



SOMO

Annual Report 2011



Colophon

SOMO

Centre for Research on Multinational Corporations

Annual Report 2011

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Textile workers in Tamil Nadu - India



Textile factory in Tamil Nadu, India

Director's Report

Angélique KIDJO dit
NON aux Accords de Partenariat
Economiques (APE) injustes



... les membres de la PASCiB disent
également **NON**
Et vous ?

2011: Year of promising changes

Throughout 2011, the world's power relations shifted rapidly, spurred on by swift economic globalisation, the emergence of new economic powers and diminishing ideologies.

We find ourselves in the fast lane to global interdependencies, but lacking the structure for good global governance to solve 'problems without passports', as former United Nations General Secretary Kofi Annan labelled the world's current financial, economic, environmental, climate and food crises.

Take the financial and economic crisis in Europe, for example. Measures taken to stabilise European financial markets have a major impact on the economic, social and environmental development of countries in Europe and elsewhere – not to mention the capacity of these measures to change the fundamental causes of the crisis. Europe continues to push for the liberalisation and deregulation of financial markets in multilateral and bilateral trade and investment treaties, especially in developing countries. However, these measures limit regulation that should be stabilising financial markets in these vulnerable countries. SOMO has been sending out warning signals about this for many years, and has sent out the same clear message in 2011.

The global problems we face today have to be seen in relation to each other. One issue cannot be solved or put on the agenda in isolation, without taking into account all the consequences in other areas. Solutions to one problem can have severe negative impacts on another, or can lead to some unexpected side effects somewhere else. It's a requisite for SOMO's research to incorporate all the actors and to have a multidisciplinary and integrated approach that provides a clear analysis on the dynamics of today's economic systems and its impacts. This fits in with the tradition of SOMO as a multi-issue organisation.

Since 1973, SOMO has been working as an independent, not-for-profit research and network organisation focusing on social, ecological and economic issues related to sustainable development. SOMO supports social organisations by providing training, coordinating networks and generating and disseminating knowledge on multinational corporations in a context of international production, trade, finance and regulation.

In 2011, SOMO started to focus on its integrated research strategy by looking for synergies between all the different themes and issues SOMO has been working on, by linking sectors and issues, and by giving feedback on the inter-relationships. The first tangible results appeared in our research into how financial institutions' speculation on commodities was responsible for food price volatility, food price increases and for the food crisis in general. This research linked SOMO's 'Food and agriculture' supply chain theme with research on the impact of activities of financial institutions that are clustered in the 'Finance sector' and 'Financial reform' themes.

SOMO also experimented with a new integrated format for corporate research in 2011. For example, the Liberian company Buchanan Renewables was not only investigated for the impact of its activities on local smallholders, or on its Corporate Social Responsibility (CSR) policies alone. SOMO also looked at the company's tax avoidance and macro-economic impact, including the legality of agreements made with local and national governments. The basis for this new company scan format is not the company's CSR policy but problems witnessed on the ground, in the region and across the supply chain.

Another example of SOMO's more integrated approach was the way we addressed various aspects of the electricity production system, and their uranium, coal and biomass supply chains, simultaneously. Research on local social and environmental problems arising from uranium mining in Africa, coal mining in Colombia and South Africa, and biomass production in Liberia, was bundled together to send a strong signal to leading European electricity companies. They were urged to be more transparent about their supply chains, and to take more responsibility to ensure that social and environmental standards are being met throughout the supply chain.

SOMO also played an important role in terms of improving international CSR policies in 2011, which can be regarded as the year in which CSR policies gained a more effective and solid future. It was the year in which the Organisation for Economic Co-operation and Development (OECD) revised its text for the Guidelines for Multinational Enterprises. It was also the year in which John Ruggie, the special United Nations' representative for human rights and business, presented the final version of the Guiding Principles to hold businesses accountable when they disregard their human rights policy.

Both the OECD Guidelines and the UN Guiding Principles are an important step towards full corporate accountability and responsibility on the impact of corporations' activities. The research, actions and activities that SOMO and its partners undertook in 2011 contributed to these milestones in international regulation and policy-making. This has strengthened SOMO in its belief that promising results can be achieved in the future, working together with our partners.

Strategy and Policy

Regulation at both national and international level is still lagging behind economic globalisation. While privatisation and trade liberalisation has been eroding the role of nation states, international regulation has been actively reduced over the past few decades. The result is what John Ruggie calls 'governance gaps' – fragmented and decentralised political systems that struggle to keep up with the integration of the economy, environment and human rights. It is within these 'governance gaps' that multinational enterprises (MNEs) have been able to thrive. Approximately 60 per cent of all world trade is currently taking place between subsidiaries of the same company, and some MNEs today generate more income than certain national economies. MNEs are

able to change production locations to reduce production costs and invest resources into finding and using loopholes in international regulation to reduce their financial contributions to the countries in which they operate.

SOMO's work is strongly motivated by holding MNEs accountable for past and present activities, and acting responsibly for a sustainable and just future. SOMO aims for a sustainable, inclusive and just economic development that contributes to the structural eradication of poverty, as well as solving environmental problems, reducing inequality and tackling exploitation. SOMO deliberately chooses to be a research and network organisation within the social movement, with a mission that puts social and ecological values above financial values in its research and activities. SOMO aims to influence civil society, corporations and governments through research and knowledge building, mostly in cooperation with researchers in partner organisations.

SOMO aims to strengthen the capacity of, and cooperation between, non-governmental organisations (NGOs) worldwide. Therefore the results, conclusions and recommendations of its research are communicated and distributed across a broad network of NGOs based in poor, emerging and developed countries. These are then used in campaign and lobbying work to challenge economic and social injustices. A strong civil society is needed to contain and monitor the growing influence and negative impact that MNEs can have. SOMO hosts the activities for several international NGO networks. In this role, SOMO participates directly in lobbying national, European and international institutions and corporations.

To strengthen the efforts of NGOs and Civil Society Organisations (CSOs) worldwide, a global civil society that insists on the global governance of global goods has to be established. SOMO wants to be at the forefront of organising this global voice by encouraging strategic alliances with

in international NGO networks it is involved in – such as the IMPACT Alliance, the Fair Green and Global Alliance (FGG), GoodElectronics, Towards Tax Justice, or the EU Financial Reform Consortium. Considering the rapidly changing world order with its growing interdependencies, capacity building, training and cooperation between CSOs are not enough if there is no clear and well organised critical voice at the global level to challenge the 'governance gaps' and develop alternatives for present one-dimensional policies to tackle the global problems.

SOMO established four strategies in 2011, namely:

□ Knowledge building

The traditional research on multinational corporations (MNCs) and their supply chains will be put more in the context of economic justice and political economy.

□ Strengthening cooperation and information sharing among CSOs globally

SOMO, in collaboration with local organisations, fulfills 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 local communities.

□ Building the capacity of CSOs in the South

Research is carried out in close cooperation with local organisations. In doing so, the local organisations' capacity to conduct research and to lobby is supported and improved.

□ To support advocacy for policy change by corporate businesses and governments on a local and global level

Knowledge and capacity building leads to more lobbying and advocacy influence among CSOs. Also SOMO's findings are discussed with companies, both at the local management and at headquarters level. Companies are challenged to act more responsibly and to improve their corporate policies.

SOMO aimed to achieve three goals with these strategies:

- ❑ Influencing economic behaviour and policy of corporate businesses to support sustainable and social development.
- ❑ Influencing regulations made by governments to support a fair and equal distribution of wealth and sustainable growth.
- ❑ Increasing NGOs' influence on the decisions made at the local and global level by governments and MNCs.

Governance

SOMO is a foundation with a supervisory board made up of four members. The vacancy for the position of treasurer was fulfilled in the spring of 2012. The board members – Dick de Graaf (chairman), Ronald Messeling (treasurer), Melanie Peters and Nicola Jägers – operate on a voluntary basis.

In 2011, SOMO started to implement its new strategic plan and its new organisation and management structure that will be in place for a period of four years. Since 2011, the management team consists of three people: managing director Ronald Gijsbertsen and senior researchers Joris Oldenziel and Esther de Haan. The management team will steer the

organisation structured in six teams. The six teams include the four thematic teams, complemented with the communication and (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 2011 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.
- ❑ **Commissions**
SOMO conducts specific analyses and studies for CSOs.
- ❑ **Membership contributions for facilitation/host work for international NGO networks.**



Greenhouse – Egypt



Workers at a stone quarry

Part I

SOMO

**as knowledge
provider**



Dismanteling of ships – Bangladesh

Chapter 1

Corporate Research

Corporate research is one of SOMO's core competences. The Corporate Research Programme brings together all the specific research methods on corporations, ranging from company profiles, in-depth research into practices in developing countries, targeted private actor strategies with various stakeholders, and more structural, continuous monitoring and assessment of company performances.

Increasingly complex corporate structures on the one hand and prevailing negative impacts in developing countries on the other hand justify the need for specific research into structures, policies and practices of private actors, in particular the largest and most dominant market players and their supply chains. SOMO identifies malpractice and corporate abuse so that corporations change their conduct and policies into sustainable ones. MNEs are most sensitive to allegations about malpractice if these are directly linked to the supply or production chain of that company. Company case studies can therefore provide a good incentive for companies to start moving and to make progress towards more sustainable and just production models. SOMO also wants to share and exchange information across a worldwide network of other NGOs that act as corporate

watchdogs. SOMO's Corporate Research Programme can be divided into three sub-sections:

- ❑ **Flagship cases:** In 2011, SOMO started a new kind of integral approach to corporate research: in-depth, on the ground research on the direct and indirect impacts of the high-risk activities of selected companies is complemented with an analysis of the company's tax avoidance, and the impact of their CSR policies. The first report that was published in this way was the 2011 study of the Liberian company Buchanan Renewables.
- ❑ **Tailored company profiles:** 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 (e.g. benchmarks) with consumer organisations. SOMO is mostly commissioned to conduct these reports for other NGOs.

- Impact monitoring/corporate watchdog: SOMO monitors the impact of individual companies' CSR policies and/or participation in Multi-Stakeholder Initiatives (MSIs), focusing on social and environmental conditions throughout the supply chain. SOMO's aim is to be a corporate watchdog, which includes a structural project to monitor and track selected stock market listed companies. In 2011, the foundation for further research in this field was laid out: there was a pilot research project in 2011 that focused on the impact of Unilever's CSR policy on its tea plantations (see also 'Food and Agriculture').

Flagship cases

Questioning the sustainable image of companies

This study on the Liberian company Buchanan Renewables illustrates the new integrated research approach that SOMO started in 2011. The study does not just offer an insight into the activities of one company and how it implements its CSR policies, but it also tackles broader economic justice and supply chain issues.

The activities of Buchanan Renewables (BR) involve using old unproductive rubber trees for the production of biomass. The company agreed to clear the old trees from smallholder farms in Liberia, then replant new seedlings, provide maintenance for the first seven years, and build a new local power plant. In 2011, SOMO research showed that BR did not fulfill its promises to the farmers, and it also uncovered irregularities in the regulatory framework for BR's operations in Liberia. There were also negative impacts on the Liberian

charcoal market, and the corporate structure was questioned, as it could easily be used for tax avoidance.

The findings were published in November 2011 in the report *Burning Rubber*. Buchanan Renewables' Impact on Sustainable Development in Liberia. It contributed to SOMO's goals as it empowered both local NGOs and the small farmers in Liberia. They have formed a union and voiced their demands to the company. BR organised two meetings with them and some (though not all) of the farmers' demands are currently being addressed. The smallholder farmers that feature in the report have indicated that their situation has improved as a direct result.

The new research approach allowed SOMO to present a more integrated corporate study. It offered relevant information to European NGOs to raise questions about biomass as a sustainable solution for energy production and to remain critical of the way biomass is used in Europe to fulfill the EU target of 20 per cent electricity generated from using renewable sources in 2020. One particular purchaser of – and shareholder in – BR's biomass activities, the Swedish electricity company Vattenfall, was questioned in Swedish parliament about the way its biomass is labelled 'sustainable'.

Finally, the study on BR had links with SOMO's global tax justice campaign, and it fuelled debate in the Netherlands about the country's role as a tax haven by providing new evidence about potential tax evading techniques.

Tailored company profiles

Shareholder activism: a small step to improve CSR policies

In 2011, SOMO published company profiles that the VBDO (Organisation of Investors for Sustainable Development) used to raise questions at annual shareholder meetings of the multinationals Ahold, KPN, Unilever, ING, Heineken and Philips.

For the six companies, VBDO based its 'sustainable voting advice' on the outcomes of SOMO's publications. Additionally, questions were asked at the Annual Shareholder Meetings of the companies. SOMO and the VBDO agree that it is important to attend annual shareholder meetings of MNEs, because it is a unique opportunity to raise concrete problems directly with the CEOs.

For example, SOMO attended ING's annual shareholder meeting in 2011 and asked questions of the CEO Jan van Hommen about the bank's shareholdings in controversial companies. SOMO also asked the CEO about more transparency on ING's lobby on financial reform issues. A follow-up meeting was organised later on with the bank to discuss these issues. This is exactly what SOMO wants – to start a dialogue with companies with the aim to improve their transparency and CSR policies. Shareholder activism and follow-up meetings are small steps forward and an important tool to address burning issues that SOMO raises in its company profiles and to take these straight to the highest ranks of multinational management.

The tailored company profiles also contributed in 2011 to SOMO's main goal of ensuring that corporate conduct and policies serve sustainable development. For example, Ahold is now engaging with its Peruvian supplier on the poor working conditions in the mango supply chain, and has set

the requirements for an audit for future business. KPN has initiated a supplier and stakeholder dialogue in response to conclusions drawn by SOMO's company profile. Philips has indicated it is investigating the possibility of greater supply chain transparency. Heineken started an internal dialogue with the directors of a Mexican subsidiary.

Because of SOMO's close cooperation with VBDO, the implementation of the announced policy changes will be monitored in subsequent shareholder meetings. Hence, by posing critical questions and providing sustainable voting advice, VBDO and SOMO were able to influence the CSR policies of leading Dutch MNEs.

Corporate Research: Overview of projects 2011

Project	Description	Publication
OECD Watch learning project	OECD Watch is an international network of more than 80 civil society organisations from 45 different countries from across the world promoting corporate accountability and responsibility. In 2011 learning session with the network's Coordination Committee and pilot activities to establish OECD Watch regional focal point in Argentina and India will be organised.	-
Flagship cases	This project aims to develop so-called flagship cases around specific controversial practices involving multinational companies. The flagship cases are not only use to address the specific controversy, but also serve as examples for the need for policy reforms.	<i>Burning Rubber</i> http://somo.nl/publications-nl/Publication_3715-nl
Research companies receiving public support	Project on standards in export facilities and research companies receiving export credits and other government support, linked to lobby and advocacy on policy coherence.	-
Capital strategies and shareholder activism with VBDO	SOMO will draft company profiles for selected Dutch stock-listed companies, that will focus on controversies or CSR developments during the past year. There profiles as the basis for voting advise about sustainable investments, and questions to be asked during the shareholder meeting.	<p>Ahold: <i>Overview of Controversial Business Practices in 2010</i> http://somo.nl/publications-nl/Publication_3650-nl</p> <p>Heineken: <i>Overview of controversial business practices in 2010</i> http://somo.nl/publications-nl/Publication_3651-nl</p> <p>ING: <i>Selected CSR issues in 2010</i> http://somo.nl/publications-nl/Publication_3652-nl</p> <p>KPN: <i>Unresolved CSR issues in 2010</i> http://somo.nl/publications-nl/Publication_3645-nl</p> <p>Royal Philips Electronics N.V.: <i>Unresolved CSR Issues in 2010</i> http://somo.nl/publications-nl/Publication_3644-nl</p> <p>Unilever: <i>Overview of controversial business practices in 2010</i> http://somo.nl/publications-nl/Publication_3653-nl</p>



Rice-mill - Bangladesh



Transport of building material – Bangladesh

Chapter 2

Sectors and Supply Chains

Most of SOMO's sector and supply chain research in 2011 included elements of the new integrated approach – particularly research on the electricity sector. This new approach was also in evidence throughout the year when SOMO put emphasis on the impact of CSR policies on the supply chain. Results will give useful inputs for further research on corporate accountability in general.

A sector-specific approach is often crucial to identifying a number of growing and persistent problems caused by globalised production, such as migrant labour, increasing flexibilisation of labour, and local social and environmental problems. On the positive side, research on specific sectors helps local NGOs to formulate CSR regulations and to initialise and strengthen multi-stakeholder initiatives. A sector and supply chain perspective allows SOMO to link the adverse effects of globalisation in developing countries and the responsibilities of the MNEs at the end of the chain.

Given the scope of SOMO's recent work and the expected importance of some sectors for the next five years, SOMO identified finance, electronics, food and agriculture, extrac-

tives, public services, garments and pharmaceuticals as the major sector programmes in 2011.

- ❑ Finance: The aim is to integrate sustainability in global financial reform, to guarantee access to finance for the poor in developing and emerging countries, and to make responsible banking mainstream. In 2011, the focus was on food speculation activities of banks and pension funds.
- ❑ Food and Agriculture: The aim is to unveil and address abuse of retail buying power, and precarious working conditions in food supply chains. In 2011, this resulted in research on the impact and effectiveness of CSR certification schemes on decent work in food production.

- ❑ Electronics: The aim is to improve labour conditions in production countries by researching the impacts of recent CSR initiatives and to promote upward (e-waste) and downward (mining) chain responsibilities. In 2011, the focus was Apple's suppliers in China and e-waste regulations in the EU.
- ❑ Extractives, oil and gas: The aim is to identify the (geopolitical) struggle for resources, businesses in conflict zones, to help improve environmental and human rights and to improve transparency in business and government payments. In 2011, the focus was on uranium mining in Africa.
- ❑ Public services: The aim is that all citizens have access to essential services like electricity and water. The emphasis in 2011 was on sustainable energy, and the CSR policies and practices of electricity companies.
- ❑ Garments: The aim is to improve labour conditions in the production countries by researching the impacts of CSR initiatives. In 2011, this provided new evidence against the Sumangali Scheme in India.
- ❑ Pharmaceuticals: The aim is to unveil and address abuses in clinical trials in developing countries. In 2011, the focus was on the outsourcing of clinical trials.

Apart from the major sector programmes mentioned above, SOMO will continue to work and carry out research into specific sectors and supply chains depending on the needs of partners and networks. This includes sectors such as tourism and the car industry, for example.

Financial sector

To reverse the 'financialisation' of commodity markets

In 2011, research on the financial sector focused on the involvement of Dutch financial institutions in food speculation that contributes to increased price volatility and high food prices. SOMO argued that the transparency of financial and food markets should be increased and that food derivatives markets should be better regulated.

SOMO published two reports about food speculation. In December 2011, the report *Food Markets in Dutch*. Dutch banks and pension funds in agricultural derivatives markets examined the financial investments of the three largest Dutch banks (ABN AMRO, ING and Rabobank) and the three largest Dutch pension funds (APG, PGGM and MnServices) in the agricultural derivatives markets in staple foods such as corn, grains and sugar. The banks and the pension funds together cover 90 per cent of the Dutch bank market and 60 per cent of Dutch pension savings. SOMO concluded that PGGM invests 7 per cent of total assets in commodity derivatives and is therefore one of the most active pension funds in this field. Of the banks, Rabobank (including Robeco) has by far the biggest exposure in the field of agricultural commodity derivatives markets, followed by ABN AMRO.

The above-mentioned report was a follow-up to another report called *Feeding the Financial Hype*, which was published in November 2011. This report showed that an increasing number of academic studies found a relationship between increased speculation on the agricultural derivatives markets and excessive increases in food price volatility and high food prices. This negatively impacts the poorest people in the world in particular, who spend up to 80 per cent of their income on food. Interestingly, the Dutch financial institutions all embrace CSR policies that include respect for Universal

Human Rights, including the right to affordable food. SOMO argued that financial institutions – with their activities in food derivatives markets – have the opposite effect, and should curb these investments. According to the precautionary principle as enshrined in the EU Lisbon Treaty, public policy should also be aimed at reducing this ‘excessive speculation’.

Research on the financial sector has contributed to all three SOMO goals. NGOs made use of SOMO’s conclusions and recommendations in dialogues with the financial institutions and with Dutch Members of Parliament and Members of the European Parliament. This took place thanks to much media attention: in collaboration with SOMO, the Dutch TV programme Zembra broadcast the documentary Trade in Hunger and the Dutch newspaper NRC Handelsblad ran two large and prominently placed articles on the issue.

Pressure on banks and pension funds from the general public and their clients to change their investment policy increased. The result was that Dutch financial institutions for the first time formulated CSR guidelines for these investments and are still in a dialogue with customers, advised by SOMO, on how to weigh the available evidence. However, to adjust their investments, more pressure is needed. Also an informal network of interested people and institutions (including Triodos bank) has been formed to further discuss the issue and promote alternatives (see also the section on Financial Reform).

Although the two reports show a direct link between the financial sector’s investments and the impact on the agriculture and food sector, the focus has been on financial markets, leaving broader themes in Food and Agriculture, such as sustainable food prices, aside. Follow-up studies on food speculation in 2012 should bridge the two themes.

Food and Agriculture sector

Impact of CSR standards on working conditions on large tea estates

In 2011, a key focus for SOMO’s Food and Agriculture cluster was to determine the impact of CSR certification on working conditions on tea plantations. Are the working conditions truly acceptable on large tea estates supplying tea to Unilever now that they have achieved Rainforest Alliance certification?

In response to the worldwide call from CSOs to address the precarious working conditions of millions of tea workers, multinational tea packers increasingly make use of these certifications. In 2011, SOMO researched the Rainforest Alliance certificate – the most important sustainability certification in the tea sector in terms of volume – in relation to Unilever, the leading global player in the tea market. Field research was conducted in Kenya and India. Findings and recommendations were published in the report *Certified Unilever Tea. Small Cup, Big Difference?* in October 2011.

SOMO concluded that workers picking tea for Unilever in India and Kenya are subject to precarious working conditions and labour rights violations. Despite the Rainforest Alliance label, the researchers found problems regarding payment of minimum wage, discrimination, substandard plantation facilities like housing and sanitation, and the unprotected application of pesticides. Many plantation workers are denied a permanent contract while working most of the year and for years on end. The trade union situation is also problematic.

Although the 2011 study questioned the reliability of Rainforest Alliance certification, SOMO does not intend to obstruct the increased use of these certificates by multinationals. However, creating more clarity about the effectiveness of such labels is in everyone’s interest. It is important

to note that the research is one of the first independent and critical studies into the effectiveness of sustainability certification in the food sector. Knowledge building and strengthening cooperation between NGOs on this issue provides the opportunity to increase the influence of CSOs to improve CSR policies and standards.

There was widespread media attention in Europe, which fuelled discussions between Northern NGOs, multinationals in the food supply chain, and the different certification organisations, on the merits of sustainability certification. By talking openly about their weaknesses, multinationals like Unilever cannot hide anymore behind CSR certification. They will need to do more to really improve conditions for the people that produce their tea.

Although the market for certified products is mainly in the Northern hemisphere, as is the discussion on certification, this research contributed to capacity building of local NGOs in Kenya and India around the impact of CSR standard systems. The voice of plantation workers was put on the agenda with the recognition that the present standards and policies are not sufficient. This resulted in Unilever adopting new policies to mitigate problems such as sexual harassment and bribery on their own tea plantations in Kenya.

Electronics

Responsible electronics: from mining to e-waste

In 2011, SOMO's electronics sector programmes continued to work on full transparency and responsibility throughout the supply chain: from mining to dealing with e-waste. Electronics manufacturing in China got particular focus.

SOMO looked into labour rights issues in several electronics producing countries, including Malaysia, Vietnam, Thailand, the Philippines, India, Mexico, and Hungary. In 2011, the spotlight was turned firmly on China, with a focus on the poor working conditions in factories where Apple's iPads and iPhones are put together. In cooperation with local NGOs, and within makeITfair and GoodElectronics, SOMO has been striving for better working conditions in the electronics sector in China. Apple and its suppliers Foxconn and Wintek bore the brunt of the 'Time to bite into a fair Apple' campaign.

There was a lot of media attention in Europe about the poor working conditions related to the production of the popular Apple products. Even more crucially, the pressure on Apple in Europe resonated in the US, where consumer organisations started campaigns against Apple in 2011, using several reports by GoodElectronics, makeITfair and SOMO on the electronics' supply chain. In early 2012, Apple was the first electronics company to become a member of the Fair Labor Association (FLA). Within the international NGO networks, SOMO will be watching Apple closely to see whether the FLA membership means taking action on key problems within the Apple supply chain.

Another important event took place in May 2011, when SOMO organised a roundtable in the European Parliament, in cooperation with Judith Sargentini (Member of European Parliament, GroenLinks) about conflict minerals from the

Democratic Republic of Congo (DRC). This roundtable focused on two objectives: urging the European Commission to develop legislation in the matter, and offering a platform for Congolese NGOs. Conflict minerals like tin, coltan, wolframite and gold are used in the manufacturing of laptops, mobile phones and digital cameras. Although some improvement in transparency in the electronics supply chain is visible, it is still not possible to track where the minerals were mined. This means that minerals from mines controlled by armed Congolese groups also end up in European electronics.

The roundtable urged the European Commission to develop legislation on the use of conflict minerals, comparable to the law that was passed in the US in 2010 (Dodd Frank 1502 on Conflict Minerals). However, the road towards legislation is still a long one. In 2011, the European Commission had only prepared the development of legislation on country-by-country reporting. The roundtable successfully showed how empowered Congolese NGOs are playing an increasingly visible role in international initiatives regarding responsible mining.

Building capacity and knowledge was also the aim of SOMO's project with partner organisations in Mexico, India, Thailand, China and the Philippines. Local 'grass roots' organisations and labour groups were empowered to develop local lobby and advocacy and research strategies to improve labour conditions and the economic position of workers in the electronics industry. Several local partners offered workers training to learn about workers' rights and CSR policies within the supply chain. The GoodElectronics network, hosted by SOMO, also contributed to the capacity building of labour groups in the Philippines by information sharing and joint strategizing.

In Mexico, the workers' organisation CETIEN has grown significantly and members took part in several training sessions,

which means that more CSOs are able to influence multinationals. Also in Mexico the local NGO CEREAL published three studies about labour conditions in the Mexican electronics industry. These studies resulted in meetings with representatives of electronics companies operating in Mexico. Although progressive changes in the practices of multinationals are difficult to achieve, CEREAL showed that it can play an important role towards facilitating improvements. In China, local partners were approached directly and held meetings with the electronics industry. In India, Thailand and the Philippines, this has not been the case yet.

These activities all contributed to SOMO's goal of empowering CSOs in developing countries to increase global pressure on companies so that they invest in better working conditions along their supply chain. In Europe, campaigns continued with partner organisations within makeITfair. In 2011, there was an active lobby at the EU level to improve the EU-directive on waste electrical and electronic equipment (WEEE), during its revision in 2012. Furthermore, a dialogue was started with mobile phone providers in Europe to increase awareness about their responsibility to collect used mobile phones and to take responsibility for the way in which the phones they sell are produced. SOMO had some fruitful talks with KPN, T-Mobile and Vodafone on these issues, resulting in some concrete steps forward.

Extractives

Electricity companies lack responsibility for unsustainable uranium mining in Africa

In 2011, the Extractives cluster focused on the impact of uranium mining on the environment and social and economic development in Africa, and on the capital flows between mining companies and African governments. How interrelated are the European electricity companies with the irresponsible operations of mining enterprises through their supply chains?

In recent years, the rising demand for uranium to produce nuclear energy has led to an increase in uranium mining activities in African countries such as Niger, Namibia, South Africa, the Central African Republic, Malawi and Tanzania. Mining companies have expanded their mines or are opening new mines. However, SOMO revealed in 2011 that uranium exploitation in Africa leads to large-scale radiological and toxic contamination around many mining sites. Also, multinational mining companies remain largely unregulated and unaccountable, and long-term effects are insufficiently addressed. Public participation in decision-making regarding uranium mining is minimal.

In 2011, SOMO published two reports on the issue of uranium mining in Africa. Both of these were co-produced with the World Information Service on Energy (WISE). *Uranium from Africa: Mitigation of uranium mining impacts on society and environment by industry and governments* (July 2011) looked at the environmental impacts and human health risks, for which multinational uranium mining companies are generally not held accountable. The costs of rehabilitating the mining area are often many times higher than the total revenues derived during the mine's entire lifetime.

Uranium mining remains an uncertain source of revenue for African countries, despite the high price of uranium. The findings about revenues derived from uranium mining were published in March 2011 in the report *Radioactive Revenues. Financial Flows between Uranium Mining Companies and African Governments*. The primary sources of revenue from uranium mining for African countries are corporate income taxes and royalties. However, over the past five years, total revenues received by host states amounted to only approximately 17 per cent of the value of the uranium sold.

The research findings and recommendations supported the work of the global CSO uranium mining network (a SOMO initiative). NGOs working in this network were provided with new information that they could use in the fight against the unsustainable way uranium is mined in Africa. Knowledge building is an important tool for NGOs because investment contracts between governments and multinationals are rarely made public. In particular, mining companies' accountability remains low.

Research on the extractive industry also fed into SOMO's work on the electricity supply chain. European electricity companies that purchase and import African uranium were questioned by media coverage and in Dutch parliament. The social and environmental damage surrounding the extraction of uranium became an increasingly relevant issue due to the mounting pressure from NGOs and the public on electricity companies to take responsibility for conditions in the commodity chains.

This project did not only result in knowledge building in Africa, but it also linked the extractive industry in Africa and the electricity companies in developed countries. The emphasis on economic justice, corporate accountability and supply chain management is in line with the integrated approach SOMO strives towards.

Public services

An integrated approach to promote sustainable development in the electricity sector

In 2011, SOMO addressed various aspects related to sustainable development in the electricity sector and its supply chains (uranium, coal, biomass) with the goal of linking the results and increasing knowledge building within NGOs and strengthening them in their campaigns for more transparency in the sector.

Every year, more than 50 million tonnes of coal flow into the Netherlands for electricity generation in this country and other European countries. Together with the NGOs participating in the multi-stakeholder initiative the Dutch Coal Dialogue, SOMO wanted to show how little transparency there is about where coal used in Europe originates from. SOMO research in 2011 showed that much of the coal used comes from countries like Colombia, Russia and South Africa: all of which have a negative track record on social and environmental conditions.

It is still largely impossible to know which electricity companies operating in the Netherlands purchase coal connected to poor human rights or environmental conditions at specific mines. So the follow-up question was to analyse whether the degree of transparency provided by electricity companies is in line with international standards, and whether the reasons that electricity companies give for not providing more transparency are legitimate. SOMO concluded that these companies are out of line with the leading international standards on supply chain transparency and responsibility. The OECD Guidelines for Multinational Enterprises, for example, encourage companies to publicly disclose, rather than withhold, information about their relationships with suppliers and potential adverse impacts caused by those suppliers.

According to SOMO, this lack of transparency allows the electricity companies that are responsible for importing irresponsibly mined coal to avoid public and political pressure for improving conditions in their supply chain. The findings of this research were published in the report *The Black Box. Obscurity and Transparency in the Dutch Coal Supply Chain*.

This study is part of a broader SOMO programme in 2011 regarding the supply chain responsibilities of leading electricity companies in Europe. It is about increasing the pressure on the extractive industry suppliers by articulating the responsibilities of the large purchasers at the end of the supply chain. In 2011, SOMO did this with studies on uranium, biomass and coal and so contributed to knowledge building on a set of related problems in the whole supply chain. New evidence fuelled discussions, for example, in the Dutch Coal Dialogue. The reports put serious pressure on the CEOs of the electricity and energy companies to provide more transparency. For example, following the publication of the SOMO report, the CEOs of energy companies in the coal dialogue quickly summoned an emergency meeting to discuss how to respond.

The arguments of the electricity companies about why they could not provide more transparency were all based on competition. However, with the development of international guidelines and the promotion of normative standards, these answers are no longer appropriate.

Garment sector

The lasting fight against poor labour rights in the textile industry

SOMO's research on the Garments sector contributed in 2011 to establishing the basis for new steps towards abandoning the oppressive Sumangali Scheme in India's garment industry. SOMO also worked on strengthening the cooperation between NGOs campaigning in Latin America.

One of SOMO's main goals is to improve the influence of NGOs worldwide in terms of better cooperation and by increased knowledge and capacity building. To this end, SOMO is working with Red Puentes in a textile and garment working group in which CSOs from Peru, El Salvador, Argentina, Mexico, Brazil, Spain and the Netherlands work together. Together, they develop research methods and execute research projects. Campaigning and advocacy strategies were developed in order to influence brand companies operating in the Latin American market. In 2011 this resulted in the publication *Aspectos de género en la industria de indumentaria latinoamericana*, a briefing paper about gender issues in the Latin American garment industry.

However, the emphasis within this research theme was on India and on girls and young women, most of whom are younger than 18, from a Dalit ('outcaste') background. These girls and young women were recruited in the Indian Tamil Nadu region with the promise of a decent wage, comfortable accommodation, and a considerable sum of money upon completion of their three-year contract. This recruitment and employment scheme in Tamil Nadu is called the Sumangali Scheme. Sumangali refers to a married woman who leads a happy and contented life with her husband with all fortunes and material benefits.

According to SOMO's research, the reality of working under the Sumangali Scheme stands in sharp contrast to the attractive picture that is presented to the girls and young women during the recruitment process. In addition, workers are severely restricted in their freedom of movement and privacy and they work in unsafe and unhealthy circumstances. The promised end-of-contract sum is not a bonus, but part of the regular wage that is withheld by the employer.

The research on the Sumangali scheme was carried out in cooperation with the India Committee of the Netherlands (ICN) and follows media coverage and parliamentary questioning in 2010 about abuses by one particular garment manufacturer in India. However, the problems are not isolated to one factory. Therefore SOMO wanted to present the whole picture. Findings and recommendations were published in May 2011 in the report *Captured by Cotton. Exploited Dalit girls produce garments in India for European and US markets*. The report contributed to knowledge building by local and international NGOs working on the issue, and increased awareness amongst purchasers and retailers.

Media coverage and questions in the Dutch and European Parliament in 2011 kept up the pressure on the retailers and brands to act firmly. In 2011, a new local multi-stakeholder dialogue was founded with the aim to improve the working conditions of female workers within the Sumangali Scheme. The outcome has already resulted in some minor improvements. Measures taken by brands and retailers and local manufacturers in 2011 will be monitored by local NGOs to show the progress of corporate CSR policies and practices with regard to respecting labour standards.

This project was used in 2011 by the MVO Platform in the Netherlands, in their lobbying work to show the urgency of comprehensive CSR legislation for corporate businesses. This is in line with SOMO's aim for a more integrated approach and cross-pollination between the different clusters.

Pharmaceutical industry

Offshoring and outsourcing for clinical trials: a dangerous cocktail

SOMO continued its work on clinical trials conducted in low-income countries by adding a new component to the discussion: the outsourcing of the tests to subcontractors by pharmaceutical companies. Outsourcing has put the quality and ethics of clinical trials under even more pressure.

The problems caused by clinical trials in countries such as India and Brazil have been known for a while now, partly thanks to SOMO's work. The lack of monitoring is also well known. What is new is that now most drug testing is carried out by subcontractors that pride themselves on operating faster and cheaper than the pharmaceutical companies. They can do this using large populations of poor, uninsured and illiterate people. More than half of all clinical trials are outsourced by pharmaceutical companies to subcontractors. According to SOMO in 2011, outsourcing practices have put adherence to ethical standards under increasing pressure and responsibilities have become increasingly less well defined. However, these drugs end up eventually in the European and US market.

Findings and recommendations were published in February 2011 in the report *Putting Contract Research Organisations on the Radar*, which was a joint effort between the Centre for Studies in Ethics and Rights, Salud y Farmacos and SOMO. The report concluded that pharmaceutical companies risk loss of oversight over clinical trials due to the fragmentation of responsibilities, poor monitoring and inadequate turnover of labour quality. Financial costs and time considerations are given priority. When off-shoring is combined with outsourcing, independent inspections are vital to secure that the tests comply with the highest ethical guidelines, such as the Declaration of Helsinki. However, the

study shows that monitoring and independent inspections are not executed.

This project contributed to all SOMO's goals. In cooperation with Wemos, SOMO did not only work on knowledge building in 2011, but also fuelled a successful lobby on the issue. Questions were asked by Dutch parliamentarians, there was a meeting with the European Medicines Agency (EMA), with pharmaceutical company Sanofi Aventis and presentations were organised in the European Parliament. Pressure from politicians, NGOs and the media (for example, the magazine *Down To Earth*, the documentary *Body Hunters* by James Jenkins, and *Al Jazeera English*' documentary *Outsourced: Clinical trials overseas*) led to the verbal EMA commitment on increasing transparency of subcontractors especially in developing countries. However, this still had to be translated into policy in 2012.

There was not only an increase in awareness in Europe, but also in developing countries. Media attention and work by local NGOs contributed to local actions. For example, in July 2011 the Drug Controller General of India announced that violations had occurred at nine subcontractors regarding the process of the recruitment of participants and regarding obtaining permissions.

Sectors & Supply Chains: Overview of projects 2011

Project	Description	Publication
Facilitating South-south Coaching:	In this pilot project SOMO tested and evaluated whether South-South coaching yields positive results in terms of strengthening research capacity. The main goals of this project are to strengthen the ability of Southern partner organisations to act as a capacity builder and thus contribute to civil society building in their region and to strengthen the research capacity of other partner organisations in the South.	–
Training and coaching for capacity development:	This internal SOMO-project encompasses in 2011 2 meetings within a train-de-trainers training set up in 2010 to improve instructional skills of SOMO employees who give training to partner organisations.	–
Good-Electronics network development:	In order to be prepared for the next five years, a thorough assessment of the strategic focus and governance of the GE Network is necessary. On the basis of this assessment steps and activities will be elaborated that aim at strengthening the Network and preparing it for the next years.	–
Responsible investments:	This project aims to fill some of the gaps in the body of knowledge of investors, including pension funds, about socially and environmentally responsible investing. A pilot will be done in the field of the agricultural sector (including energy/biomass).	–
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.	–
CSO CSR strategy and intervention training:	Training/capacity building workshop on CSR interventions and strategies for NGOs and trade unions working in the tea & agriculture sector.	–
Food and agriculture re-research strategic partners:	Since 2005 China has become the world's largest exporter of processed tomato with 40% of global trade. The project aims to start a dialogue with the relevant companies as well to address critical issues like the role of supermarkets, MNE's, working conditions and environmental impact.	–
Scoping re-research food and agriculture:	Scoping research into emerging and urgent issues in food and agricultural sectors such as the allocation of fertile land for foreign of non-food purposes, increasing sustainability (reducing impact on natural resources, improving working conditions) while increasing agricultural production and flexibilisation/migrant workers.	–

Project	Description	Publication
Impact of CSR standard systems in food and agricultural supply chains:	Building on a literature review of current knowledge on standard system impacts the project will collect evidence of impacts of a number of such standards through field research in two developing countries that have developed agricultural exports and will continue to monitor these over the years.	<i>Small Cup, Big Difference</i> http://somo.nl/publications-nl/Publication_3711-nl
Research labour conditions in the garment supply chain (Sumangali):	Together with Indian civil society organisations united in CASS (Campaign Against Sumangali Scheme) and the India Committee of the Netherlands, SOMO conducts research on the practice of the Sumangali scheme in the supply chains of European fashion brands and retailers.	<i>Captured by Cotton</i> http://somo.nl/publications-nl/Publication_3673-nl
Red Puentes working group on the textile and garment industry:	Red Puentes' textile and garment working group brings together civil society organisations from Peru, El Salvador, Argentina, Mexico, Brazil, Spain and the Netherlands. They jointly develop research methods and execute research projects.	–
Pharma-clinical trials:	The project aims to expand different activities to increase the protection of people who are involved in clinical experimentals in develop countries.	http://somo.nl/publications-nl/Publication_3615-nl
Innovative CSR issues in financial sector:	Project to integrate new issues in the CSR framework of the financial sector (e.g. lobby on financial reforms, food speculation and access to finance) to be used for advocacy, including focus on the Dutch financial sector.	–
Free, Prior and Informed consent	Work on Free prior and informed consent is a follow up on the program with makeITfair on palladium and platinum as extractives for electronics. A follow up program with communities in South Africa as well as in the DRC on free, prior and informed consent for communities.	–
Uranium:	This project will support the global CSO uranium mining network (initiated by SOMO in 2008) and conduct additional research into the impact of uranium mining in Namibia. The research will feed into the work on the electricity supply chain.	<i>Radioactive Revenues Financial Flows between Uranium Mining Companies and African Governments</i> http://somo.nl/publications-nl/Publication_3629-nl <i>Uranium from Africa</i> http://somo.nl/publications-nl/Publication_3688-nl
Conflict Zones:	Special attention will be given to companies operating in so-called conflict zones. This year research will be done on phosphates and on agriculture in Palestine, as well as on supply chain responsibility towards suppliers operating in conflict zones.	–

Project	Description	Link
Natural Stone:	Project to support Indian organisations in strategies and campaigns to improve conditions in the natural stone quarries.	–
Electricity	This project addresses various aspects of the electricity system including fuel (uranium, coal, biomass) supply chains, electricity provision itself, and trade & investment. The project will support CSOs currently engaged in a “coal dialogue” with energy and mining companies, and will further increase pressure on electricity companies to take responsibility for improving conditions in their supply chains	<i>The Black Box Obscurity and Transparency in the Dutch Coal Supply Chain</i> http://somo.nl/publications-nl/Publication_3737-nl
Alternative garment industry:	Project to develop alternatives for the garment industry such as floor wages and complaint mechanisms in cooperation with the Dutch Clean Clothes Campaign.	–



Dump – Philippines



Clean Clothes Campaign

সাভার দুর্ঘটনা ও শ্রমিক হত্যার জন্য দায়ী
সেক্ট্রাম এর মালিকদের বিচার ও জামিন না মঞ্জুরের দাবীতে
কোট-কাচারী ঘেরাও ও বিক্ষোভ
জাতীয় গার্মেন্টস শ্রমিক ফেডারেশন বাংলাদেশ গার্মেন্টস এন্ড ইন্ডাস্ট্রিয়াল ওয়ার্কার্স ফেডারেশন

Clean Clothes Campaign – demonstration

Chapter 3

Corporate Accountability

'Corporate accountability' is a broad term and some prefer the term 'Corporate Social Responsibility (CSR)' or 'Corporate Responsibility (CR)'. For SOMO all these terms imply the integration of different kinds of responsibilities by companies, such as for workers' rights, human rights, environmental issues, the prevention of corruption and so on.

Corporations should be accountable for their performance in these areas. Some of the issues addressed by SOMO in the CSR discourse include: supply chain responsibility; public procurement; sustainable investment; international standards and principles such as the OECD Guidelines, multi-stakeholder initiatives, fair trade, CSR codes of conduct, monitoring and verification, transparency and business in conflict zones.

2011 was an important year in SOMO's ongoing efforts to hold corporations accountable for their negative societal impacts. It was the year in which the OECD revised its text for the Guidelines for Multinational Enterprises – ten years after its last major review. The guidelines set out government expectations for responsible business conduct. The UN Human Rights Council also adopted the new UN Guiding Principles on business and human rights in 2011. Both guidelines offer

new opportunities to hold companies accountable. SOMO was directly involved in the negotiations at the OECD, as a member of the advisory group. SOMO also contributed to the Guiding Principles through active participation in formal discussions and consultations.

SOMO strives for a global governance system in which companies are accountable to their stakeholders, including representatives of local communities and trade unions. This can be achieved through a combination of international regulation, voluntary guidelines, tools, principles and other initiatives that promote more responsible business and make corporations accountable for their impacts in the whole supply chain, from the local to the global level.

Most of the work SOMO does is channelled through active involvement in networks that SOMO either hosts or actively

supports. These are the Dutch MVO Platform, OECD Watch, the European Coalition for Corporate Justice (ECCJ), Global Compact Critics and Red Puentes. SOMO distinguishes the following clusters to achieve corporate accountability:

- ❑ Regulation: As part of SOMO's aim to close the global governance gap and create a global regulatory framework at UN level, SOMO focused in 2011 on the process within the UN to develop the UN Guiding Principles, based on the 2008 'Protect, Respect and Remedy' framework developed by the UN Special Representative on Business and Human Rights. The UN Guiding Principles on Business and Human Rights were adopted in June 2011, and include stipulations on the state duty to protect, the corporate responsibility to respect and access to remedy. Other activities in this cluster included the commissioning of legal experts to formulate legal proposals to increase corporate accountability.
- ❑ International guidelines and principles: Internationally agreed standards and principles will define the common set of expectations from government and society towards business. In 2011, the focus was on the revision of the OECD Guidelines for MNEs and the UN Guiding Principles on Business and Human Rights. Furthermore, SOMO monitored the Global Compact through the Global Compact Critics, an informal network of organisations and people with concerns about the UN Global Compact (a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption). Also SOMO tracked the uptake of ISO 26.000.
- ❑ Voluntary initiatives and engagement: Stakeholder participation and ownership is considered essential to finding credible approaches that are beneficial to the most vulnerable groups and communities in global sup-

ply chains. SOMO plays a watchdog and expert role regarding voluntary initiatives and their impacts. In 2011, SOMO worked on strengthening the influence of CSOs in MSIs by producing a guidebook about past experiences and lessons learned, and started a multi-year research project on the functioning of company-level grievance mechanisms.

SOMO aims to integrate corporate accountability projects with other projects, like sector and supply chain research or company research. For example, the impact of CSR policies can be part of sector research, as was the case for the tea sector (see more under 'Food and Agriculture'). Information about the impact or practices of CSR policies at the local level are useful to the experts working in SOMO's Corporate Accountability team in seeking better and alternative CSR mechanisms. On the micro-level employers, employees, politicians and CSOs may also benefit from insight into what CSR policies apply to them and how to use them.

Regulation

UN Guiding Principles to increase corporate accountability for human rights

The finalising of the UN Guiding Principles by the UN Special Representative on Business and Human Rights John Ruggie in 2011 was a milestone for SOMO's corporate accountability work. 2011 was also the start of the post-Ruggie era, which will see governments and MNEs interpreting and implementing the guidelines in their own way. SOMO strives towards the progressive interpretation of these guidelines that will hold companies accountable for their negative human rights impacts.

In June 2011, the UN Guiding Principles for Business and Human Rights (GPs) were approved by the UN Human

Rights Council, based on the 2008 'Protect, Respect and Remedy' framework developed by the UN Special Representative on Business and Human Rights. The approval of the GPs at UN level brings to an end a five-year mandate during which the UN representative worked on clarifying the responsibilities of states and business in terms of human rights. In cooperation with other NGOs, SOMO lobbied extensively during the making of the GPs by participating in consultations and through written submissions to draft versions of the principles. As a follow up to the mandate, a UN working group was established with the mandate to promote the implementation of the GPs.

Ruggie has moved the debate forward considerably in terms of the role of businesses play in respecting human rights, and has received broad-based support from governments, businesses, trade unions and social organisations. The UN GPs provide a new discourse to hold governments and companies accountable and to advocate for better implementation of the state's duty to protect human rights and the corporate responsibility to protect human rights. SOMO argues that it is far from a solution to business-related human rights abuses, as the GPs leave major governance gaps. Nevertheless, the backing of the GPs by the UN Human Rights Council helps in the lobbying and advocacy work towards governments as well as companies to properly implement their respective duties and responsibilities.

The GPs will be transcribed into government and company policies over the next few years. The effectiveness of the GPs in addressing business-related human rights abuses depends mostly on the ambition level of governments and businesses and how they implement and apply the GPs in their day-to-day practices. If the spirit of the guidelines is followed effectively, SOMO believes that a more effective complaints mechanisms could be realised for victims of human rights abuses. Similarly, banks would also carry out a thorough examination of the human rights impacts of their

investments, providing investors with full disclosure in this area.

SOMO's work on the Ruggie guidelines in 2011 contributed to SOMO's general goals that corporate conduct and policies, and government regulation serve sustainable development. Now the guidelines are approved on the UN level, SOMO and its partner organisations will start with new lobbying and advocacy work to encourage implementation of the guidelines. SOMO liaised with other CSOs in 2011 in the Netherlands and abroad to discuss strategies for the post-Ruggie era. One of the suggested approaches is to feed the UN Human Rights Council with impact assessments of the guiding principles, with the aim of strengthening the implementation and content of the principles. Furthermore, SOMO started a joint effort with partner organisations CEDHA (Argentina) and Cividep (India) to develop a tool for CSOs, helping them to check compliance of companies with the GPs. In doing so, it contributes to the SOMO strategy of strengthening cooperation and knowledge building between CSOs.

Another area of work is related to the Dutch government and the lack of coherence in their investment policies as regards the GPs. SOMO wrote a letter to the Dutch parliament and the Ministry of Economic Affairs, and made a submission to the UN Universal Periodic Review of the Netherlands, which is the international human rights review of the Dutch government that will take place in 2012. The aim is that human rights abuses related to foreign investors based in the Netherlands will be part of the Dutch government's review for the first time, alongside the human rights situation at the national level (see more under 'Trade and Investment'). This work is an example of integration between different themes and clusters.

International guidelines and principles

Improved content and scope of OECD Guidelines for MNEs

2011 was the year of the revised OECD Guidelines. As coordinator of the OECD Watch, SOMO was directly involved in the negotiations and worked on capacity building and knowledge building for NGOs as regards using the guidelines and their grievance mechanism.

On its 50th anniversary in 2011, the OECD formally adopted a revised text of the OECD Guidelines for Multinational Enterprises. In the new text, progress has been made in terms of human rights, due diligence and supply chain responsibility. These improvements will have a positive impact on corporate transparency in the supply chain. The guidelines emphasise that corporations have to do everything in advance of their international activities to avoid negative impacts. This means that, if negative impacts come to light, the burden of proof falls on the corporations to show that they did enough to avoid them. These new OECD guidelines remain voluntary, but all companies that want to be considered for Dutch subsidies, for example for Public Private Partnerships in developing countries, have to sign the guidelines.

While these are valuable additions to the content and scope of the guidelines, SOMO announced in 2011 that the revised text failed to introduce more stringent measures to ensure company compliance. Without credible enforcement mechanisms, it remains to be seen whether the update will make a real difference in the day-to-day struggles of victims of corporate abuse. In the absence of minimum standards to ensure that the guidelines are consistently applied, it will be up to National Contact Points to step up to the plate and demonstrate their commitment and ability to resolve

disputes and help provide remedies for those adversely affected by corporate misconduct.

SOMO was the only CSO with a representative on the OECD Advisory Group. Through this role, SOMO was able to increase its influence on OECD policy-making on the issue of the guidelines and beyond on behalf of OECD Watch. The network became an official stakeholder within the OECD Investment Committee, in which it can raise questions about the implementation and impact of the guidelines.

In the Netherlands, SOMO used the revised guidelines to raise questions in parliament about the Dutch government's progressive implementation of the guidelines. SOMO and OECD Watch will continue to press for progressive implementation over the next few years and will continue to seek cases to bring to the national contact points, such as the case against the Dutch-Argentinean seed multinational company Nidera in 2011 (see more under 'OECD Watch').

Activities in 2011 have strengthened the cooperation between the NGOs involved in OECD Watch. Efforts were also made in terms of building knowledge and capacity for NGOs worldwide in terms of understanding the OECD Guidelines and how they can make use of them, for example, by using the grievance mechanism and mediation facilities at the national contact points. OECD Watch started redrafting its 2006 Guide to the Guidelines after the 2011 update. The Guide is expected to be published in June 2012.

Voluntary initiatives and engagement

Contributing to the effectiveness of multi-stakeholder initiatives and company level grievance mechanisms

SOMO started two projects on voluntary CSR initiatives in 2011. The first aims to strengthen the effectiveness and impact of multi-stakeholder initiatives, the second aims to analyse and improve grievance mechanisms at a company level.

Although SOMO does not work directly for companies (it works for CSOs), it supports partners and local stakeholders in their engagement strategies towards private sector actors, local producers and MNEs. The idea is that stakeholder participation and ownership of voluntary initiatives is essential to find credible solutions that are beneficial for vulnerable groups and communities in global supply chains. MSIs and company level grievance mechanisms are two types of voluntary initiatives with this potential.

Increasingly, criticisms are being made about the effectiveness and impact of MSIs. Some argue that, while MSIs have created some improvements (for example, in health and safety standards), structural problems like power imbalances in the supply chain or the lack of freedom of organisation for employees remain unsolved.

Some NGOs and trade unions have more than ten years of experience in the participation in all kind of MSIs. These combined experiences can strengthen the influence of CSOs in MSIs and increase their positive impact. In 2011, SOMO started a project to identify the dos and don'ts, tips and tricks, critical issues, and lessons learned from all those years of civil society participation in MSIs. This included in-depth interviews with many practitioners and CSR experts at NGOs and trade unions. The information will be used for a

guidebook, intended for professionals working at CSOs and participating in MSIs, which will be published in 2012. Draft findings were presented at a MVO Platform workshop in the Netherlands. This project received co-funding from the Sigrid Rausing Trust.

The aim is to build knowledge for the effective use of MSIs by CSOs. This contributes to SOMO's goal of increasing NGOs' influence in terms of pressuring corporations to take sustainable development issues into account in their core business activities.

Another type of voluntary initiative is company level grievance mechanisms. Although they are widely promoted, no study has yet been done into how these mechanisms deal with complaints from employees and local communities. In 2011, SOMO began a critical analysis of experiences with company grievance mechanisms and local stakeholder engagement – starting with companies in two sectors (electronics and garments) in five countries (India, China, the Philippines, Thailand and Mexico).

Five partner organisations have carried out research into the access to grievance mechanisms in electronics and garments companies, by interviewing workers about their knowledge of, trust in and use of existing grievance mechanisms in their factories. The results will be used for briefing papers that will target the individual companies to improve access to grievance mechanisms (to be published in 2012). SOMO wants to extend its work on grievance mechanisms in the next year: not only at the company level, but also in relation to the revised OECD Guidelines and the Guiding Principles for Business and Human Rights.

Corporate Accountability: Overview of projects 2011

Project	Description
Legal proposals for corporate liability	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.
Outcome Ruggie framework + follow up	Follow up on the developments of the Guiding Principles from UN special representative John Ruggie. In cooperation with other organisations, SOMO will try to encourage government and companies to implement the guiding principles.
Business & human rights research training	Together with the Diplomacy Training Program, Cividep and BWI, SOMO organises Business & Human Rights research training programs in Asia.
Impacts of CSR instruments:	This project was designed to cover the impact of a number of CSR instruments; focusing in particular on the Global Compact and ISO 26.000
Red Puentes	Red Puentes is a network of 43 civil society organisations from eight Latin American countries working together on Corporate Social Responsibility. SOMO works with Red Puentes on implementation of CSR instruments in Latin America, gender equality and research and advocacy with regards to labour conditions in the value chain of the clothing and textile industry.
Strengthening effective CSO participation in MSIs	For the purpose of effective and in-depth interviews with other CSOs the do's and don'ts will be formulated and lesson learned will be written down to support the participation in MSIs.
Benchmark grievance mechanisms	Critical analysis of experiences with company grievance mechanisms and local stakeholder engagement with analysing mechanisms in different sectors.



Waste land – South Africa



Pipeline – Georgia

Chapter 4

Economic Justice

The Economic Justice team deals with the macro-economic characteristics of international business, the global governance of tax, trade, investment and financial services and its impact, especially on developing countries.

SOMO considers MNEs and their impact on poverty eradication and sustainability, not only as individual actors, but also in the context of its macro-economic (regulatory) system as a whole. From this perspective, MNEs are increasingly part of global economic systems that create a global political economic framework and organise production and capital. SOMO's focus lies on economic reform that ultimately leads to an equal distribution of wealth and power.

SOMO aims to create a global economic system guided by sustainable development in which poverty is eradicated, a fair distribution of power and wealth is the norm, and consumption of natural resources is limited to the ecological carrying capacity of the earth. Research carried out by SOMO contributes towards achieving political and economic reforms that are needed to create a global economic system like this and emphasises the need for global governance for global public goods. SOMO has prioritised the following clusters to achieve the necessary economic reforms:

- ❑ Tax justice: In 2011, the tax justice cluster focused on research into corporate tax evasion and avoidance systems, assist in building effective regional tax justice networks in Asia, Latin America and Africa, and advocating for tax justice and building capacity with the help of (e)toolkits and training workshops.
- ❑ Trade and investment: In 2011, SOMO focused on joint projects with Indonesian partners around investment liberalisation and trade agreements, alternatives to international investment agreements, liberalisation of financial services in Free Trade Agreements and supporting a West African Network (FTA) that focuses on trade and CSR.
- ❑ Financial reform: In 2011, SOMO continued to provide particular research and support and cooperate with partner organisations and networks that advocate better financial reforms. Specific attention was given to alternatives to the current banking and food trading systems.

- Policy coherence: 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. In 2011, SOMO focused on coherence between gender objectives and trade.

It is the aim of SOMO that the Economic Justice projects are well integrated with the other themes and that the work at company, institutional and regulatory level are integrated. Micro-level information at the community and workplace level provides evidence and ammunition to demonstrate structural injustices at the global institutional level. On the other hand, employers, employees, politicians and civil society increasingly have to be aware at the micro level of the implications of macro-economic policies and regulations.

Tax justice

The huge costs of tax evasion

SOMO helped to strengthen regional tax justice networks in developing countries in 2011, giving them a voice in the international arena. The global tax justice campaign got a big boost in 2011 to make it truly global.

In the fight against poverty, tax justice is a crucial element. Secrecy jurisdictions, also called tax havens, allow MNEs and wealthy individuals to avoid taxation, thereby denying revenue that is sorely needed for the poorest countries in particular to provide basic services to the population. Developing countries lose more money through tax dodging than they receive in aid. Over the years, SOMO has built an expert reputation on tax-related issues, especially with research on MNEs' corporate structures that allow for tax avoidance. In 2011, SOMO continued this work in coopera-

tion with partners worldwide and contributed to knowledge and capacity building on this technical and complex issue.

2011 was the final year of an EU-funded project to raise awareness, build capacity, support international coordination and engage in policy dialogue to make national and international tax systems more supportive of development. SOMO was the leading NGO in this project and worked together with eight partner organisations from all around the world. A central element of the project was the strengthening and creation of regional tax justice networks in Africa, Latin America and Asia. In both Latin America and Asia, new networks were developed. In Africa, the existing regional network was strengthened. The Asia network split during 2011 into the South Asian Tax Justice Forum and the Southeast Asian Tax Justice Forum to take account of the size and diversities of both regions.

The regional networks give Southern countries a voice on the international stage related to tax and fiscal issues. In 2011, this helped them to raise questions and share local cases with the European Commission, the OECD and the G20. This resulted, for example, in a joint network of more than 20 civil society groups from Europe, Asia, Africa and Latin America in a campaign to demand proposals to achieve transparency and end secrecy in tax and fiscal policies at the G20 summit in France in November 2011.

Alongside other international NGOs, SOMO decided to develop a paper and online tool in 2011 – the so-called Tax Justice Advocacy Toolkit. As tax-related issues are technical and complicated for most NGOs, the toolkit provides analysis on the topic of tax and guidance, tips and tools on how to develop an advocacy strategy, conduct research, lobby and communicate on tax. It was launched during the World Social Forum in Dakar in February 2011.

The purpose of this toolkit is to strengthen the capacity of CSOs to understand and analyse issues relevant to tax in a given country, to develop advocacy strategies for tax justice and to engage in tax research. It also empowers organisations to plan and undertake different advocacy activities (for example, lobbying, campaigning and media work) and to learn from the experience of others. The toolkit also contains many inspiring case studies from all over the world that exemplify best practices and achievements that have been made. The idea was to create interchangeable modules that can be adapted to local needs.

Training sessions, workshops and international conferences were also organised with SOMO's participation. The tax justice work of SOMO in 2011 contributed in particular to the goal of capacity building. However, as an active partner in the Tax Justice Network Netherlands – and in cooperation with the UK partner Christian Aid – SOMO continued to press policy-makers in the Netherlands and in the European institutions for policy changes. In the Netherlands, this resulted in informal dialogues with the Ministry of Finance, the Ministry of Foreign Affairs and MNEs. The most important outcome in 2011 was that tax avoidance became broadly accepted as a problem for a country's development and is present on the political agenda.

For SOMO, tax justice should be considered as an integral part of MNEs' CSR policies. For that reason, SOMO started to publish reports on tax avoidance and evasion policies by MNEs in company cases. This resulted in the publication of the Burning Rubber report about the Liberian company Buchanan Renewables in 2011. Foundations were built over the year for an integrated approach, which should bridge research on corporate accountability, trade and investment policies, and policy coherence, with tax justice.

Trade and investments

The bumpy road to a fair international investment regime

SOMO's focus on 'Trade and investments' was on the Dutch Bilateral Investment Treaties (BITs). What is the legal impact of such an investment treaty?

There is a growing recognition of the Netherlands as a tax haven. However, the unexplored advantages of Dutch investment protection policy for Dutch-based multinationals investing abroad are less well known. In 2011, SOMO published the report *Dutch Bilateral Investment Treaties*, the first in a series of publications analysing the impact of Dutch foreign and economic policy on sustainable development and public interests.

It shows that Dutch-based multinationals sued host country governments for over \$100 billion for alleged damages to the profitability of their investments by making use of Dutch BITs. However, the majority of the companies are so-called 'mailbox companies' – that is, companies with no employees on their payroll and no real economic activity in the Netherlands, that are just using the Netherlands for its favourable fiscal and investment policies.

The use of these Dutch investment policies by multinationals poses a real danger to policy space and the safeguarding of public goods and interests, concludes the report. Interestingly, this is no longer solely a threat for the sustainable development in poor countries as foreign investors increasingly come from emerging economies and will make use of the same BITs to sue countries like the Netherlands for millions of Euros.

This report contributed to SOMO's general goals and strategies as it has resulted in enhanced awareness and

cooperation among CSOs in Europe and worldwide on investment agreements. In the Netherlands, critical questions were asked in parliament about investment agreements. In Europe, SOMO cooperated in the Seattle to Brussels (S2B) network. This network lobbied EU institutions in 2011, with the positive outcome that some investor obligations found their way into investment agreements and that they include a reference to the OECD guidelines. These are small steps for the better. However, no direct impact on the present trade and investment negotiation mandates of the European Commission with India and Canada were noticeable in 2011.

A fair trade and investment regime can only be achieved if there is a global alliance. Governments in developing countries should be particularly aware and empowered with the knowledge and capacities to measure the real impact of signing such treaties. With this in mind, Brussels was the stage for a 'Week of Action' on the international investment regime from 5 to 8 November. It brought together social activists and campaigners from all over the world. Its aim was to facilitate the exchange of experiences and strategies and to build on critical analysis and proposals for an alternative investment regime.

SOMO worked particularly closely with partners in Asia during 2011. There was support for the Institute for Global Justice programme on the investment and services chapters in Indonesian free trade agreements (FTA) and the Resistance & Alternative to Globalization programme on investment policies in the ASEAN region. SOMO participated in the local networks for information exchange, analysis of monitoring and briefing writing with special focus on services and investment issues in the ASEAN region.

In 2011, SOMO worked together with local partners in India to oppose financial deregulation, further freedom of capital movement and the liberalisation of services that is currently being negotiated between India and the EU. Liberalisation

of services, including financial markets, is strongly related to trade and investment policies, as European MNEs want to access new lucrative markets in the global South by using bilateral trade and investment agreements. SOMO distributed an easy-to-read article about liberalisation of financial services at the World Trade Organization (WTO) Public Forum in September 2011 and the seminar at the WTO Ministerial Conference in December 2011.

To increase awareness of international investments at the local level in developing countries, SOMO also organised training and workshops in 2011 for NGO representatives from 11 Francophone West-African countries regarding foreign investors and their CSR policy and activities, as well as governmental policy towards foreign investors and their CSR behaviour and impact. During the training, participants had to identify the foreign investors in their region. They could then use the information for lobbying and advocacy work in their own countries to raise the awareness of the meaning of signing trade and investment treaties.

Financial reform

Towards a banking sector that promotes sustainability

The financial crisis confronts us with the shortcomings of the current banking system. But what does a just and green banking system look like?

SOMO's Financial Reform programme aims to guarantee the protection of livelihoods and to promote sustainability in the financial system by proposing alternatives to the current financial reforms being proposed. This is specifically regarding food commodity speculation and banking. Financial sector reforms are complex and opaque, but many financial multinationals operate in developing countries and financial crises have very serious impacts on developing countries. In 2011, SOMO put one particular issue on the political and public agenda: financial food derivative speculation (also by banks) and suggested how this should be halted.

SOMO supported an informal EU network of NGOs working on financial speculation. It provided input for an internet campaign letter with amendments for draft EU legislation calling for a halt to financial speculation. As a result of the campaign, 14,000 emails were sent to the members of the economic committee of the European Parliament (EP) in May 2011, and 50,000 emails were sent to the EP plenary in July, urging them to tackle food speculation. Members of the EP voted in favour of regulation that tackles excessive speculation in commodities. Different Dutch groups such as FoodWatch have been more interested in regulating the food derivatives markets and have campaigned on this issue.

An informal network named Sustainable Financial Lab (SFL) – a think tank-like network of scientists and academics, also including Triodos Bank – was formed in 2011 to discuss issues of sustainable banking and to promote alternatives.

SOMO was asked to participate. SFL aims for a financial sector development agenda. The group's aim is to contribute to a stable and robust financial sector that contributes to an economy serving humanity and that does not exhaust the natural environment. In autumn 2011, debates and discussion sessions were organised that were well covered in the Dutch media. There was a constructive contribution from the financial sector in the discussions.

During discussions about bank reform and after writing a letter to members of parliament, as well as talking to most of them, SOMO concluded that one specific point was not taken up by politicians: the issue of significant higher equity capital as a percentage of total capital flows for banks and the splitting of retail banking and loans to small and medium entrepreneurs from investment banking. On this point an editorial article in a Dutch newspaper (NRC Handelsblad) was written together with a renowned financial expert, Professor Arnoud Boot. The article was widely distributed, including through the specialised economic website MeJustice. It was also taken up in the yearbook of the economics association of the Netherlands, and still gets quoted regularly. The central bank (DNB) also eventually published a paper supporting SOMO's view.

Work on financial reform is largely a discussion among Northern stakeholders on the future of the financial sector in Europe itself. But this does not mean there is no linkage with financial sector development in developing countries. In 2011, this was covered by supporting Southern NGOs working on the G20 and by writing a report called *The Missing Dimension*, and by the work on trade and investment treaties in which SOMO works alongside Southern partners, especially in Indonesia and India, to define an alternative trade and investment mandate and to avoid deregulation in developing countries like those in Europe before the financial crisis started in 2008.

Policy coherence

The impact of macro-economic policies on gender

SOMO's main activity on policy coherence in 2011 was to work on a memo about gender in CSR and trade policies. Discrimination on the basis of gender and sex does not only have a cultural component, but it also has an economic component.

SOMO published a memo in 2011 about how trade policies in the Netherlands and Europe do not correspond with the gender policies to empower women and improve their political, social and economic rights. Trade liberalisation has enormous consequences on the position of women workers; however, there are still no gender goals in macro-economic policies.

The arguments from businesses and governments remain positive regarding the position of women working in the export industry, thanks to international trade policies. However, this is a one-sided view. Gender-specific problems have their roots in trade policies and other economic policies of governments and businesses. For example, women get paid lower wages; their chances for education and promotion chances are lower than those of men; and discrimination and sexual harassment in the export industry makes improvements in the position of women over the long term less likely.

The memo adds fuels to the argument that there is a lack of coherence between the goal of gender equality and the principles of economic foreign policies. There is a lack of implementation of international laws that emphasise the fundamental right for equal treatment between the sexes. This is especially the case for the Netherlands, which – as a member of the United Nations, the International Labour

Organization (ILO) and the European Union – has committed itself to the international goals to promote and improve women's rights and to fight gender inequality.

This study fits within the remit of SOMO's general goals that regulations made by governments should support a fair and equal distribution of wealth and sustainable growth. Particularly, it put the subject on the radar of NGOs for further research.

Economic Justice: Overview of projects 2011

Project	Description	Publication
PSO "Tax Advocacy and Research Toolkit"	This project aims at building capacity of civil society organisations in the South to research and campaign to achieve progressive tax systems at the national and global level to support domestic resource mobilisation. To this purpose, partners in this project produced an online Tax Advocacy and Research Toolkit.	<i>Tax justice Advocacy: A Toolkit for Civil Society</i> http://somo.nl/publications-nl/Publication_3643-nl
Tax evasion and avoidance	This project looks at the role of policy and company practice in tax avoidance and evasion and its impact on developing countries. In particular research focuses on the impact of the Dutch conduit structures on revenues in developing countries and the tax behaviour of selected MNCs in developing countries.	–
Capacity Building in West Africa on CSR and Foreign Direct Investment policy	Research and capacity building in up to 11 West African francophone states regarding foreign investors and their CSR policy and activities, as well as governmental policy towards foreign investors and their CSR behaviour.	–
Tax Justice capacity-building and networking	This project aims at furthering capacity among northern and southern CSOs in researching and advocating for tax justice. Next to capacity building in the form of Toolkits, training workshops, courses, expert meetings and conferences, the project includes networking events to exchange information and discuss best practices.	–
Trade & Investment	Project to assist Southern CSOs in producing knowledge building and advocacy materials on incoherent international trade and investment policies and development policies, especially in Indonesia.	–
Alternatives to International Investment Agreements	This project on investment agreements consists of research on international investment agreements and investment promotion mechanisms, publication on alternative proposals, advocacy, media outreach and networking with CSOs in the North and South.	<i>Dutch Bilateral Investment Treaties</i> http://somo.nl/publications-nl/Publication_3708-nl
End the liberation financial services in free trade agreements (FTAs)	CSO's increasingly focus on the (in)coherence between trade rules and finance re-regulation. SOMO's activities in 2011 focus on outreach to CSOs and policy makers through a 2011 paper on this topic.	–

Project	Description	Publication
Alternative to banking and food speculation	The research activities in the project aim at guaranteeing the protection of livelihoods and promoting sustainability in the financial system by proposing alternatives to the current financial reforms being decided, specifically regarding food commodity speculation and banking.	<p><i>Feeding the Financial Hype - How excessive financial investments impact agricultural derivatives markets</i> http://somo.nl/publications-nl/Publication_3726-nl</p> <p><i>Food Markets in Dutch - Dutch Banks and Pension Funds in Agricultural Derivatives Markets</i> http://somo.nl/publications-nl/Publication_3729-nl</p>
Strategy development Trade and development coherence	A joint program of other CSOs on shifts in Dutch foreign policy in coherence with development objectives (national implementation of green paper of EU on trade and development and Ruggie framework on policy coherence).	-



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“MAMA” LIBERIA

e Ministry of Finance Tax Sensitization I



Training and capacity building seminar
on the OECD Guidelines – Ghana

Part II

SOMO

& NGO

Networks



Electronics recycling – China

Chapter 5

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 some other networks, SOMO is a member of the steering committee.

SOMO hosts several international networks of NGOs: Dutch MVO Platform, OECD Watch, GoodElectronics and Dutch Fair Trade Coalition. For these networks, it facilitates the secretariat, website and newsletters to improve the exchange of information between members, but also to inform members of the public who are interested in these issues. The general goal is to strengthen cooperation between NGOs with the aim of influencing the social, environmental, human rights and economic impact of MNEs 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 will also be involved in advocacy and lobbying work on behalf of the platform.

MVO Platform

Despite the economic and financial crisis, CSR remained on the political and corporate agenda in the Netherlands in 2011. NGOs in the Netherlands continued financing the MVO Platform despite severe subsidy cuts. Where other networks saw a decline in members and money in 2011, the MVO Platform was spared.

The goal of the MVO Platform is to stimulate, facilitate and coordinate activities of the 30 member organisations in order to reinforce each other's efforts to increase CSR. The focus of the MVO Platform lies on issues dealing with CSR in developing countries. The MVO Platform Assembly was held four times in 2011 to exchange information, formulate positions and discuss lobbying and other activities. Information on more specific subjects was exchanged in thematic working groups. In 2011, working groups were held on sustainable procurement, financial institutions, supply chain

responsibility, corporate accountability and the UN Guiding Principles. The internal newsletter was distributed 20 times in 2011 among members.

The platform organised several workshops during the year.

- ❑ Workshop on grievance mechanisms (in cooperation with OECD Watch): on the grievance mechanisms of the OECD Guidelines for Multinational Enterprises.
- ❑ Workshop Ruggie: about how to get the guidelines implemented in the Netherlands.
- ❑ Workshop on transparency: about what information is required for compulsory reporting for corporations and how corporations have to present this information.
- ❑ Workshop on global reporting initiative: about the development of new guidelines for the Global Reporting Initiative (GRI).
- ❑ On 22 September 2011, the MVO Platform organised a Work Conference on lobbying and advocacy work aimed at corporations, focusing on how NGOs can increase their influence on corporate businesses. An exchange of experiences and knowledge between different organisations resulted in improved alignment of common strategies. During the plenary session, CSR managers of Dutch MNEs also shared their vision on NGO strategies. One of the outcomes was that NGOs working with Shell should meet regularly to share ideas and strengthen their initiatives. The first meeting was held at the end of 2011.

Another important activity in 2011 was lobbying that focused on the Social Economic Council (SER) of the Dutch government's preparations for advising and recommendations to the Dutch government, corporations and trade unions on the importance of CSR regulations. The MVO Platform was in close contact with the SER members and provided them with necessary information and cases. The MVO Platform also worked on updating its CSR Frame of Reference. This provides a clear overview of how the MVO

Platform perceives CSR and is written for use by business, the government and non-profit organisations alike. The MVO Platform was successful in 2011 in submitting proposals backed by various political parties with regard to setting CSR criteria for companies that receive government subsidies, which are now being translated into national policy.

OECD Watch

2011 was the year that revised OECD Guidelines for MNEs were produced. OECD Watch was the only NGO representative on the Advisory Group working on the guidelines. As host for OECD Watch, SOMO played the role of negotiator and had a direct influence on the process of revising the guidelines. OECD Watch is an international network of CSOs from across the world that promotes corporate accountability and responsibility. OECD Watch is committed to testing the guidelines as part of the wider NGO campaign towards binding regulation of multinationals (read more in the following section: 'International Guidelines and Standards').

The OECD Investment Committee has acknowledged OECD Watch's contributions to the committee's work, and has named OECD Watch 'a partner in implementing the OECD Guidelines'. In addition, the Investment Committee has asked for OECD Watch's advice on interpreting the guidelines and on requests for clarification from national contact points.

A special capacity building project that is part of OECD Watch's work is the OECD Watch Learning Project. Within this project, OECD Watch aims to build the knowledge and capacity of CSOs on the use of tools to promote responsible business conduct and specifically the complaint mechanism of the OECD Guidelines. Additionally, the CSOs that intend to file an OECD Guidelines complaint are assisted and supported in their efforts.

In 2011, this project established OECD Watch regional focal points in Argentina and India. By increasing communication with members through regional focal points, NGOs from the global South became more knowledgeable about the OECD Guidelines as a grievance mechanism and now have a better understanding about how to access these mechanisms. In the long term, it is expected that increased participation in the network will strengthen their capacity to interact with other actors, as well as improving their understanding and use of the OECD Guidelines complaint mechanism to address corporate misconduct by MNEs.

GoodElectronics

SOMO hosts the GoodElectronics network, an umbrella body for networks, organisations and individuals concerned about human rights, including labour rights and sustainability issues in the global electronics supply chain. This includes trade unions, grassroots organisations, campaign and research organisations, academia and activists, among others. In a participatory process, involving all network members, GoodElectronics has updated the Common Demands on the electronics industry covering the overall production cycle of electronic equipment, from extractives to production, to e-waste and recycling.

One of the big campaigns of 2011 was action against the Japanese electronics company Asahi Kosei and its buyers. The company failed to uphold human rights throughout its supply chain, as demonstrated in Malaysia in 2011. While migrant workers working for Asahi Kosei in Malaysia were wronged, a local human rights defender who exposed this behaviour faced aggressive legal action by the company. Asahi Kosei demanded huge compensation for defamation. GoodElectronics and makeITfair addressed Asahi Kosei's customers and successfully mobilised public awareness about the corporate legal action against the Malaysian

human rights defender. In the end, the case was settled in court and the defamation claim was dropped.

2011 was also an important year because of the development of two local GoodElectronics networks: in the Philippines and Thailand. In these national networks, trade unions, NGOs, workers' organisations and other CSOs can work more effectively in their lobbying and advocacy work for better conditions in the factories in these countries.

In the Netherlands, GoodElectronics took part in the development phase of the electronics programme of the Dutch Sustainable Trade Initiative (IDH). Together with electronics companies Dell, Hewlett-Packard and Philips, this programme became operational in 2011. In this operational phase, GoodElectronics is a member of the reflection group. Chinese member organisations of GoodElectronics are participating in the local Steering Committee and are involved in conducting assessments and providing trainings for workers and management at the brands' suppliers. The programme focuses on China, with the aim that tens of suppliers will be involved in improving working conditions in three years' time.

China was in the spotlight in 2011 with the case of electronics supplier and manufacturer Foxconn. Poor working conditions related to the production of iPads and iPhones appeared on the front pages of newspapers and magazines across Europe. The pressure on Apple in Europe resonated in the US, where consumer organisations started campaigns against Apple in 2011. They used reports by GoodElectronics, makeITfair and SOMO about the electronics' supply chain. Apple became the first electronic giant to join the Fair Labor Association (FLA).

Dutch Fair Trade Coalition (CEH)

The Fair Trade Coalition (CEH) is a Dutch network of NGOs working on trade-related issues. One of the main lobbying activities of the coalition in 2011 was against the EU-Colombia and Peru bilateral free trade agreement. Representatives of local communities and NGOs in Colombia and Peru were invited to speak in the Dutch Parliament and with the Ministry of Economic Affairs.

Unlike the MVO Platform, the Fair Trade Coalition was confronted with a decreasing funding and interest from NGOs. In 2011, members decided to stop the network's activities from January 2012. The coalition worked for many years to improve trade agreements and to increase awareness about the impact of trade liberalisation, especially in developing countries. However, lobbying activities exclusively on trade-related issues in the WTO (multilateral) and EU (bilateral) has been diminishing over the past few years. NGOs have

changed their focus to issues in the supply chain or CSR policies and now choose to work together with corporations, instead of lobbying EU member states' trade negotiators.

However, trade-related issues remain important, and members of the coalition expressed that they will continue looking for more ad hoc, project-based cooperation on specific issues. SOMO continues working on trade policies within the Economic Justice theme and allied NGOs both within and outside the Netherlands. SOMO hopes to provide evidence and awareness to NGOs about international trade issues and policies.

SOMO is also member of a wide range of international civil society networks. In 2011 SOMO was member of the following networks:

- ❑ Red Puentes
- ❑ Seattle to Brussels Network (S2B)
- ❑ The Northern Alliance for Sustainability (ANPED)
- ❑ GATS Platform
- ❑ Tropical Commodity Coalition (TCC)
- ❑ 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)



Contract workers in corn – Argentina

Time to bite into a fair Apple

Call for sustainable IT

Apple is a world leader in producing innovative, smart, beautifully designed electronic goods that enrich our lives. We are calling on Apple to take the lead in improving working conditions in electronics manufacturing.

We are asking Apple to:

IMPROVE THEIR PURCHASING PRACTICES: fair prices and well-planned lead times will make sure that all workers have a fair bite of the apple – so that workers have to work overtime hours and pay meet.



Electronics

- IMPROVE WORKING CONDITIONS:**
- by ensuring that all workers have a fair bite of the apple – so that workers have to work overtime hours and pay meet.
 - by ensuring that all workers have a fair bite of the apple – so that workers have to work overtime hours and pay meet.

Join us in our call for...
It is time to bite into a fair Apple!

- Express your concerns by:
1. Signing a petition
 2. Sending a message to your MP



Chapter 6

SOMO as a Member of Consortia

2011 was the first year of the so-called MFS2 subsidy programme (2011-2015) of the Ministry of Foreign Affairs in the Netherlands (Dutch fund for NGO programmes from the Ministry of Foreign Affairs). For this period, SOMO is a member of two alliances that received subsidies through MFS2: IMPACT Alliance and Fair Green and Global Alliance.

The aim of the MFS2 programmes of both alliances is to contribute to sustainable development and poverty eradication by building the capacity of CSOs worldwide so that they can influence the behaviour and activities of corporations and the international regulatory framework in which they operate.

In 2011, SOMO was also a member of EU consortia: ECCJ, makeITfair (with SOMO as lead agent), Towards Tax Justice (SOMO as lead agent), EU consortium Financial Reform, and the Pro-development supermarket supply chain consortium. Funding for these NGO programmes carried out by European NGOs in cooperation with partners worldwide came from the European Union.

IMPACT Alliance

The IMPACT Alliance is an alliance of small innovative developing organisations working together with Oxfam Novib. The aim is to use innovative tools for poverty eradication and to fight for justice. The alliance received a subsidy for 2011 to 2015 from the Ministry of Foreign Affairs in the Netherlands. Other partners in this alliance include 1%Club, Butterfly Works, HIRDA Foundation and Fairfood International.

Through the alliance, SOMO was able to finance many of the projects named in this annual report. Alongside these projects, Oxfam Novib and SOMO cooperated to file a com-

plaint with a group of Argentinian NGOs against the Dutch/Argentinian seed multinational company Nidera at the Dutch National Contact Point for the OECD Guidelines for Multinational Enterprises. They allege that Nidera abused the human rights of temporary workers at its corn seed processing operations in Argentina, based on official reports by Argentinian government departments.

The complainants call on Nidera to develop and implement an effective human rights policy and commitment that includes concrete human rights due diligence procedures. The mediation process that followed between the complainants and Nidera resulted in newly adopted and strengthened policies on human rights due diligence, in particular for the specific activity, and an agreement to allow the complainants to conduct site visits to verify improvements. The case resulted in a successful outcome in terms of policy changes within the company, actual improvements in working and living conditions of workers in Argentina, and potential positive influence on conditions in the whole industry.

Fair Green Global Alliance

Like the IMPACT Alliance, the Fair Green Global Alliance (FGG) is an alliance of Dutch NGOs funded by the MSF2 of the Ministry of Foreign Affairs in the Netherlands. Outcomes in 2011 are the same projects already mentioned in this annual report. The other members of the alliance are: Both ENDS, CCC, Milieudefensie, Niza and the Transnational Institute (TNI). 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. They also guarantee a high level of accountability among the target groups: poor communities – and the CSOs that represent them – whose livelihoods are threatened by unsustainable exploitation of human and natural resources.

The FGG programme's target group is communities of poor people and the Southern CSOs that represent and promote their interests in order to bring about the changes necessary for them to access basic services, decent work and sustainable livelihoods. Given the objective of the FGG programme, the alliance has also identified secondary target groups: local and national/international governments, multilateral institutions, financial institutions, corporations, and the public in their roles as citizens and consumers. These secondary target groups are chosen on the basis of their ability to take and influence decisions and practices related to socio-economic and environmental issues.

ECCJ

The European Coalition for Corporate Justice (ECCJ) promotes corporate accountability by bringing together national platforms of CSOs, including NGOs, trade unions, consumer advocacy groups and academic institutions from all over Europe. ECCJ represents more than 250 CSOs in 15 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 CSR issues. 2011 was the final year of the campaign 'Rights for People, Rules for Business'. Handing over 70,000 citizens' signatures and the supporting pledge of 140 policy-makers to the Commissioner for Trade and Enterprise Antonio Tajani marked the climax of the campaign. There was a meeting with Commissioner Tajani to discuss the (then upcoming) CSR EU communication in which ECCJ proposed that there should be an obligation among governments to ensure that companies have the duty to respect human rights. Earlier in the year, ECCJ submitted recommendations to the Commission's Green Paper on CSR.

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 network co-financed by the European Commission and involving 12 project partners. MakeITfair aims to increase awareness in Europe, especially among young people, about the conditions their mobile phones, laptops and digital cameras are made under. With this growing consumer awareness, the alliance hopes that the electronics industry will feel the pressure to improve the working and environmental conditions within the whole supply chain of electronics. SOMO is the lead agent for this network.

MakeITfair works in close cooperation with the GoodElectronics network. For example, both alliances worked in 2011 on a campaign against Apple and its supplier Foxconn. Early 2012, Apple became the first electronic giant to join the FLA. MakeITfair and GoodElectronics were cautiously optimistic, but question if 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. As the FLA obligation will become compliant within the next two years, GoodElectronics and makeITfair will be watching closely to see whether the FLA membership means Apple will take action on key problems within its supply chain.

In 2011, makeITfair published the report *What a Waste*, which reveals the health and environmental problems of the uncontrolled flow of e-waste from Europe to Ghana. Each month around 600 containers of second-hand electronics arrive in Ghana. Most of it is obsolete and ends up being burned at dump-sites. The UK, Belgium, the Netherlands, Denmark, Italy and Spain are the top exporters of used computers to Ghana. The failure of the European legislation on electronic waste (the so-called WEEE directive), which is being revised in 2011 and 2012, came under the spotlight. MakeITFair hopes that the Environmental Council of the

European Union will take the recommendations into account to stop the human rights and environmental violations that are caused by European e-waste.

In another report, makeITfair carried out research for the first time into digital cameras made in Vietnam. *Out of Focus* reveals major problems in terms of freedom of association and collective bargaining power for these workers. The European campaign for 'fair phones' to encourage mobile network operators to take responsibility for the way their mobile phones are made and old ones collected for recycling, continued in 2011. SOMO started talks with KPN, Vodafone and T-Mobile in 2011.

Towards Tax Justice

This project executed by different NGOs was co-financed by the European Commission. In 2011, it addressed the gap by raising awareness about how tax systems can be changed to promote sustainable development, by improving capacity amongst NGOs in Africa, Latin America and Asia. Towards Tax Justice analysed tax issues and their development impacts, created regional Tax Justice Networks, and facilitated engagement of NGOs with policy-makers, corporations and other relevant actors.

In cooperation with Christian Aid, SOMO helped to raise international awareness by linking the regional work to international policy for the OECD and G20 processes, and by inviting Southern representatives as speakers to events in Brussels. 2011 was the last year of this project in which SOMO was leading agent (see more under 'Tax Reform'). SOMO was the leading agent in this project through its role as member of the steering committee of Tax Justice Netherlands. This is a network of Dutch NGOs that promotes a just and fair tax system, that is supportive of international development. Its aim is to influence Dutch politics,

so that Dutch tax policies will become integrated with development cooperation goals, and mailbox companies based in the Netherlands will disappear.

Since the launch of the network in 2007, the issue of the Netherlands as a tax haven and its consequences in terms of tax evasion in developing countries has become an increasingly public issue. The media is increasingly interested in the issue and questions have been raised frequently in the Dutch Parliament in 2011. The network is a serious partner in policy discussions with the Ministry of Finance. This work continued in 2011. Tax Justice Netherlands is part of the global Tax Justice Network.

An interesting new approach in 2011 was not only to emphasise the impact of the Dutch tax regime for developing countries, but also for EU members that suffer the most from the economic crisis like Greece and Portugal. Companies from these countries moved their fiscal headquarters to the Netherlands in recent years to avoid increases in tax burdens. However, by doing so, these countries lose important tax revenues that they need to pay their debts. This could result in destabilising the prospect of the EU recovery.

Consortium for EU financial reform

Since January 2010, a consortium of six European NGOs is 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 is co-funded by the European Union.

Financial reforms taken at EU and global level should include the interests of developing countries, and must consider in particular the interests of the global poor. For example, the following problems have to be addressed by regulation and are covered by the project: 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.

SOMO published the report on financial regulation and its developmental and sustainability dimensions after having distributed draft versions for comments from developing country partners. The title of the report is The Missing Dimension. How European Financial Reforms Ignore Developing Countries and Sustainability and was published just before the G20 summit in Nice in October 2011. It was further distributed electronically to European and national parliamentarians, European and international email lists of NGOs working on financial reforms, and the media. The publication gives an overview of the EU financial reforms for the first time, which is important for CSOs. This fills an information gap whereby NGOs have too little knowledge about the impact and the processes of EU financial reforms and what improvements can be advocated for.

In 2011, SOMO continued its responsibility for publishing the EU Financial Reform newsletters in cooperation with the NGO World Economy, Ecology and Development (WEED)

and other consortium members. Information like the newsletter, monitoring results, or other networking work is also sent through various email lists by all partners.

Pro-development supermarket supply chains consortium

SOMO is working together with European NGOs to address the current practices of European supermarkets that impact on farmers and workers via: lower pay; forced overtime; precarious employment. Other members of the consortium are Traidcraft (UK), Consumers International (UK/EU wide), Oxfam Germany, Christliche Initiative Romero (Germany), and Association of Conscious Consumers (Hungary). The consortium aims to raise public awareness that will build support for responsible supply chains. The programme started in July 2011 and will run for three years. Few tangible results have been produced yet. Plans encompass joint advocacy at the EU level, research, campaigning, films and publications for various audiences.



Accommodation in textile factory – India

Part III

SOMO

**Services to
CSOs**



Electronics recycling – China

Chapter 7

SOMO's Services to CSOs

SOMO uses its extensive experience of screening companies in terms of their performance and impact on sustainable development to deliver a range of services to CSOs, semi-public and public bodies and to international institutions.

These organisations use the results of research provided by SOMO to support their own strategy. The interventions the research is used in, are very divers:

- ❑ Input for partnerships;
- ❑ Campaigns;
- ❑ Awareness raising and education;
- ❑ Multi-stakeholder initiatives;
- ❑ Dialogues;
- ❑ Negotiations;
- ❑ Sustainable investments and engagement strategies;
- ❑ Fundraising;
- ❑ Lobby and advocacy and
- ❑ 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.

Services

SOMO carries out a range of services:

Research services

Company research

- ❑ Quick Scan: Brief research into the policies, practices and controversial businesses of a specific company. Often used as risk analyses by development organisation to assess possible partnerships or accept funds. Also used by sustainable investors to facilitate an engagement strategy.

In 2011 SOMO conducted eight Quick Scans for Dutch development organisations.

□ **Company research**

Deeper research into corporate structures, ownership relationships and CSR policies and practices of a company. Company research can be carried out in a combination of 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.

A Dutch trade union commissioned SOMO to conduct research on a Dutch bank and its implementation of CSR and labour policies in its Romanian operations. The bank's assistance and openness throughout the research has been decisive for successfully completing the project and overall enhanced the quality and usefulness of the outcomes. This involved desk research and several interviews at the headquarters. Around 800 employees in Romania filled in an online quantitative and qualitative questionnaire on the issues related to the research topic.

□ **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.

For Greenpeace and the Consumentenbond SOMO carried out an extensive benchmark of electricity companies and their policies and investments regarding sustainable energy.

Sector research

□ **Sector research**

Research into a sector in relation to human rights, labour rights, international development, concentration, competition and other CSR issues.

In 2011 SOMO carried out research into the leather and shoe industry.

Consultancy to support a NGO research project to assess the social, economical and ecological conditions, stakes and effects of the tea sector (from production to commercialisation) and its market on the situation of the Tamil plantations workers and their families.

Commissioned by a Dutch Labour Union, SOMO conducted research on sectors of the Dutch economy which are most strategic for this union.

□ **Value chain analysis**

Research into the value chain of a specific product or service, often originating in a specific region or country.

In 2011 SOMO carried out research into the import trade of bananas

□ **Country research**

In 2011 SOMO was commissioned by the ILO to scan CSR policies of national governments of 40 low and middle income countries.

Issue research

□ Issue research

Research into specific issues related to a company or CSR issues, like, tax evasion, corporate lobby, controversial investments by corporations and private financial institutions, land and water use (f.i. landgrab) and gender issues.

In 2011 a French consultancy firm asked SOMO to research the Dutch part of their annual oversight of developments amongst European investors.

In 2011 also research was carried out for a coalition of German NGOs to identify the financial products by which Deutsche Bank is trading in food and oil commodity derivatives and supporting speculation. The research also identified how other German banks are engaged in food derivative trading and speculation.

Furthermore SOMO carried out research into the effects of food speculation in relation to food prices.

For an environmental organisation SOMO conducted research into the lobby strategy of multinationals.

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 sectorial basis; 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;

In 2011 SOMO was also asked by three local councils in the Netherlands to develop sustainable public squares. In this project, SOMO developed a method for sustainable procurement and design of the squares.

For the Sustainable Finance Lab, SOMO was commissioned by the University of Utrecht to work out the content of public debates on the issue of reforming banks. In 2011 SOMO finalised the development of a method for ethical screening of companies for a international development organisation.

In 2011 SOMO advised a Dutch foundation for social entrepreneurship about monitoring and verification systems and social auditing.

For a development organisation SOMO was commissioned to advice on a sectorial approach within regarding climate campaign.

SOMO also advices a governmental organisation how to incorporate CSR instruments and sustainability information in their advice towards export organisations in low income countries.

Training services

□ Training courses on research skills

Trainings focusing on process management, research methods and technics, research ethics, reporting and presentation.

□ **Training courses on CSR instruments**

Trainings focusing on strategy development in which knowledge of guidelines for Corporate Accountability and information out of research are translated into CSR strategies for awareness raising, negotiations and campaigns.

For a Dutch campaigning organisation SOMO provided a training to support research knowledge and strategic insights based on SOMO's experiences with similar advocacy and research projects to help unions in providing more objective and relevant information.

In 2011 SOMO organised together with UN Industrial Development Organisation a workshop in Vietnam to promote the guide "Making private standards work for you: a guide to private standards in the garments, footwear and furniture sectors".



Tea plantation – Sri Lanka



Spools

Organisational Aspects

SOMO aims to do its utmost to implement high sustainability and accountability standards in its own management systems. SOMO received the ISO 9001 certificate for its quality system in 2011.

Sustainability, accountability and governance

In order to promote sustainable purchasing in its business operations, SOMO has a sustainability policy for travelling. SOMO employees reimburse 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 all purchasing, SOMO ensures that all products and services it buys are of the most sustainable possible goods, 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 of supplier is based on the best CSR score.

SOMO also wants to be held accountable for its activities, including the implementation of grievance mechanisms.

In 2006, SOMO implemented its Code of Conduct and Complaints Procedure. In 2008, both the Code of Conduct and Complaints Procedure were translated into English in response to several requests. In 2011, two complaints were submitted. In 2011, SOMO also received two letters from law firms with the request not to publish a report or to delete it from the website, otherwise their clients would start a legal process. After a written response from SOMO, no further legal actions were taken against SOMO. One report was published without revisions and the other report remained freely downloadable on internet. However, SOMO changed its review procedures for publications in 2011 and makes more use of juridical reviews for its publications.

In 2011, SOMO received ANBI status, which means that financial gifts to SOMO are deductible for taxes. In 2008, SOMO adjusted its governance structure in line with the 'Code Wijffels'. 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.
- The staff of SOMO 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 also 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.

Relevant personnel statistics for SOMO in 2011

- ❑ At the end of 2011, SOMO employed 32 people (2010: 25 people) at 24,4 FTEs (2010: 20,5FTE). 22 employees have permanent contracts; ten have temporary contracts for a period of at least one year.
- ❑ Four freelancers were working for SOMO at the end of 2011.
- ❑ The caretaker (0,6 FTE) is hired from Pantar, an organisation that provides work for people who experience difficulty finding work.
- ❑ SOMO shares an ICT manager for 0,4 FTEs with BothEnds and Wemos.
- ❑ SOMO trained 12 interns in 2011.
- ❑ Absence caused by illness was 2,4% in 2011 (2010: 1,8%).
- ❑ The costs for fundraising consists of personnel costs and costs for consultancy. In 2011 2,7% of the time available was spend on fundraising (2010 3,8%). The total cost for fundraising are 1,1% of the total income 2011 of SOMO.

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.
- ❑ International fundraising: in 2011 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.
- ❑ Commissions: SOMO conducts specific analyses and studies for CSOs.
- ❑ Membership contributions for facilitation/host work for international NGO networks.

The financial year 2011 ended with a positive result of € 62.914, 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 channels, particularly in the field of service delivery.

To ensure both quantitative and qualitative growth, SOMO as an organisation has opted for incremental development.

Forecast 2012

Income (in euro's)	
Government grants/contributions	
government grants	2.800.000
other contributions	650.000
Professional services	200.000
Total income	<u>3.650.000</u>
Expenditure (in euro's)	
Direct costs of professional services	30.000
Direct project costs	1.600.000
Personell costs	1.650.000
General expenses	330.000
Total expenditure	<u>3.610.000</u>
Operating result	<u>40.000</u>

April 20th, 2012

Dick de Graaf (chairman of SOMO)

Ronald Gijsbertsen (managing director of SOMO)





Rubber plantation – Liberia

Financial Statements

We Can Do It!



Balance Sheet as of 31st of December, 2011 (after appropriation of result)

in euro's	31-12-11	31-12-10
Assets (in euro's)		
Fixed assets		
tangible fixed assets		
Other equipment	38.310	26.819
Current assets		
receivables, prepayments and accrued income		
trade debtors	145.626	63.806
subsidy receivable	921.658	338.661
prepayments and accrued income	<u>78.544</u>	<u>137.098</u>
	1.145.828	539.565
cash and bank balances	917.577	1.247.777
Total Assets	<u>2.101.715</u>	<u>1.814.161</u>
Liabilities		
Equity		
general reserve	469.855	406.941
appropriated reserves	<u>66.581</u>	<u>66.581</u>
	536.436	473.522
Provision		
provision personnel	24.371	21.335
Current liabilities, accruals and deferred income		
creditors	548.380	381.957
advanced payments/ advances received on subsidies	651.221	521.416
taxation and social securities	93.637	91.976
accruals and deferred income	<u>247.670</u>	<u>323.955</u>
	1.540.908	1.319.304
Total liabilities	<u>2.101.715</u>	<u>1.814.161</u>

Statement of Income and Expenditure, 2011

in euro's	2011 realisation	2011 budget	2010 realisation
Income			
Government grants/contributions			
government grants	2.737.180	2.750.000	2.056.871
other contributions	851.253	550.000	1.207.428
	3.588.433	3.300.000	3.264.299
professional services	237.245	325.000	370.775
other income	22.682	-	8.085
Total income	3.848.360	3.625.000	3.643.159
Expenditure			
direct project costs	1.998.657	1.600.000	1.916.683
direct costs of professional services	51.096	75.000	28.336
personnel costs	1.511.142	1.600.000	1.356.059
general expenses	219.517	325.000	233.338
Total expenditure	3.780.412	3.600.000	3.534.416
Operating result	67.948	25.000	108.743
Financial income and expenses			
interest income	13.257		6.786
financial expenses	-3.096		-6.990
	10.161	-	-204
Result on ordinary activities before taxation	78.109	25.000	108.539
taxation on ordinary activities	-15.195		-21.598
Result after taxation	62.914	25.000	86.941

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 realised 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 for 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 as of 31 December, 2011

in euro's	2011	2010
Assets		
other equipment (computer/office equipment)		
purchase value at historical cost	103.742	89.108
accumulated depreciation	-76.923	-59.999
Balance as of 1 January	26.819	29.109
Movements		
investments	25.849	14.634
desinvestments	-	-
depreciation	-14.358	-16.924
desinvestment depreciation	-	-
Total movements	11.491	-2.290
purchase value at historical cost	129.591	103.742
accumulated depreciation	-91.281	-76.923
Balance as of 31 December	<u>38.310</u>	<u>26.819</u>

in euro's	31-12-2011	31-12-2010
Assets		
Trade debtors		
trade debtors	146.563	98.128
minus: allowance for doubtful receivables	-937	-34.322
Total trade debtors	<u>145.626</u>	<u>63.806</u>
Subsidy receivable		
subsidies Dutch government	-	165.614
subsidies European government	921.027	61.651
other subsidies	10.300	140.284
Subtotal subsidy receivable	931.327	367.549
minus: doubtful subsidy receivable (projects)	-9.669	-28.888
Total subsidy receivable	<u>921.658</u>	<u>338.661</u>
Prepayments and accrued income		
professional services to invoice	35.478	91.787
other prepayments and accrued income	43.066	45.311
	<u>78.544</u>	<u>137.098</u>
Cash and bank balances	<u>917.577</u>	<u>1.247.777</u>

Cash and bank balances

Except for 2 bank guarantees (total sum € 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.

in euro's	Begin financial year 2011	Movements 2011	End financial year 2011
Liabilities			
Equity			
general reserve	406.941	62.914	469.855
appropriated reserve housing	30.000	-	30.000
appropriated reserve organisation development	36.581	-	36.581
	<u>473.522</u>	62.914	<u>536.436</u>
Provision			
Provision personnel	<u>21.335</u>	3.036	<u>24.371</u>

Reservations

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 per cent of the fixed annual personnel costs (gross salary, social charges, allowances and pensions) of the employees with a contract for an indefinite period (the norm on 31 December 2011 would be: € 492.000).

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.

in euro's

31-12-2011

31-12-2010

Liabilities

Creditors

creditors	206.568	145.889
contract obligations project partners	341.812	236.068

Total creditors	<u>548.380</u>	<u>381.957</u>
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Advanced payments / advances received on subsidies

Advanced received on Dutch government	418.439	-
Advanced received on European government	-	258.397
Advanced received on other contributors	232.782	263.019

Total advanced payments	<u>651.221</u>	<u>521.416</u>
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Taxation and social securities

taxation (corporate tax)	-3.247	4.284
tax dividend	6	-6
value added tax (V.A.T.)	-13.428	-7.469
social securities (payroll tax)	110.306	95.167

Total taxation and social securities	<u>93.637</u>	<u>91.976</u>
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Other accruals and deferred income

pension contributions	-885	-885
project related expenses	-	3.310
holiday days	94.865	119.351
services, auditing, controlling and ICT	47.433	70.733
other	106.257	131.446

Total other accruals and deferred income	<u>247.670</u>	<u>323.955</u>
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Contingent assets and liabilities

SOMO has a defined benefit plan that provides pension for employees on retirement. For a small legal entity like SOMO, it is allowed 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 2 bank guarantees. The first one (€ 26.275) relates to the lease for the building of SOMO at Sarphatistraat 30 in Amsterdam (rent in 2011: € 54.756). 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 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 an 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

in euro's	2011	2010
Income		
Government grants		
subsidies Dutch government		
Ministry of Foreign Affairs	1.401.440	1.207.047
Ministry of VROM	31.351	22.150
	1.432.791	1.229.197
Subsidies European Commission		
EuropeAid	1.304.389	757.537
Employment and Social Affairs	-	70.137
	1.304.389	827.674
Total government grants	2.737.180	2.056.871
Other contributions		
network contributions	583.645	1.015.616
capacity building and awareness building	267.608	191.812
Total other contributions	851.253	1.207.428
Total income government grants and contributions	<u>3.588.433</u>	<u>3.264.299</u>
Professional services	<u>237.245</u>	<u>370.775</u>

Fundraising

The total income received from not own fundraising of SOMO but as part of cofunding by project partners for 2011 is € 185.205

in euro's	2011	2010
Expenditure		
Direct project costs		
travel costs	171.692	204.190
office expenditure	54.638	41.442
telephone and postage	11.255	7.829
printed matter	59.046	87.182
contracted work	1.609.291	1.508.954
other direct project costs	92.735	67.086
Total direct project costs	<u>1.998.657</u>	<u>1.916.683</u>
Direct costs of professional services	<u>51.096</u>	<u>28.336</u>
Personnel costs		
salaries		
gross wages	1.030.913	947.094
social securities	179.538	170.201
pension contributions	92.428	85.401
expenditure employee saving scheme	3.186	2.668
	1.306.065	1.205.364
Remaining personnel expenditure	<u>251.714</u>	<u>227.944</u>
Subtotal personnel costs	1.557.779	1.433.308
minus: received payments for illness	16.810	26.601
minus: charged for (project) personnel expenditure	29.827	50.648
Total personnel costs	<u>1.511.142</u>	<u>1.356.059</u>

Personnel costs

At the end of 2011, SOMO was employing a total of 32 people (24,4 FTE).

The gross annual salary for the managing director for 2011 was € 70.780 (36 hrs/week)

in euro's	2011	2010
Expenditure		
General expenses		
services (advice, auditing, controlling)	63.477	63.905
literature, website, internet and databank	38.479	37.768
software and hardware	71.390	52.547
housing expenses	17.458	20.010
depreciation	14.358	16.924
building expenditure	61.835	62.101
other general expenses	69.980	61.782
Subtotal general expenses	336.977	315.037
minus charged for project costs (extern) administration	117.460	81.699
Total general expenses	<u>219.517</u>	<u>233.338</u>

Explanation of differences between realisation and budget 2011

The positive result in 2011 is higher than budgeted. The budgeted result 2011 was € 25.000 before taxation. The positive result is € 78.109 (before taxation).

Differences compared to the budget can be explained as following. Compared to the forecast SOMO received more subsidies. As a result of the higher received subsidies the direct project costs increased as well. On the other hand the income from professional services is lower than expected. The reason for this is that an employee resigned and is now employed by an organisation for which we expected to realise professional services in 2011.

The realised positive result can be explained by releases in the provision for doubtful debts and doubtful subsidy receivables (projects). These receivables were received but were calculated in the provision of last year. Another reason for the higher result than budgeted can be explained by the received interest on bank balances which were not budgeted for 2011.



Textile factory, India



Entrance tea plantation – India

Other Information



Tea tasting

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 2011

The result after taxation 2011 is € 62.914 positive (2010: € 86.941 positive). The board of SOMO has decided to add this result to the general reserve.

Independent auditor's report

dubois & co

REGISTERACCOUNTANTS

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 2011 of Stichting Onderzoek Multinationale Ondernemingen (SOMO), Amsterdam, which comprise the balance sheet as at 31 December 2011, 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 with respect to the financial statements

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, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Amsterdam, 20 April 2012

Dubois & Co, Registeraccountants

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

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Dubois & Co, Registeraccountants is een maatschap van praktijkvennootschappen.
Op alle opdrachten die aan ons kantoor worden verzocht 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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