)
- The Northern Alliance for Sustainability (ANPED)
- GATS Platform
- Dutch Working Group on Sustainable Natural Stone
- Clean Clothes Network
- Bank Track
- Dutch Social Forum
- The Global Union Research Network (GURN)
- Agribusiness Accountability Initiative (AAI)

GoodElectronics

SOMO hosts the GoodElectronics Network, an umbrella body of trade unions, grassroots organisations, campaign and research organisations, academia and activists concerned about human rights and sustainability issues in the global electronics supply chain. GoodElectronics bases its work on a set of Common Demands, created and agreed upon by the entire network, covering the overall production cycle of electronics, from extractives to production, to e-waste and recycling.

The work in 2012 centred on issues to do with manufacturing in the global electronics industry, including the problems around labour rights, supply chain responsibility, and transparency. In particular the effects of the increased outsourcing of labour and the excessive use of temporary workers, occupational health problems during manufacturing, and the fact that freedom of association and collective bargaining are not respected, were recurring topics.

In February 2012, some 25 representatives of labour groups and trade unions gathered in Nonthaburi, Thailand to discuss how to address employment issues in the electronics industry in Thailand and to set up a local GoodElectronics branch. There were discussions on the precarious position of temporary and migrant labour, the role of employment agencies, living wage, engagement between electronics companies and CSOs. Discussions took place in the context of the overarching themes of freedom of association and the right to collective bargaining. Following the meeting a special edition of the GoodElectronics newsletter was published, presenting current cases of labour rights violations in the Thai electronics sector.

In May 2012, together with makeITfair, GoodElectronics organised a Round Table bringing together civil society organisations and representatives of the electronics industry in Amsterdam. Over 80 participants came together to exchange information and discuss the key topics of temporary labour and wage issues in the global electronics industry. Preceding the Round Table, a GoodElectronics general membership meeting took place, preparing input.

Participating electronics brand companies included Dell, LGE, Microsoft, Philips, HP, RIM, Samsung, and Sony. Participating manufacturers included Flextronics and Jabil. Mobile network operators present were Belgacom, Deutsche Telekom, KPN and Vodafone. Industry associations EICC and GeSI were also represented. IndustriALL Global Union and a great number of Southern labour groups, academics, activists and other interested parties took part. An important outcome of the Round Table was the agreement that the UN Guiding Principles for Business and Human Rights can form the common ground between electronics companies and civil society organisations in addressing labour issues such as the excessive use of temporary labour.

In 2012, GoodElectronics also kept up the pressure on individual brands as Apple and Samsung. GoodElectronics voiced concerns about Apple's association with the Fair Labor Association (FLA): Apple should not 'use' this association to postpone timely and effective action on key problems at its Chinese suppliers, in particular with regard to the excessive use of student labour and the need for democratic elections of worker representatives.

GoodElectronics is part of the Reflection Group of the electronics programme of the Dutch Sustainable Trade Initiative (IDH). In this advisory capacity GoodElectronics liaises with the Chinese CSOs involved in the programme.

Time to bite
into a fair
Call for sustainable IT



SOMO as a Member of Consortia

2012 was the second year of the so-called MFS2 subsidy programme (2011–2015) of the Dutch Ministry of Foreign Affairs in the Netherlands. SOMO is a member of two alliances that received subsidies through MFS2: the IMPACT Alliance and the Fair Green and Global Alliance.

Both alliances are aimed at contributing to sustainable development and poverty eradication by building the capacity of CSOs worldwide to influence the behaviour and activities of corporations and the international regulatory framework in which they operate.

In 2012, SOMO was also a member of the following EU consortia: ECCJ, makeITfair (with SOMO as lead agent), Towards Tax Justice (SOMO as lead agent), Consortium for EU Financial Reform, and the Pro-development supermarket supply chain consortium.

IMPACT Alliance

The IMPACT Alliance (Innovative Mitigation of Poverty Actions) is made up of small innovative development organisations working together with Oxfam Novib. The aim of the alliance is to use innovative tools for poverty eradication and to fight for justice. Other partners in this alliance include 1%Club, Butterfly Works, HIRDA Foundation and Fairfood International. The IMPACT Alliance provided co-financing for a large number of sector studies undertaken by SOMO, as well as capacity building and lobby and advocacy on corporate accountability.

The IMPACT alliance works in a programmatic way and through a rights based approach. Its five programmes are:

- Right to a sustainable livelihood;
- Right to basic social services;
- Right to life and security;
- Right to social and political participation;
- Right to an identity.

Fair Green Global Alliance

Like the IMPACT Alliance, the Fair Green Global Alliance (FGG) is an alliance of Dutch NGOs. In the FGG alliance Both ENDS, CCC, Milieudefensie, Niza, the Transnational Institute (TNI) and SOMO work together. The overall objective of the FGG programme is to contribute to poverty reduction and socially just and environmentally sustainable development by enhancing the capacity of civil societies in the South.

The programme focuses on enhancing civil society's capacity in relation to four strategic areas:

- To develop, promote and upscale exemplary policies and practices for sustainable development;
- To ensure effective corporate accountability measures;
- To reorient trade and investment policies;
- To reorient financing policies.

The alliance's Southern partners play a fundamental role in the programme by bringing their knowledge of the needs and capacities of the target group, their networks and their expertise and experience in civil society building, influencing policy and developing alternatives to the preparation of the context analysis, and the design and implementation of the programme.

ECCJ

The European Coalition for Corporate Justice (ECCJ) promotes corporate accountability by bringing together national CSR platforms of CSOs, trade unions, consumer advocacy groups and academic institutions from all over Europe. ECCJ represents more than 250 CSOs in fifteen European countries. ECCJ believes corporate accountability and CSR mechanisms should be based on international legal frameworks and principles, serving as the foundation for corporate justice. ECCJ aims to increase European cooperation among NGOs working on corporate accountability issues.

In 2012, ECCJ developed a publication on the need to reform European (Brussels I and Rome 2) regulation to improve access to remedy for victims of corporate-related human rights abuses. The network further commissioned an international study, in cooperation with the International Corporate Accountability Roundtable (ICAR) on Human Rights Due Diligence and the role of states. Ongoing lobby and advocacy continued at the European level on social and environmental reporting. SOMO is a member of the steering committee through its coordinating role of the Dutch MVO Platform.

MakeITfair

Coordinated by SOMO, makeITfair is a European awareness-raising project co-financed by the European Commission, involving twelve project partners. MakeITfair aims to increase awareness in Europe, especially among young people, about the conditions under which their mobile phones, laptops and digital cameras are made. With this growing consumer awareness, the alliance pressures the electronics industry to improve the working and environmental conditions within their whole supply chain.

SOMO is the lead agent for the makeITfair project, which works in close cooperation with the GoodElectronics network. In 2012, they worked together on a campaign against Apple and its supplier Foxconn. This campaign influenced Apple to change its policy and join a multi-stakeholder initiative (FLA and more recently Initiatief Duurzame Handel (IDH)). Apple increased transparency by publishing names and locations of its suppliers and by being open to direct contact with local stakeholders while this was previously not the case.

MakeITfair and GoodElectronics are cautiously optimistic about Apple's step to join the FLA (and the IDH), but question whether this is a genuine effort by Apple to clean up labour abuses in its supply chain, or merely a way of proving its credentials without actually delivering.

Through the research of makeITfair partners there is increased knowledge building on CSR issues in the sector. In 2012 the focus specifically was on temporary agency labour,

migrant workers, freedom of association and collective bargaining, company policies on conflict minerals, and CSR policies of mobile network operators.

Increasingly, the sector acknowledges that temporary agency labour is a CSR issue that should be monitored. In May 2012, GoodElectronics and makeITfair organised a successful Round Table, bringing together civil society organisations and representatives of the electronics industry (see also: Sector and Supply Chains for more information). After the Round table, the CSR industry initiative EICC placed the issue on their agenda of the stakeholder meeting in July 2012. In the sector guide for the ICT sector on implementing the UN Guiding Principles on Business and Human Rights, temporary agency labour is prominently included as a CSR issue.

Following a direct mailing action to teachers in the Netherlands, makeITfair and SOMO received a large number of requests for educational material like videos, booklets and folders on fair electronics.

Towards Tax Justice

Tax Justice Netherlands is part of the global Tax Justice Network. In 2012 the network looked at the role of policy and company practice in tax avoidance and evasion and its impact on developing countries. This included research, capacity-building and advocacy elements. With regard to research, the impact of the Dutch conduit structures on revenues in developing countries and the tax behaviour of selected MNCs in developing countries were analysed.

The results of the research were used in joint lobby activities towards the Dutch Government and Parliament and at the EU level. At this level, the work of SOMO and her partners, particularly the network Eurodad, has greatly influenced the EU parliament's strong stance to end international tax avoidance strategies. A noteworthy development has been the European Commission proposal to end harmful tax regimes, as part of the EU's new action plan that encourages European governments to work together to clamp down on tax evasion and avoidance. The plan suggests Member States to introduce anti-abuse provisions that SOMO and her partner organisations have been lobbying the Dutch government since 2006. Next to lobby and advocacy work, SOMO was also involved in capacity building activities; trainings were held for Northern and Southern CSOs on research techniques with regard to companies' tax contributions.

The work of Tax Justice Network-Africa (TJN-Africa) has contributed directly to a new reform drive in African countries to better use its natural resources to finance development and increase transparency in financial reporting. In 2012, Ghana for example, raised its corporate tax rate on mining companies. And Zimbabwe, where TJN-Africa member Afrodad

has been advocating tax justice, reformed its law to give its revenue authority greater powers to examine companies' financial accounts to ensure that any royalties or taxes are payable under the Finance Act. Similar measures have been taken in Kenya, Uganda and Egypt to raise tax revenues to reduce budget deficits and generate development. Also in Asia members of the Tax Justice Network reported a growing interest in tax justice research and advocacy by their member organisations. More members have actually started campaigning at the national level.

Consortium for EU Financial Reform

Since January 2010, a consortium of six European NGOs has been working on the development impact of the financial crisis and of the current financial reforms in a joint project: *Towards a Global Finance System at the Service of Sustainable Development*. The project focuses on preventing food speculation, regulating offshore centres, regulating and supervising all financial actors and products, strengthening public, micro-, community- and cooperative banking and reforming exchange rate systems.

In 2012 the consortium concentrated its activities on EU bank reforms (since many EU banks are operating in developing countries) and laws that limit food price speculation (which affect import and export prices of food for or from developing countries).

The consortium analysed the different stages of the decision-making of the laws that could stop or limit financial food price speculation, and supported successful lobbying efforts to improve the legislation. The European Parliamentarians and the Finance Ministers at the EU Council (ECOFIN) received concrete proposals on how to improve the legislation on bank reforms and food speculation, some of which were included in the decision making. This resulted in different political parties in the European Parliament submitting amendments to the original proposal for the EU law (MiFID II / MiFIR) dealing with (food) commodity derivatives' markets on which food price speculation takes place.

Pro-development Supermarket Supply Chains Consortium

SOMO is part of a European group of CSOs that want to address the current practices of European supermarkets and the way in which they impact farmers and workers via: low pay, forced overtime and precarious employment. Other members of the consortium are Traidcraft (UK), Consumers International (UK/EU wide), Oxfam Germany, Christliche Initiative Romero (Germany), and the Association of Conscious Consumers (Hungary). The consortium aims to raise public awareness and subsequently build support for responsible supply chains. The programme started in July 2011 and will run for three years. Plans encompass joint advocacy at the EU level, research, campaigning, films and publications for various audiences.

In 2012 the consortium conducted research on the procurement policies of leading Dutch supermarkets, with regards to fresh fruit and vegetables from developing countries. The main focus was on the supply chain for green beans from Morocco, the leading exporter for the Dutch market (see the section on Sector and Supply Chains for more information).



Part III

SOMO's

**Services to
CSOs**



SOMO's Services to CSOs

In 2012, SOMO has seen a growth in the amount of commissioned research. Partners, but also other CSOs, pension funds, unions and other semi-public and public bodies are asking SOMO to research specific topics, companies or countries.

With commissioned research, SOMO provides reliable and valuable information as a foundation for further actions, as input for partnerships and in campaigns, for awareness raising and educational goals, in multi-stakeholder initiatives, in dialogues and in negotiations. But also as input in strategies on sustainable investments, for fundraising, for lobby and advocacy purposes and in policy development. In addition to generating and disseminating knowledge about corporations, SOMO advises organisations on how to use and operationalise CSR codes and guidelines and corporate accountability regulations.

SOMO carries out research, consultancy and training services.

Research Services

- **Quick Scan**
Brief research into the policies, practices and controversial businesses of a specific company. Often used as risk analyses by development organisations to assess possible partnerships or accept funds. Also used by sustainable investors to facilitate an engagement strategy.
- **Company research**
This encompasses deeper research into corporate structures, ownership relationships and CSR policies and practices of a company. Company research can be carried out in a combination with desk research and field research. This kind of research is often used by trade unions for negotiation and by campaigning organisations to facilitate awareness raising.
- **Benchmark research**
Comparative research on multiple companies in a specific sector on CSR indicators. This kind of research is often used by consumer organisations and environmental organisations in awareness raising campaigns.
- **Sector research**
Research into a sector in relation to human rights, labour rights, international development, concentration, competition and other CSR issues.
- **Value chain analysis**
Research into the value chain of a specific product or service, often originating in a specific region or country.
- **Country research**
Research on country level related to specific regulations, trade or investment relations, treaties or human rights risks.
- **Issue research**
Research into specific issues related to a company or CSR issues, such as tax evasion, corporate lobby, controversial investments by corporations and private financial institutions, land and water use (e.g. landgrab) and gender issues.

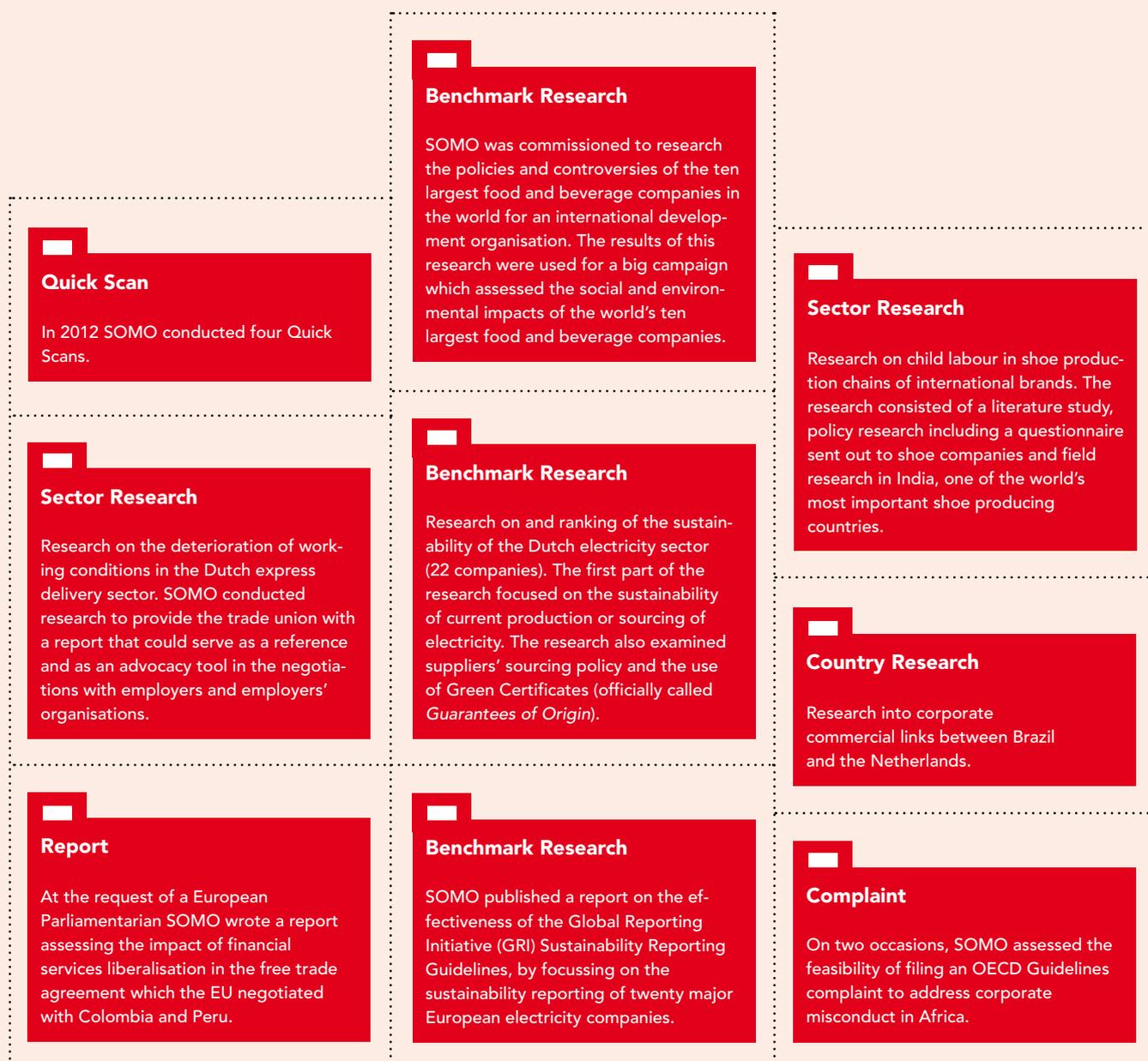
Consultancy Services

- **Ethical screening methods**
Advice on setting up sustainability screening for companies in the area of CSR; the operationalisation of CSR codes and guidelines, including on a sector level; the evaluation of CSR initiatives and certification systems.
- **Operationalising standards for Corporate Accountability**
- **Expert input in the form of lectures, workshops and seminars**
- **Sustainable procurement by national and local governments and other public sector bodies**

Training Services

- **Training courses on research skills**
Training seminars focusing on process management, research methods and technics, research ethics, reporting and presentation.
- **Training courses on CSR instruments and complaint mechanisms**
Training courses focusing on strategy development in which knowledge of guidelines for Corporate Accountability and information resulting from research are translated into CSR strategies for awareness raising, negotiations and campaigns.

Examples of performed services in 2012*



* This list of examples is not complete, due to the confidentiality of some of our commissioned research.



Rubber tree farmer – Liberia

Organisational Aspects

SOMO is continuously improving its own accountability policies and quality standards. In 2012 SOMO's quality management system was audited according to the ISO 9001:2008 standard, and was recertified. Also, SOMO continues its ANBI status, which means that financial gifts to SOMO are deductible from taxed income.

Sustainability, Accountability and Governance

In order to promote sustainable purchasing in its business operations, SOMO has a sustainability policy for travelling. SOMO employees are reimbursed for commuting costs by public transport. In the case of work-related travel, no use is made of air travel within a radius of 700 kilometres from Amsterdam. In the case of work-related travel for which air travel is necessary, SOMO compensates for the emissions using GreenSeats. For its purchases, SOMO ensures that products and services it buys are of the most sustainable nature possible, or a recycled alternative. Wherever possible, SOMO chooses Fairtrade, green or organic products. For the inventory, SOMO first tries to buy second-hand products, as far as possible. In the case of hardware, for example, the choice for a supplier is based on the best CSR score. SOMO also wants to be held accountable for its activities, including the implementation of a complaints procedure. In 2006, SOMO implemented its Code of Conduct and Complaints Procedure.

SOMO continues to strive for the highest possible standards and procedures in research including maintaining open dialogues with companies, academics and lawyers to do proper reviews of its practices. This is to ensure that its own work and services that it provides are up to date and of the highest quality possible.

Responsiveness/Dealing with Complaints

Following SOMO's research on the energy company ENEL, Greenpeace Italy, which commissioned this research was sued for libel by ENEL in June 2012. The judge, however, determined that the Greenpeace campaign was based on facts, scientifically proven by SOMO's research report. This report was checked by various independent parties. The demands made by ENEL, namely the shut-down of the Greenpeace-website and compensation for damage to reputation, were therefore refused by the court. The court also ordered all costs accrued by these legal proceedings to be paid by ENEL.

The governance of SOMO consists of the following elements, as described in more detail in the governance statute 2008:

- ❑ The responsibility of the board is explicitly to supervise the organisation;
- ❑ The managing director is the only member of the directorate and together with two senior employees, the managing director forms the management team of SOMO;
- ❑ The steering committees of the networks and coalitions hosted by SOMO are responsible for the strategy and plans of the networks. The members of the network are represented in a steering committee. The management and board of SOMO are responsible for the organisational and managerial context;
- ❑ SOMO's staff remains the most important decision making organ regarding strategy and annual plans.

Organisational Structure and Management

To achieve the much needed synergy between different research themes, SOMO changed its organisational structure in 2011 and identified four core thematic programmes that are deemed essential pillars for SOMO's work over the next five years:

- Corporate Research – with projects at corporation level;
- Sectors and Supply Chains – with projects on specific sectors and supply chains;
- Corporate Accountability – with projects on company CSR policies, (binding) regulations, multi-stakeholder initiatives and/or international guidelines that address corporate accountability;
- Economic Justice – with projects to emphasise the impact of policies on the macro-economic level, like trade and investment agreements and tax evasion, and policy coherence.

These thematic programmes all involve SOMO as an independent researcher and provider of knowledge for CSOs, with the aim of influencing corporate and government policies. SOMO also plays a facilitating role as a host for, and member of, international NGO networks. Moreover, SOMO is commissioned as a research consultant by NGOs, trade unions and (semi-)governmental organisations for specific information about corporations and CSR policies.

Together with an external adviser, SOMO evaluated the organisational changes made in 2011 in 2012. An important outcome of this evaluation was that, regarding the set goals, progress has been made. During the evaluation process, the emphasis shifted to a reflection on the future sustainability of the organisation. To ensure this sustainability, a strategy process started at the beginning of 2013, involving the entire organisation. This strategy process will result in a strategic plan for SOMO for the period following 2015. If the calls for further organisational changes, they will be implemented.

Relevant Personnel Statistics for SOMO in 2012

- At the end of 2012, SOMO employed 33 people (2011: 32 people) at 25,5 FTE (2011: 24,4 FTE). 27 people have permanent contracts; six have temporary contracts for a period of at least one year;
- SOMO has flexible personnel to expand our temporary capacity. In total five freelancers, one person who is hired from another organisation (0,2 FTE) and four flexible staff members, were working for SOMO at the end of 2012;
- The caretaker (0,35 FTE) is hired from Pantar, an organisation that provides work for people with a distance to the common labour market;
- SOMO trained twelve interns in 2012;
- Absence caused by illness was 3,4% in 2012 (2011: 2,4%);
- The costs for fundraising consists of personnel costs and costs for consultancy. In 2012 2,8% of the time available was spend on fundraising (2011: 2,7%). The total costs for fundraising are 1,4.% of the total income 2012 of SOMO (2011: 1,1%).

Finance

SOMO's programmes are funded in four ways:

- Subsidies: European Commission, Dutch government. Projects SOMO carries out within the IMPACT and FGG alliances are subsidised via the MSF2 programme;
- International fundraising: in 2012 SOMO received funds from the Dutch Human Rights' Fund for studies on grievance mechanisms, from the Sigrid Rausing Trust for the Sustainable Trade Initiative (IDH) projects of SOMO in the electronics supply chain, and from Doen Foundation for research and advocacy work on the electronic supply chain;
- Commission based research: SOMO conducts specific analyses and studies for CSOs;
- Membership contributions for facilitation/host work for international NGO networks.

The financial year 2012 ended with a positive result of € 70.269, after taxes. SOMO has a solid income base with its long-term programmes. Nevertheless, over the coming years attempts will be made to broaden the funding sources, particularly in the field of service delivery. To ensure both quantitative and qualitative growth, SOMO as an organisation has opted for incremental growth.

Forecast 2013

	2013
	Forecast
Income €	
Government grants/contributions	
Government grants	2.900.000
Other contributions	320.000
	<hr/> 3.220.000
Professional services	350.000
Total income	<u><u>3.570.000</u></u>
Expenditure €	
Direct project costs	1.270.000
Direct costs of professional services	33.000
Personnel costs	1.790.000
General expenses	454.000
Total expenditure	<u><u>3.547.000</u></u>
Operation result before interest and taxation	<u><u>23.000</u></u>

April 19th 2013

Dick de Graaf (chairman of SOMO)

Ronald Gijsbertsen (managing director of SOMO)



Demonstration – Lesotho

Financial Statements



Street vendor – Senegal

Financial Statements

Balance Sheet as of 31st of December, 2012 (after appropriation of result)

	31-12-12		31-12-11	
Assets	€	€	€	€
Fixed assets				
Tangible fixed assets				
Other equipment		38.979		38.310
Current assets				
Receivables, prepayments and accrued income				
Trade debtors	172.595		145.626	
Subsidy receivable	156.909		921.658	
Prepayments and accrued income	75.018		78.544	
		404.522		1.145.828
Cash and bank balances		1.652.726		917.577
Total assets		<u>2.096.227</u>		<u>2.101.715</u>
Liabilities				
Equity				
General reserve	540.124		469.855	
Appropriated reserves	66.581		66.581	
		606.705		536.436
Provision				
Provision personnel		28.910		24.371
Current liabilities, accruals and deferred income				
Creditors	608.604		548.380	
Advanced payments/ advances received on subsidies	354.995		651.221	
Taxation and social securities	126.512		93.637	
Accruals and deferred income	370.501		247.670	
		1.460.612		1.540.908
Total liabilities		<u>2.096.227</u>		<u>2.101.715</u>

Statement of Income and Expenditure, 2012

	2012	2012	2011
	Realization	Budget	Realization
Income	€	€	€
Government grants/contributions			
Government grants	2.607.598	2.800.000	2.737.180
Other contributions	683.633	650.000	851.253
	<u>3.291.231</u>	<u>3.450.000</u>	<u>3.588.433</u>
Professional services	347.342	200.000	237.245
Other income	-	-	22.682
Total income	<u>3.638.573</u>	<u>3.650.000</u>	<u>3.848.360</u>
Expenditure	€	€	€
Direct project costs	1.623.468	1.600.000	1.998.657
Direct costs of professional services	33.392	30.000	51.096
Personnel costs	1.630.047	1.650.000	1.511.142
General expenses	280.273	330.000	219.517
Total expenditure	<u>3.567.180</u>	<u>3.610.000</u>	<u>3.780.412</u>
Operation result	71.393	40.000	67.948
Financial income and expenses			
Interest income	17.358	-	13.257
Financial expenses	-844	-	-3.096
	<u>16.514</u>	<u>-</u>	<u>10.161</u>
Result on ordinary activities before taxation	87.907	40.000	78.109
Taxation on ordinary activities	-17.638	-	-15.195
Result after taxation	<u>70.269</u>	<u>40.000</u>	<u>62.914</u>

Accounting Principles for Financial Reporting

General accounting principles for the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

For the preparation and presentation of the financial statements, SOMO uses the Guidelines for annual reporting of the Dutch Accounting Standards Board as well, especially Guideline 640 "Organisations not for profit".

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face (nominal) value. Income and expenses are accounted for on accrual basis. Expenses are determined taking the mentioned valuation principle into account. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account when ascertained before preparation of the financial statements.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost. Depreciation is provided from the date an asset comes into use.

The following fixed percentages of cost are used for depreciation:

- Computers: 20% a year;
- Office equipment: 20% a year.

Receivables

Receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Securities

The listed shares are valued at the market value as at balance sheet date, with which both realised and unrealised changes in value are directly accounted for in the profit and loss account.

Provision

Provision personnel: this provision is based on the 'Conditions of employment', formed for personnel with a right to build up 'pension' and 'holiday rights' during uncompensated absence. The provision for personnel has been formed for the amount expected to be due in the future and is built up during the labour period to a maximum amount. The amounts paid during the absence period are deducted from this provision.

Principles for the determination of the result

Government grants/ contributions (allowances)

Allowances are included in the statement of income and expenses in the year in which the subsidised expenses are realised.

Professional services

Revenues from professional services are recognised in proportion to the services rendered. The direct costs of these services are allocated to the same period.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

Notes to the balance sheet

	2012	2011
Assets	€	€
Other equipment (computer/office equipment)		
Purchase value at historical cost	129.591	103.742
Accumulated depreciation	-91.281	-76.923
Balance as of 1 January	38.310	26.819
Movements		
Investments	15.083	25.849
Desinvestments	-	-
Depreciation	-14.414	-14.358
Desinvestment depreciation	-	-
Total movements	669	11.491
Purchase value at historical cost	144.674	129.591
Accumulated depreciation	-105.695	-91.281
Balance as of 31 December	<u>38.979</u>	<u>38.310</u>

	31-12-2012	31-12-2011
Assets	€	€
Trade debtors		
Trade debtors	177.385	146.563
Minus: allowance for doubtful receivables	-4.790	-937
Total trade debtors	<u>172.595</u>	<u>145.626</u>
Subsidy receivable		
Subsidies Dutch Government	42.038	-
Subsidies European Government	55.815	921.027
Other subsidies	68.725	10.300
Subtotal subsidy receivable	166.578	931.327
Minus: doubtful subsidy receivable (projects)	-9.669	-9.669
Total subsidy receivable	<u>156.909</u>	<u>921.658</u>
Prepayments and accrued income		
Professional services to invoice	26.550	35.478
Other prepayments and accrued income	48.468	43.066
Total prepayments and accrued income	<u>75.018</u>	<u>78.544</u>
Cash and bank balances	<u>1.652.726</u>	<u>917.577</u>

Cash and bank balances

Except for two bank guarantees (with the sum of € 83.969), all cash and bank balances are available for expenditure by SOMO.

SOMO only buys shares when this is necessary in the context of a project, for instance in order to be able to attend a general shareholders' meeting. All dividend and currency profits are reserved as gifts for third parties. SOMO does not buy shares as an investing policy.

	2012 Begin financial year	2012 Movements	2012 End financial year
Liabilities	€	€	€
Equity			
General reserve	469.855	70.269	540.124
Appropriated reserve housing	30.000	-	30.000
Appropriated reserve organization development	36.581	-	36.581
	<u>536.436</u>	70.269	<u>606.705</u>
Provision			
Provision personnel	<u>24.371</u>	4.539	<u>28.910</u>

Equity and Provisions

In 2007 SOMO started a general housing reservation. That first year € 20.000 was added to this reserve. SOMO will add € 10.000 to this reserve annually from any positive results that exceed the result needed to reach the necessary general reserve. The necessary amount as general reserve equals fifty percent of the fixed annual personnel costs (gross salary, social charges, allowances, pension) of the employees with a contract for an indefinite period (the norm on 31 December 2012 would be: € 665.700).

Any residual positive results will be added to the reserve for organisational development and can be used for different types of projects serving the goals of SOMO. This reserve can be used to hire extra capacity when needed, or to start research for which there are no funds available yet but which must start at a particular moment for reasons of urgency. In addition to this kind of strategic deployment, this reserve can also be used for investments in infrastructure to improve sustainable cooperation with partners in the North or South.

	31-12-2012	31-12-2011
Liabilities	€	€
Creditors		
Creditors	175.691	206.568
Contract obligations project partners	432.913	341.812
Total creditors	<u>608.604</u>	<u>548.380</u>
Advanced payments/ advances received on subsidies		
Advanced received on Dutch Government	254.317	418.439
Advanced received on other contribution	100.678	232.782
Total advanced payments	<u>354.995</u>	<u>651.221</u>
Taxation and social securities		
Taxation (corporate tax)	-2.385	-3.247
Tax dividend	-6	6
Value added tax (V.A.T)	-1.823	-13.428
Social securities (payroll tax)	130.726	110.306
Total taxation and social securities	<u>126.512</u>	<u>93.637</u>

	31-12-2012	31-12-2011
Liabilities	€	€
Other accruals and deferred income		
Pension contributions	-1.666	-885
Holiday pay	55.876	44.739
Holiday days	118.202	94.865
Services, audit fee, controlling fee and ICT	48.183	47.433
Other	149.906	61.518
Total other accruals and deferred income	<u>370.501</u>	<u>247.670</u>

Contingent assets and liabilities

SOMO has a defined benefit plan that provides pension for employees on retirement. It is allowed for a small legal entity, such as SOMO, in accordance with the Guidelines for annual reporting of the Dutch Accounting Standards Board (RJK B14.111) to account a defined benefit plan as if it was a defined contribution plan; the pension contributions are taken into account in the financial year. This means that not all risks attached to the defined benefit plan have been reported in the balance sheet.

SOMO started a capital account in 2007 related to the ING account for bank guarantees. At the end of 2011, the total sum of bank guarantees is € 83.969. This amount refers to two bank guarantees. The first bank guarantee (€ 26.275) relates to the lease for the building of SOMO at Sarphatistraat 30 in Amsterdam (rent in 2012: € 56.803). The second bank guarantee (€ 57.694) was required by the European Commission in order to receive advanced payments of a subsidy.

The lease for Sarphatistraat 30 SOMO signed in 2007 starts from 1 July 2007 – 30 June 2012. The contract is extended to 30 June 2017.

The contracts with project partners refer to short-term debts (maximum of one year) for cooperation in joint projects or subcontracting in services delivery.

The financial commitment for the programmes SOMO conducts with consortium partners is on annual basis. For the period of the programme, SOMO signed a Memorandum of Understanding with the consortium partners. In the case of the programme commissioned by the Dutch Ministry of Foreign Affairs, SOMO also signed a Memorandum of Understanding with the project partners. Financial commitments have only been agreed on an annual basis. The cooperation for the whole program period is conditional on timely delivery of results and reporting.

Notes to the Statement of Income and Expenditure

	2012	2011
Income	€	€
Government grants		
Subsidies Dutch Government		
Ministry of Foreign Affairs	2.050.602	1.401.440
Agentschap NL	32.101	31.351
Total subsidies Dutch Government	2.082.703	1.432.791
Subsidies European Commission		
EuropeAid	524.895	1.304.389
Total subsidies European Commission	524.895	1.304.389
Total Government grants	<u>2.607.598</u>	<u>2.737.180</u>
Other contributions		
Network contributions	262.577	583.645
Capacity building and awareness building	421.056	267.608
Total other contributions	<u>683.633</u>	<u>851.253</u>
Professional services		
Quick Scans	5.340	19.725
Corporate research	96.674	81.876
Sector research	30.651	48.854
Land research	-	28.230
Expert contribution	9.719	23.980
Other services	204.958	34.580
Total income professional services	<u>347.342</u>	<u>237.245</u>

	2012	2011
Expenditure	€	€
Direct project costs		
Travel costs	217.545	171.692
Office expenditure	73.160	54.638
Telephone and postage	7.730	11.255
Printed matter	71.748	59.046
Contracted work	1.172.318	1.609.291
Other direct project costs	80.967	92.735
Total direct project costs	<u>1.623.468</u>	<u>1.998.657</u>
Direct costs of professional services		
Travel costs	4.326	5.299
Office expenditure	3.012	2.557
Printed matter	450	3.161
Contracted work	25.479	39.942
Other direct costs of professional services	125	137
Total direct costs of professional services	<u>33.392</u>	<u>51.096</u>

	2012	2011
Expenditure	€	€
Personnel costs		
Salaries		
Gross wages	1.216.912	1.030.913
Social securities	220.980	179.538
Pension contributions	119.041	92.428
Expenditure employee saving scheme	-	3.186
Total salaries	1.556.933	1.306.065
Remaining personnel expenditure	378.680	251.714
Subtotal personnel costs	1.935.613	1.557.779
minus: received payments for illness	40.797	16.810
minus: charged for (project) personnel expenditure	264.769	29.827
Total personnel costs	<u>1.630.047</u>	<u>1.511.142</u>
General expenses		
Services (advice, auditing, controlling)	64.870	63.477
Literature, website, internet and databank	49.695	38.479
Software and hardware	77.597	71.390
Housing expenses	21.249	17.458
Depreciation	14.414	14.358
Buiding expenses	64.241	61.835
Other general expenses	71.180	69.980
Subtotal general expenses	363.246	336.977
minus charged for project costs	82.973	117.460
Total general expenses	<u>280.273</u>	<u>219.517</u>

Fundraising

The total of income received not from own fundraising of SOMO but as part of cofunding of project partners for 2012 is € 35.704 (2011: € 185.205).

Personnel costs

At the end of 2012, SOMO was employing a total of 33 people (2011: 32) and 25,5 FTE (2011: 24,4 FTE). The gross annual salary for the managing director for 2012 was € 70.537 (2011: € 70.780), 36 hours a week.

Explanation of differences between realisation and budget 2012

The positive result in 2012 is higher than budgeted. The budgeted result for 2012 was € 40.000 before taxation, the actual positive result is € 87.907 (before taxation). This difference is explained as follows: In the first place the income from interest is higher than expected. Secondly, SOMO delivered worth € 147.342 more of professional services than expected. The fee for services contains an extra charge to build a general reserve. This makes the fee for services higher than the fee for subsidised projects. Finally the staff worked more effectively, so more hours could be charged to projects.

Other explanations to the statement of income and expenditure

The Government grants are € 192.402 lower than planned. SOMO expected to be the lead of a new EU program of the European Commission. However the proposals for these programs were not approved. The other contributions are € 33.633 higher than planned, this is mostly caused by a large contribution of a Norwegian organisation to the OECD Watch project.

The salary and personnel costs were higher than budgeted. This is caused by an increase in the number of staff, the hiring of extra flexible project employees and freelancers. The costs for hiring flexible staff employees could mostly be attributed to projects.

The number of FTEs expanded in 2012 with 1,1. We have an extra researcher and 0,5 FTE on the support staff.



Other Information



Other Information

Benefits

The projects of SOMO are financed by both public and private means. Firstly, there are projects subsidised by the European or Dutch governments. Secondly, different networks of SOMO are financed by funds (subsidies from sources other than governments) and membership contributions. Thirdly, service provision is paid for by clients.

Expenses

Expenses that cannot be related to specific project activities are reported as general expenses.

Appropriation of result 2012

The result after taxation 2012 is € 70.269 positive (2011: € 62.914 positive). The board of SOMO has decided to add this result to the general reserve.



INDEPENDENT AUDITOR'S REPORT

To: the Management of Stichting Onderzoek Multinationale Ondernemingen (Centre for Research on Multinational Corporations), Amsterdam.

We have audited the accompanying financial statements 2012 of Stichting Onderzoek Multinationale Ondernemingen (SOMO), Amsterdam, which comprise the balance sheet as at 31 December 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the director's report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Onderzoek Multinationale Ondernemingen (SOMO) as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Amsterdam, 19 April 2013

Dubois & Co. Registeraccountants

Signed on original:
A.P. Buteijn and R.W.J. Bruinooge

Dubois & Co. Registeraccountants is een maatschap van praktijkvennootschappen.
Op alle opdrachten die aan ons kantoor worden verstrekt zijn onze algemene voorwaarden van toepassing. Deze voorwaarden, waarvan de tekst is opgenomen op de website www.dubois.nl, bevatten een aansprakelijkheidsbeperking.

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drs. P.W.A. Kasteleyn, RC

A photograph of a park with a warning sign in the foreground. The sign is dark blue with white text that reads "BEWARE OTHERWISE YOU MAY FALL DOWN". The background shows a paved area, a grassy lawn, and several people walking or sitting. There are trees and a small structure in the distance.

BEWARE
OTHERWISE YOU MAY FALL DOWN





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