



SOMO Annual Report 2009



SOMO

Annual Report

2009

The Foundation for Research on Multinational Corporations (SOMO) was founded in 1973 and has its legal seat in Amsterdam, the Netherlands.

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Director's report 2009

A. Mission

SOMO's research and activities are aimed at promoting sustainable, social and ecological development, improving labour situations, counterbalancing multinational corporations and effectively tackling exploitation, poverty and inequality worldwide. SOMO's research and activities are focused on the policies and conduct of multinational corporations in their international context.

SOMO has set itself the following goals:

1. Effectuating change through knowledge enhancement

SOMO's research projects are geared towards change. On the one hand this expresses itself in SOMO assuming a 'watchdog' role. SOMO gathers information and carries out analyses to describe and highlight the conduct of multinationals and pinpoint the contradictions in economic and political systems that impinge on sustainability. On the other hand, SOMO's analyses and proffered alternatives make a contribution to the policy development of national authorities, international organisations, NGOs, trade unions and companies.

The first pillar of SOMO's activities is the integration of information and action through research.

2. Strengthening civil society in the North and South

By disseminating information and facilitating cooperation, SOMO is reinforcing civil society in the North and South. SOMO's activities are aimed at combining and exposing fragmented knowledge, building NGO networks and reinforcing and training NGOs. SOMO supports NGOs focusing on multinationals and international trade: trade unions, organisations working in the areas of human rights, consumer interests, environmental issues, development cooperation and gender justice, sectoral campaigning groups, lobby and research organisations.

The second pillar of SOMO's activities is:

- Initiation and co-ordination of national and international networks
- Capacity-building in national and international NGOs

3. Enhancing the impact of civil society organisations

SOMO contributes to civil society debates through research projects, cooperation with southern partners and joint NGO initiatives. SOMO aims its policy-influencing activities, workshops and public meetings at opinion leaders and decision makers in public service, civil society organisations and the media. SOMO promotes the interests of the South in policy dialogue, lobbying activities, conferences and expert meetings.

The third pillar of SOMO's activities is the contribution to civil society debates.

B. Board and Management

The Annual Report 2009 lists four Board Members:

- Nicola Jägers (Board Member)
- Melanie Peters (Board Member)
- Dick de Graaf (Chairman and Secretary)
- Dirk de Jager (Treasurer)

SOMO's Board operates on a no-pay basis.

In 2009, Ronald Gijsbertsen acted as SOMO's managing director (0.9 FTE). Management tasks take up 70% of 0.9 FTE, constituting overhead costs. The remaining 30% is used for managing the project organisation. The gross annual salary for the managing director for 2009 was 61.086 euro (36 hours a week).

C. Activities 2009

SOMO carries out commissioned research (service provision) as well as research initiated by SOMO itself, which is financed mainly by means of subsidies. SOMO's activities and research are invariably related to chains of production or the conduct of multinational corporations in relation to their social responsibility.

The fields SOMO focuses on include:

- Research into sectors, chains of production and countries
- International trade and investment
- Corporate Accountability (CA) / Corporate Social Responsibility (CSR)
- Corporate research

The survey of activities below lists projects first according to the sectors and main subjects SOMO is working on. Within each sector or theme, a distinction is made between different types of funding and projects concerning network coordination and services: 1. *subsidised projects* mainly focusing on research, capacity building, and awareness raising; 2. *subsidies and member contributions for network coordination*; 3. *services*. Corporate research is described under the relevant sector or theme as part of a subsidised project or under the separate heading Corporate Research, after the sectors and themes.

MFS program

In view of the fact that every sector and subject includes projects that have been realised with

MFS subsidies, this programme will be explained first. The programme is operational from 2007-2010, and is financed by the Dutch Ministry of Foreign Affairs within the 'Mede Financiering Stelsel' (MFS; Co-Funding System).

The MFS programme of SOMO aims at contributing significantly to sustainable development and poverty eradication through capacitybuilding of civil society organisations worldwide in order to influence the social, environmental, human rights and economic impacts of multinational corporations (MNCs) and their contribution to sustainability and poverty eradication.

The purpose of the programme is to strengthen the capacity of civil society organisations around the world in order to improve their influencing capabilities with regard to the behaviour and activities of corporations and the international regulatory framework in which they operate.

The goal of the programme is operationalised in the following six objectives:

1. Knowledge building and research

to increase knowledge among civil society organisations worldwide about the effects of MNC activities and the position of developing countries in the world trading system. SOMO's analyses and proposals contribute to the policymaking of governments, international organisations, NGOs, companies and trade unions. SOMO explicitly aims to establish a connection between (research-inspired) policy changes and the resulting practical consequences.

2. Network coordination

to increase cooperation among civil society organisations worldwide, improve the exchange of knowledge and information and develop common strategies for influencing corporations and policy makers. SOMO aims its activities at upgrading the accessibility of available but fragmented knowledge, at NGO network building and at the strengthening and training of NGOs.

3. Capacity building

to provide civil society organisations with the capacities they need in order to successfully counterbalance negative tendencies in international trade and industry. Which capacities are most required, depends on available knowledge and information, the strategies favoured – such as negotiation or mobilisation – and the ability to work with other players in the field. These players include

civil organisations such as trade unions, and institutions such as parliaments.

4. Influencing policy makers

to encourage lobbying at the national and international level. NGOs and trade unions are being trained in these activities, with an emphasis on making the southern civil society perspective more prominent in the debate concerning CSR, the world trade system and investment regulations. SOMO itself does not engage in lobbying or campaigning activities, but may act as an expert organisation in political discussions or the public debate.

5. Influencing international trade & industry

by maintaining an ongoing debate with the relevant business sectors. The effectiveness of company research manifests itself largely through the review procedures of a particular research project. SOMO presents its research results preferably in a multi-stakeholder setting or at the sector level, distinguished from the company level.

6. Influencing stakeholders

through awareness-raising and education on development and CSR issues related to business policy and practice. The behaviour of influential stakeholders, such as investors and organised consumers and workers, determines government and business policy to a considerable extent. Ethical funds are in great need for reliable information about business practices. Trade unions and shareholders present further means to exert influence on the policy of investment funds.

The MFS programme is implemented in cooperation with twenty southern partners and fifteen northern partners.

C.1 Sectors

C.1.1 Garment and Textiles

→ Project financed through subsidies

□ MFS Garment & Textiles

The garment sector is one of the first industries in which debates relating to supply chain responsibility and labour rights led to some actual improvements for workers. In spite of these improvements, many issues still need to be

addressed. Apart from a few CSR pioneers, most multinationals are reluctant to improve working conditions in their supply chains. SOMO therefore conducts research – in cooperation with its partner organisations – in order to expose pressing issues in the supply chains of brand and retailing companies. SOMO also strengthens the research and advocacy skills of civil society organisations in garment producing countries and promotes cooperation and the formation of strategic alliances between these organisations.

Three southern organisations – Plades from Peru, GMIES from El Salvador and Fundación El Otro from Argentina – conducted research on the supply chains of large European and US retailers in 2009. Together with SOMO, they developed a joint research approach so that results would be comparable. These results will be published in 2010.

The preliminary results of these studies served as a basis for a conference on labour conditions in the Latin American garments industry, organised by Plades – with the support of SOMO – in October 2009 in Lima, Peru. NGOs and trade unions from various Latin American countries were present, as was the Spanish Clean Clothes Campaign. Various national contexts as well as common issues were discussed. Different strategies aimed at improving labour conditions were examined. A central question was how the efforts of different civil society organisations (trade unions, research organisations, campaigning organisations etc.) can be combined to reinforce each other, and how these organisations can cooperate in order to increase their impact.

In 2009 SOMO also focused on migrant labour in the garment industry. Research was carried out in order to develop a better understanding of the dynamics of migration within the industry; of the specific issues faced by migrant workers; and of strategies being employed by workers and their organisations to improve working conditions and demand labour rights – including the barriers they face doing this. The research also focused on existing initiatives by companies, multistakeholder initiatives (MSI) and governments and international agencies to address these issues. In March 2009, SOMO and the Clean Clothes Campaign (CCC) organised a consultation seminar in Malaysia which brought together trade unions, NGOs and migrants' support groups from ten Asia-Pacific countries. At this seminar, different strategies how to support the growing number of migrant workers were discussed.

In India, SOMO cooperated with Cividep. Cividep conducted research on labour conditions in a number

of factories producing for giant retailers, in the Bangalore garment industry. The results revealed that growth in the Indian garment industry in economic terms, did not go hand in hand with an improvement of working and living conditions of garment workers. In contrast, the increasing number of orders from retailers all over the world led to a rise in daily production targets for garment workers in Bangalore. High production targets are causing increasing and often unpaid hours of overtime work, verbal abuse and harassments by supervisors.

By assisting partner organisations in the realisation of their research projects and jointly developing research methods, capacity has been strengthened. Furthermore, networks have been strengthened and strategic alliances have been formed. The research results on migrant labour were used as input for a consultation seminar. As a result of this seminar, first steps were taken towards joint strategies to support labour migrants and improve their working conditions. Research results on labour conditions in Bangalore's garment factories are being used by Cividep to engage with local trade unions and garment workers in order to improve labour conditions in these factories.

Results of the project:

- Conference on labour conditions in the Latin American garment industry, which contributed to the further consolidation and expansion of the informal network 'tras la etiqueta'.
- A discussion paper on migrant labour in the garment industry, which forms the basis for future development of strategies to support migrant workers
- A consultation seminar on migrant labour where strategies were discussed and cooperation between various organisations was strengthened.
- Research report on labour conditions in the Bangalore garment industry, which is used by Cividep to engage with local trade unions and garment workers to improve conditions in the garment industry.

C.1.2 Finance

→ Project financed through subsidies

□ MFS Finance

SOMO has built capacity on corporate responsibility in the financial industry, on corporate tax avoidance and on the regulation of financial markets.

SOMO's activities concerning the financial sector cover the impact of multinational policies in the financial sector on developing countries especially. Examples are: the behaviour of financial institutions such as banks, and tax avoidance by multinationals operating in developing countries, often serviced by banks, as well as the regulatory framework in which they operate.

Summary of activities:

- SOMO staff exchanged information and expertise with southern partners, coached them and commented on their studies on financial regulation and liberalisation as well as tax issues. SOMO advised its partners how to use their studies for advocacy and lobby activities as well.
- In addition, SOMO contributed the networks of BankTrack, Tax Justice NL (in the Netherlands) and Tax Justice Network at the international level.
- SOMO used its own research and research by its partners to contribute to public and strategy meetings, organised by civil society in the Netherlands, EU and worldwide (e.g at World Social Forum), which led to declarations for media and decision-makers. SOMO also joined a panel discussion with an EU official and other experts on financial reforms in Brussels, organised by the Austrian trade unions.
- SOMO engaged with the Ministry of Finance on taxation and development – as part of an ongoing dialogue with Tax Justice NL – and on financial reforms, which was new for the Ministry. Through networks, SOMO contributed to NGO statements to the G-20 and the EU.
- Discussion meetings between Tax Justice Network and Dutch multinationals in order to raise awareness of the importance of tax justice issues, and to search for ways to make so-called tax planning less detrimental to development.

Results of the project:

- "Rethinking Liberalisation of Banking Services Under the India-EU Free Trade Agreement" by Kavaljit Singh, which was recently listed on SSRN's Top Ten download list from the Economics Research Network. It was also well

received by the Indian ex- governor of the Central Bank who offered the Minister of Finance a copy, and used it during civil society workshops in India, the WTO (Geneva) etc.

- Support the strategies and activities of different networks, exchange experiences, technical expertise and news analysis, coordinate research and build capacity on certain issues, contribute to discussions on advocacy opportunities and to coordinate activities, events, and policy priorities. developments in the Netherlands.
- Research report: "An Oversight of Selected Financial Reforms on the EU Agenda", which has been the only civil society overview of financial reforms at EU level and can be viewed on different websites.
- Briefing paper: "The deficits of the EU financial reforms", which was widely distributed among civil society organisations to increase available knowledge and to stimulate the debates at the EU civil society conference on 25 September 2009 in Brussels.
- In 2009, the dialogue between SOMO, Tax Justice NL, the Dutch ministry of Finance and the Dutch Ministry of Foreign Affairs has intensified considerably. The discussion was focused mainly on capacity building in developing countries. Many meetings took place and Tax Justice NL, with the help of SOMO, sent a reaction to various consultation rounds of the Ministry of Finance.
- SOMO made a submission to the Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System, which was well appreciated and out of which some aspects were taken up by the Commissions report.
- Tax Justice Network has intensified its dialogue with both CSR and tax experts of Dutch multinational corporations. Discussion meetings on CSR and Tax Planning have been taking place. It led to more awareness on the effects of tax planning for developing countries, and willingness among these multinational corporations to look for solutions. It also created cooperation on tax justice issues between CSR and tax experts of multinational corporations. Tax planning is now being considered as a CSR issue, which was not the case before the meetings.
- SOMO used the general attention for the role played by banks and tax avoidance in

the financial crisis and its influence on developing countries, to disseminate SOMO research findings in the media and in presentations.

C.1.3 Electronics sector

→ Project financed through subsidies

□ MFS Electronics

SOMO's research and activities in this project aim at tackling exploitation and poverty in the supply chain of electronics and improving labour conditions. SOMO wants to achieve this by improving the capabilities of its partners in low-wage production countries, enabling them to more effectively study and influence the behaviour and activities of electronics companies.

SOMO supports the workers programs of its partners in a number of production countries – Mexico, China, Thailand, Indonesia, India and the Philippines – and cooperates on fact-finding studies concerning labour conditions. Information exchange and strategy determination with trade unions and environmental and local workers' organisations take place through the international network GoodElectronics hosted by SOMO, but also through regional meetings and workshops/trainings organised by SOMO together with its partners. By taking part in stakeholder dialogues as set up by the industry and by initiating company dialogues as extension of its research activities, SOMO influences company policies.

In 2009, SOMO's efforts were directed at providing feedback to electronics workers, NGOs and trade unions in the Philippines, based on the research results obtained during the period 2006-2008. In August 2009, a national meeting for information exchange and strategy determination was set up by SOMO and its partner WAC in the Philippines. The participants included local NGOs and trade unions active in the electronics sector. Educational workshops for workers in Filipino production regions were set up as well.

In 2009, SOMO participated in stakeholder dialogues set up by the Electronic Industry Citizenship Coalition (EICC) and the Global electronics Sustainability Initiative (GeSI). These dialogues dealt with initiatives to trace the origin of metals throughout the supply chain, revision of the EICC code and follow-up activities resulting from the round-table conference in May. This round-table conference was organised by GoodElectronics and the makeITfair project. 25 company representatives and about 30 NGO and

trade union representatives from northern and southern countries attended the meeting.

Results of the project:

- Two workshops for workers' education in the Philippines and one national meeting in the Philippines with local NGOs and trade unions, resulting in the establishment of a national GoodElectronics network. Follow-up meetings have taken place already.
- One workshop with the members of GoodElectronics Thailand, resulting in a joint project of members of the Thai GoodElectronics network and SOMO on precarious work and organising.
- Research reports on labour conditions in Mexico, Philippines, India and China, and a sector report on the electronics sector in Indonesia. The research reports on the electronics sector are being used by local partners to start up dialogues with local industry. They are also being used widely by international organisations campaigning on labour conditions, by socially responsible investors and by government bodies interested in sustainable public procurement of electronics. Finally, the reports are important for awareness raising of electronics companies and consumers.
- Better understanding between NGOs, trade unions and the industry, as well as a shortlist of issues drawn up by the industry to be investigated for further development. Workers' education is one of the issues selected by the industry to take on within the EICC/GeSI working groups.

□ *MakeITfair*

The makeITfair project aims to contribute to poverty eradication and sustainable development by improving the social and environmental conditions in the supply chain of consumer electronics.

The main activities in this project concern the production and dissemination of reports on social, environmental and human rights conditions in the production chain of consumer electronics; the production and dissemination of awareness raising materials like consumer guides; the maintenance of a website and web tools; the development of educational materials and campaigning materials; and organising capacity building sessions in Central and Eastern Europe and dialogue meetings with the industry.

In 2009, two round-table conferences organised by makeITfair took place: one with 30 European youth organisations aiming to become active within a makeITfair campaign (March 2009); and one with 25 corporate participants and 30 civil society representatives from all over the world, discussing ways to effectively improve labour conditions and respect workers' rights (May 2009). In a series of research reports, a new group of companies was called upon to take responsibility for their supply chain: the European mobile network operators like Tele2. The consumer guide published in 2009 dealt with e-waste and promotion of green IT. A documentary of 30 minutes called 'The Hidden costs of your mobile phone' is made available in 5 European languages and can be ordered by schools for free.

□ *Handbook CSR in the electronics supply chain*

The MVO Platform decided to modify its CSR Frame of Reference on a sectoral basis. This elaboration of the CSR Frame of Reference for the electronics sector would suggest concrete steps to be taken by companies, governments and civil society in order to improve social and environmental conditions in the electronics sector.

The MVO Platform and GoodElectronics have involved all relevant stakeholders (business, trade unions, NGOs and sectoral sustainability initiatives). Through various consultation rounds (round-table meetings, workshops and digital consultations), major issues were identified and ways forward were discussed. Based on the experiences gathered by these consultations, the MVO Platform and GoodElectronics wrote the report 'Reset: Corporate social responsibility in the global electronics supply chain'. This publication describes several aspects (social, environmental and economic) in different phases of the supply chain (mining, manufacturing and disposal) from a corporate social responsibility perspective.

With this project, the MVO Platform and GoodElectronics have contributed to improving labour, human rights and environmental conditions in the global electronics supply chain. The involvement of many stakeholders (trade unions, NGOs, business and sustainability initiatives) has been essential for this project. In cooperation with these stakeholders, the MVO Platform and GoodElectronics have identified major issues in the electronics sector and have put forward concrete proposals for improvement. A solid dialogue with business, civil

society organisations and sectoral sustainability initiatives has been set up.

□ *Procure IT Fair*

The Procure IT Fair project aims to enhance social and environmental conditions in the electronics supply chain through effective use of sustainable procurement.

Summary of activities:

- Publication of a buyers guide
- Launch of the IT Company Monitor
- Workshops with public buyers
- Lectures at universities

SOMO published a buyers guide, enhancing the effectiveness of sustainable procurement as a tool to improve conditions in the electronics supply chain. It also developed the IT Company Monitor, which enhanced current knowledge of the sustainability developments taking place in this sector.

Public buyers have been made aware of the options they have to include social criteria in public tenders, and of the relevant sustainability developments in the sector. Students have engaged policy makers and procurement officers at their universities.

□ *Stichting Doen*

SOMO's research and activities in this project are aimed at promoting a sustainable production chain of consumer electronics.

By engaging different actors – not just brand companies but also contract manufacturers, investors and governments – involved in different phases of the production chain, SOMO works towards improvement of social and environmental conditions, in close cooperation with the southern stakeholders. The different phases of the production chain include the mining of metals, the production in low-wage countries and the recycling and disposal of e-waste. The activities in this project are financed by Stichting Doen.

In countries such as the Democratic Republic of Congo, the mining of metals fuels a civil war. In 2009, an important activity relating to the mining industry in these countries was SOMO's participation in stakeholder dialogues with the

global electronics industry and the Dutch government. Moreover, SOMO facilitated the participation of southern organisations in these dialogues. Preceding the dialogues, strategising meetings with NGOs working on this issue took place. Relating to the production phase, research has taken place in Thailand. Relating to the e-waste issue, SOMO has focussed on improvement of government policies on EU and national levels.

SOMO is a member of the Stakeholder Advisory Group (SAG) of the EICC-GeSI Supply Chain Mapping Project, which is being conducted by the organisation RESOLVE. Several meetings on this issue have taken place with NGOs like Milieudefensie, NIZA, Cordaid, Global Witness and IPIS, as well as four consultations with the Dutch Ministry of Foreign Affairs. Another meeting took place with NGOs in the DR Congo and South Africa. Three case studies have been produced on labour conditions in Thai production factories. In consultation with electronics companies, recyclers and environmental organisations, SOMO published a paper with policy proposals aimed at improving e-waste recycling in Europe and the prevention of the shipping of e-waste to developing countries. SOMO provided socially responsible investors (SRIs) with information sheets on social and ecological problems in the sector in order to support their engagement with electronics companies.

→ **Network coordination**

□ *GoodElectronics*

GoodElectronics is an international network aiming for human rights and sustainability throughout the global electronics supply chain. GoodElectronics questions labour, social, economic and environmental issues in the different phases of the electronics production chain. GoodElectronics brings together trade unions and labour groups, environmental NGOs and grassroots organisations, social activists and academic researchers. SOMO hosts the GoodElectronics network. Its guiding principles and objectives are summarised in the GoodElectronics 'Common Demands'.

Apart from being one of the GoodElectronics initiators, SOMO is also active as a member of the Steering Committee. The different activities of SOMO regarding the electronics sector are geared to one another. On the one hand, GoodElectronics offers an important channel (i.e. website, mailing lists, etc.) for SOMO research reports and policy papers as well as relevant material of other

campaigns and networks SOMO participates in, such as makeITfair or Procure IT Fair. On the other hand, GoodElectronics provides SOMO with valuable input in terms of contacts, information and knowledge.

The participants to the GoodElectronics network apply different strategies to achieve their objectives, ranging from organising and training workers to addressing companies, from campaigning among consumers to political lobby activities. It is the role of the network coordinator to facilitate linking and learning among the network participants.

Summary of activities:

- The GoodElectronics website has developed into an important communication tool. Over the past year, about 170 news items have been posted on the site; the site received 48,169 visitors.
- In 2009, five newsletters were published including two 'On the Spot' news letters, focusing on the struggle of local groups for labour rights in Thailand and China.
- GoodElectronics continued to undertake campaigning work under its own flag – supporting local labour groups in concrete cases of labour rights abuses. A number of 'urgent appeals' were taken up, dealing, for example, with the harassment of human rights activists in the Philippines; labour union busting in Thailand; and cadmium affected battery workers in China.
- Together with the Dutch CSR Platform (MVO Platform), GoodElectronics published Reset. Corporate social responsibility in the global electronics supply chain' (see page 8 of this report).
- Together with makeITfair, GoodElectronics organised a round-table conference in May (see page 8 of this report).

In 2009, the information exchange within the network was greatly improved. This has strengthened contact among members and enhanced international solidarity. Communication and contact with third parties, including EICC and individual companies, has also increased. GoodElectronics is getting more widely known and is increasingly accepted as a partner for discussion. GoodElectronics has been successful in drawing attention to a number of labour issues in the electronics supply chain that may otherwise have gone unnoticed. GoodElectronics has contributed to establishing contact between local labour groups and international brand name

companies and their local suppliers. GoodElectronics initiatives have boosted the discussion on more effective ways to further adherence to international labour standards. Some of the ideas discussed at the May 2009 round-table conference have been taken up by the participants.

C.1.4 Food and agriculture

→ Project financed through subsidies

□ MFS Food and agriculture

SOMO and its partners aim to improve social, economic and ecological conditions in the Food and Agricultural sector. This project focuses primarily on the tea sector, the retail sector and the fruit and vegetable sector.

The capacity of Civil Society Organisations (NGOs) in tea producing countries has been strengthened. Research on the tea sector has resulted in knowledge building, which has been used as input for strategies and projects of southern (eg. Sri Lanka, China, Malawi) and northern NGOs and trade unions (eg. Solidaridad, Oxfam Novib in the Dutch Ethical Trading Initiative (DETI), Tropical Commodity Coalition and FNV) and Dutch government and business stakeholders (DETI, Unilever, Sara Lee). Research on supermarket issues was brought to the table of high-level EU politicians and decision makers.

Results of the project:

- SOMO started training NGOs in tea sector countries on CSR and CSR interventions and strategies in particular. The first of several trainings that have been planned, was held in Sri Lanka.
- Tobacco sector research in Malawi was started in 2009 and is to be completed in 2010.
- SOMO contributed considerably to the drafting of the DETI tea programme. The programme, following its introduction, has been closely monitored and NGO activities and strategies regarding this initiative were aligned and discussed. SOMO was involved in several ways (input, consultation) in the FNV Unilever campaign.
- Problems of the seed market and alternatives for food security were discussed at the FAO Summit in November 2009. The results of the research will be published on the international seed day in April 2010.
- Publication and distribution of "The Abuse of Supermarket Buyer Power in the EU Food Retail

Sector - Preliminary Survey of Evidence”, a document researched mainly by SOMO, including an ensuing discussion with European Parliamentarians and high level officials of the European Commission. The document was distributed via the intranet of the European Commission to the national competition authorities of the EU member states.

- AAI publication (with SOMO as one of its editors) on centralisation within the agribusiness sector. The publication was distributed and discussed at the NGO forum of the FAO summit in Rome (15 November 2009).
- Research on lessons learned from the food crisis and the financial crises has been initiated, and 2 briefings on these themes will be published in 2010.

□ *Capacity building CSR studies Egypt*

With this project, SOMO wants to contribute to a stronger civil society in Egypt through knowledge and capacity building for Egyptian NGOs. SOMO carried out training and coaching.

→ **Services**

□ *Desk research supply chain Egypt*

This research project started towards the end of 2008 and focuses on conditions for workers and smallholders in the export oriented fresh fruit and vegetable supply chains in Egypt. It was commissioned by Oxfam Novib. Oxfam Novib wishes to improve conditions for these stakeholders through the leverage retailing companies in the Netherlands – with whom it is involved in a dialogue – can wield by importing fresh food and vegetables

C.1.5 Pharmaceutical sector

→ **Project financed through subsidies**

□ *MFS Pharmaceutical sector*

The project aims to counterbalance the power of western pharmaceutical multinationals and contribute to effectively tackling the exploitation of poor patients participating in clinical trials.

Work in this sector includes research and the support of policy work on clinical trials ethics, in order to promote more ethical clinical trials in developing countries. SOMO aims to enhance the ethical regulation of clinical trials in developing countries that are being used as a basis for marketing approval in the EU. Research efforts in 2009 were focussed on the role of Contract Research Organisations (CROs) in the outsourcing of clinical trials.

Summary of activities:

- Supporting lobby and advocacy efforts of Dutch health organisation Wemos at national and EU levels.
- Research on EU regulations on clinical trial ethics and how to better implement them.
- Providing cooperation to journalists writing on clinical trial ethics and making documentaries.
- A comprehensive study on liabilities and responsibilities related to the outsourcing of clinical trials.
- Collaborating with a local organisation in India and Wemos on a research project, studying the role of CROs in India.
- Collaborating with members of the RELEM network (Latin American Network on Ethics and Medicines) and Wemos on a CRO study conducted in Latin America.
- Collaboration with the University of Toronto Faculty of Law International Human Rights Clinic on a judicial study on liabilities and responsibilities. The results will be published in 2010.

The SOMO research paper on protection of clinical trial participants in developing countries, written in assignment of the European Parliament, attracted international media attention such as an article in the Financial Times.

→ **Services**

□ *Clinical trials in developing countries*

This project is related to a tender of DG External Policies of the European Union, assigned to SOMO. The main objective was to provide the European Parliament with a research paper containing concrete recommendations, both at legislative and enforcement level, aimed to guarantee that trials performed in third countries are conducted in conformity with EU and international ethical standards.

The publication and presentation of the research paper to the Commission of DG Development (March 2009). The research paper has served as a

source of reference for the public consultation paper for the assessment of the functioning of the "Clinical Trials Directive 2001/20/EC" which was published in October 2009. The paper was also subject in parliamentary questions submitted by Thijs Berman (S&D) and Judith A. Merkies (S&D) to the Council on 30 November 2009.

C.1.6 Public Services

→ Project financed through subsidies

□ MFS Public services

With its MFS Public Services project, SOMO aims to build knowledge and capacity of civil society organisations working in the electricity sector by engaging partners in field research concerning the impact of multinational power companies on the quality of electricity services in developing countries. Furthermore, the project seeks to influence and contribute to the academic and the industry debate around normative standards for sustainable electricity provision.

Summary of activities:

- Expert input for Global Reporting Initiative (GRI) reporting guidelines for the electricity industry (Electric Utilities Sector Supplement – EUSS).
- Research and publication of report on normative standards for sustainable electricity provision.
- Research and publication of sector study on electricity provision in developing countries, including two field research case studies in Latin America.
- Engagement with media, companies, academia, NGOs and trade unions based on the outcomes of these two studies.
- Two presentations at academic, peer reviewed conferences.
- Expert input (presentation and research) for the development of Hivos' energy policy.

Through the publication of two major studies (one developing normative standards and one empirically testing the standards in case studies) on the impact of multinational enterprises (MNEs) on the quality and sustainability of electricity services in developing countries, including collaborative field research with southern partners and presentations of the results of the studies, SOMO's public services programme contributed to capacity building. The public

services programme strengthened civil society networks, increased knowledge, raised awareness on the relevant issues and had an impact on both company and government policy.

The capacity building activities resulted in four of SOMO's southern partners becoming experts in the area of power sector research. The two aforementioned studies garnered widespread media coverage, particularly in Norway and Spain – home countries to two of the case study companies. The media attention resulted in an ongoing debate among company representatives and governmental officials as to which normative standards apply to electricity provision in developing countries. SOMO's expert input contributed to more specific sustainability reporting guidelines for the electricity industry by the GRI, and the development of a civil society organisations policy on sustainable energy.

→ Services

□ Benchmark energy companies

The project contributed to raising public awareness of the sustainability of power companies operating in the Netherlands, influencing those same companies to enhance their sustainability, and influencing policy makers to better align public policy with sustainability criteria and targets.

The 2009 update of the 'Sustainability in the Dutch power sector' fact sheets investigated 9 power companies active in the Netherlands, focussing on their performance on a range of benchmark sustainability criteria.

Based on the results of the fact sheets Greenpeace ranked the companies on a 'thermometer', staged a protest at nuclear power company DELTA, and rewarded Eneco for its positive performance on sustainability. The Greenpeace action and the underlying SOMO research generated a generous amount of media attention, including a major article in the Volkskrant based on SOMO's research and figures.

□ EWC's in the EU energy sector

SOMO's project on Corporate Social Responsibility (CSR) and European Works Councils (EWCs) aims to assist European electricity sector unions and workers in improving their understanding of the way EWCs operate. Special attention is being paid to the relationship between EWCs and the CSR policies of energy companies and how EWCs can be used to influence company CSR policy.

A report on the relationship between EWCs and the CSR policies will be published in March 2010.

C.1.7 Extractives

→ Project financed through subsidies

□ MFS Extractives

The project included work on 1) extractives used in electronic products, aiming to induce companies at the end of the production chain to take responsibility for the conditions under which the metals contained in their products are mined; 2) natural stone, aiming to increase social and environmental sustainability at quarries and factories in India and China; 3) uranium, addressing the issues concerning the mining of uranium; and 4) gemstones, aiming to increase awareness of conditions of miners and manufacturers of coloured gemstones.

Summary of activities:

- Various stakeholder contacts with the electronics industry, NGOs, SRIs and government institutions.
- Workshop organised for communities and NGOs around platinum mines in South Africa.
- Participation in the Working Group for Sustainable Natural Stone.
- Publication of a report on uranium.
- Creation of a regional African network of NGOs on uranium.
- Research on gemstones, report will follow in 2010.

Results of the project:

- The capacity was raised of communities and NGOs in South Africa, strengthening their position in their struggle with a large platinum mining company and NGOs dealing with uranium mining in Africa through the development of a regional network.
- Corporate policies of electronics companies with regard to extractives were influenced, and in Namibia a public debate arose on the basis of SOMO research.

→ Services

□ Natural stone

SOMO was involved in the original activities, consisting of pilot projects aimed at natural stone companies implementing the code of conduct of the Dutch Working Group for Natural Stone. At a later stage, these activities resulted in the ambition to develop a research report on Indian natural stone, whereby SOMO will map the trade flows between India and the Netherlands.

Most activities were postponed to 2010. In 2009, preliminary contacts with various NGOs involved in this project were made.

C.1.8 Tourism

→ Project financed through subsidies

□ MFS Tourism

The tourism sector is characterised by low wages and hazardous, stressful working conditions. The extremely low level of unionisation in the sector further exacerbates these issues and allows for severe exploitation in the tourism sector. By monitoring multinational corporations in the tourism sector, SOMO and its partners analyse company policies, behaviour and the resulting impact vis-à-vis poverty reduction. SOMO wants to find out whether and how these corporations can have a positive impact on poverty reduction.

In 2009, SOMO developed a joint work program with CICLO in Brazil and Equations in India. Both organisations have been carrying out monitoring activities of the major multinationals in the tourism sector in their countries. SOMO has set up a joint research framework, but each organisation focuses its activities on its own country and context.

SOMO promotes collaboration among civil society organisations in the field of tourism. In Brazil, CICLO has organised a cluster of NGOs, research groups, activists, scholars and union representatives to discuss possible improvements in the tourism value chain. In 2010, CICLO will organise a conference, inviting researchers and activists from India as well.

Results of the project:

- Creation of a cluster of research groups, NGOs, activists, scholars and union representatives who discussed possible improvements in the tourism sector in Brazil.

- Increased awareness of sustainability issues in the tourism sector in India and Brazil.

C.2 Themes

C.2.1 Corporate Responsibility

→ Project financed through subsidies

□ MFS Corporate accountability

SOMO's four year programme on Corporate Accountability (CA) aims to contribute to sustainable development and poverty eradication by facilitating cooperation between and building the capacity of civil society organisations worldwide, enabling them to influence the social, environmental, human rights and economic impacts of MNCs. SOMO aims to achieve this by supporting and hosting CSR and CA related networks, through training and capacity building activities in the south, research and documentation, and participation in CSR debates.

Activities include:

- Capacity building, training and networking meetings in India, South Africa and Thailand.
- Research with southern partners on CSR policies and practices.
- Supporting MVO Platform, ECCJ and OECD Watch through coordination, expert input and steering group participation.
- Production of briefing and position papers in support of civil society advocacy.
- Capacity building of civil society organisations with regard to CA.
- Strengthened NGO cooperation in national, international and regional NGO networks on CA, such as the Dutch CSR Platform (MVO Platform), OECD Watch and ECCJ.
- Increased knowledge on CSR issues and instruments, such as ISO 26.000, Global Compact and supply chain responsibility.
- Influencing key policy debates around CA at various levels: national; EU and global (Global Compact, Special Representative of the Secretary General of the United Nations John Ruggie, OECD (Guidelines)).
- Increased use of CSR tools and grievance mechanisms by civil society organisations.
- Collaborative interventions by civil society organisations towards business and governments in order to enhance business conduct. NGOs have been made aware of key debates around CSR and CA and their

participation has been facilitated in international policy debates.

→ Network Coordination

□ MVO Platform

SOMO hosts the MVO Platform. By the coordination of this network, cooperation between civil society organisations is strengthened and individual efforts by member organisations are being complemented and reinforced. By the MVO Platform, the civil society voice on CSR issues is channelled. The MVO Platform is valued as an important stakeholder by decision makers. For SOMO, the MVO Platform is an important vehicle for policy influencing.

The MVO Platform is a network of 35 Dutch civil society organisations and trade unions, working together to promote corporate accountability and to lobby government and parliament. This network aims to stimulate, facilitate and coordinate activities of the different member organisations in order to reinforce each other's efforts. The MVO Platform emphasises issues dealing with CSR in developing countries.

Summary of activities:

- Regular activities: a quarterly general assembly, workshops and public debates. This year's workshops dealt with ISO 26000 and gender. A well attended public debate on European level with business representatives, members of parliament and NGO representatives on CSR took place in May 2009 on the occasion of the European Parliament elections.
- Meetings on specific corporations, focussing on Shell and Philips. At these meetings, platform members share their experiences in order to improve their strategies towards the company.
- The formulation of a joint vision by working groups on financial institutions, sustainable procurement and regulation, including the preparation and implementation of advocacy strategies for the MVO Platform. The working group on regulation organised a strategy session with the whole Platform as well as a session with a newly established judicial think-tank. An ad hoc group of Platform organisations organised a round-table meeting on the work of UN special representative on business and human rights John Ruggie.
- Advocacy at the national level, focussing on: supply chain responsibility, transparency, sustainable procurement, and liability and duty of care. The sustainability of the financial sector was treaded as well, because of the 2009 financial crisis.

In 2009, several of the issues put forward by the MVO Platform became part of political debate. The Social and Economic Council (SER) started working on supply chain responsibility, recognising the Platform as a serious partner for discussion.

□ *OECD Watch Network*

The overall objective of the programme is the capacity enhancement of civil society organisations in order to more effectively influence corporate behaviour and business regulations in the interest of sustainable development and poverty eradication (with specific focus on using the OECD Guidelines for MNEs).

Members of OECD Watch share the common goal to improve corporate accountability mechanisms in order to achieve sustainable development and enhance the social and environmental performance of corporations worldwide.

Summary of activities:

- 3 Quarterly Case Updates and an update of the case database.
- 1 newsletter in English, French and Spanish.
- 1 case thoroughly supported (Shell case – Milieudéfensie), advice offered on other cases filed in 2009.
- Briefing paper on the application of OECD guidelines on the financial sector.
- Annual review of National Contact Points (NCPs).
- Consultation visits to the OECD Investment Committee in June, October and December.
- Briefing paper on Ruggie and side event at the Ruggie consultations in October.
- Participation in peer review of Dutch NCP.
- Funding, provided for research on a case against Heineken in Cambodia, research on a case against Phulbari in Bangladesh and a strategy meeting in Latin America.
- Different presentations and trainings on the use of OECD Guidelines, corporate research and working with cases.

Results of the project:

- Lobby of the OECD Investment Committee with respect to the Review of the Guidelines; the review will be published in June 2010
- The model of NCP and OECD Watch opinion on the structure of NCPs was consulted by the Norwegian Government, which is

currently considering how to restructure its NCP.

- Opinion article in Financial Times after final statement Shell on the Philippines case.
- 100 participants from various stakeholder backgrounds have been made aware of the existence of the OECD Guidelines and other international tools to defend their rights and protect the environment .
- 8 civil society organisations were supported by OECD Watch to participate in and influence international policy debates at a UN conference.
- 45 civil society organisations trained in the use of the OECD Guidelines and the procedures of the NCP process, including the mediation processes.
- 8 potential cases supported during the seminars.
- 1 request for further support on the OECD Guidelines (Business Watch Indonesia).
- 1 case filed by participants who attended the capacity building seminar.

□ *European Coalition for Corporate Justice (ECCJ)*

The general goal of this project is to make a direct and lasting contribution to the improvement of the living conditions and development prospects of disadvantaged and marginalised people in developing countries, by addressing the role of the EU private sector in development issues. The projects specific objectives are: (a) to raise awareness among the selected target groups on the important role European companies can play in achieving sustainable development in developing countries; (b) to advocate international/EU social, environmental and human rights standards in order to improve business performance; (c) to mobilise support for EU policy changes in order to enhance a business contribution to sustainable development.

In line with our specific objectives, the main activities are divided into four different categories: 1) Research: monitoring relevant EU, national and international legal developments, as well as field research on case studies in Latin America, Africa and Asia and development of policy recommendations; 2) Awareness raising: production of awareness raising materials; information and dissemination activities like a European-wide photo exhibition, speaking tours from southern partners, public debates and media campaigns; 3) Advocacy: regular meetings with policymakers and the private sector, round-table conferences at the national and EU level, production of briefings advocating the need to adopt EU agreed standards in order to improve the performances of EU companies throughout their

supply chains; 4) Mobilisation: mobilising the public via a European-wide Action Day and collection of signatures; mobilising policy-makers and the media through fact finding missions in Latin America, Africa and Asia; mobilizing the private sector and policy makers through the joint issuing of support statements.

Summary of activities:

- Conference organised by the French presidency of the EU on CSR - two ECCJ representatives presented our proposals.
- Presenting ECCJ proposals at a conference organised by the Copenhagen business school on the follow-up to Ruggie's mandate, including preparation of an article for the conference.
- Round-table conference on the Financial Crisis – organised with Brussels based consultancy The Centre and involving speakers from the European Parliament (Richard Howitt MEP, Rapporteur on CSR), NGOs and the private sector).
- Meeting of the High Level Group on CSR which brings together representatives of the 27 Member States and the European Commission, exchanging best practices on CSR.
- Mapping of legal and political opportunities – undertaken by the ECCJ secretariat and our legal experts.
- Meeting with DGs. ECCJ met with representatives of the Directorates General for Enterprise, Employment, Internal Market, Environment, Justice, Development, Relex and Trade to discuss its legal proposals for strengthening corporate accountability at EU level and respond to questions from the audience.
- Attending a round-table meeting– being represented by two speakers – organised by MEP Thijs Berman in preparation for the Multi-Stakeholder Forum (MSF).
- Preparing for and attending MSF on CSR – organised by the European Commission and featuring several ECCJ members as speakers as well as active members of the audience.
- Extraordinary General Meeting (EGM) of ECCJ members – held to decide on campaign and strategy priorities for the coming years.

Results of the project:

- Maintaining a productive relationship with the European Commission.
- Commission review of legal framework of accountability.

- Better understanding of and engagement with ECCJ proposals amongst members, leading to improved capacity and efficacy.
- Public debate MVO Platform for candidate MEPs, make them more aware of CSR issues.
- ECCJ has been invited to attend several hearings, among which a hearing on Business and Human Rights at the European Parliament in April 2009, an international conference on Business and human rights in Rome in October 2009, the conference on Business and Human Rights organised by the Swedish EU Presidency and a seminar in the European Parliament on Decent work and multinational supply chains in November 2009.

One major achievement was Euro Commissioner Gunther Verheugen agreeing to undertake a study into the legal accountability of EU companies operating abroad at the Multi-Stakeholder Forum on CSR held in February 2009. This study on the legal accountability of EU companies was one of the demands put forward by the ECCJ in a letter preceding the event.

▣ *Red Puentes*

This project aims at strengthening the Red Puentes network and improving its governance. In 2009, SOMO worked towards this goal by promoting the exchange of gender-related best practices among the members of the network.

Red Puentes is a network of 41 civil society organisations from eight countries in Latin America and Europe. Its mission is to promote corporate accountability in Latin American countries from the perspective, rights, vision and needs of those societies.

In 2009, SOMO helped Red Puentes to focus on gender as a key aspect of corporate social responsibility. In collaboration with Red Puentes, SOMO launched research projects in the garment sector in Peru, Argentina and El Salvador. In all of these research projects, the position of women workers is considered and explained.

On behalf of Red Puentes, SOMO has been participating in the ISO Working Group that is developing an international standard that will provide guidance on social responsibility: the ISO 26000 standard. In 2009, SOMO participated in the plenary meeting of this Working Group in Quebec, Canada. SOMO also set up a LinkedIn group on ISO 26000 for CSR practitioners. The group now has over 700 members (<http://vl.am/HM>).

SOMO has helped the member organisations of Red Puentes to develop high-quality research projects and to use the results of these projects effectively in campaigning and lobby activities in Latin America and Europe. SOMO has also offered guidance on how to exchange and learn from best practices in the network.

Results of the project:

- Red Puentes is now a professional network of civil society organisations with adequate skills in lobbying and policymaking.
- Gender is a key element in all activities developed by Red Puentes.

→ Services

□ *Mission related investment*

Research on the context of and the trends within Mission Related Investment (MRI) of Dutch Foundations, commissioned by the Maastricht University, started in 2008.

The report 'A share in social development' ('Een aandeel in Maatschappelijke Ontwikkeling') was presented in March 2009. The study involved fifty Dutch Foundations, focussing on trends and ambitions related to MRI. The research was carried out in cooperation with the Maastricht University and the Dutch organisations for sustainable investment (VBDO). The report aims to improve social responsibility in the investment of foundations and informs board members about possibilities and legal conditions for mission related investments.

□ *'Made in Israel'*

SOMO, commissioned by ICCO, performed a desk study on the trade and supply chain of settlement products of 5 selected companies. The study aimed to gain insight into the retail outlets where such products are being sold in the Netherlands and which companies are involved.

The study aims to raise awareness among different stakeholders (companies, NGOs, politicians) regarding the trade and supply chain of Israeli products made in the occupied territories and sold in the Netherlands.

□ *Tea improvement programme*

The project contributed to the establishment of a multi-stakeholder initiative within the Initiative for Sustainable Trade (IDH) in the tea sector, aiming to improve the working conditions in tea production.

The IDH secretariat commissioned SOMO to co-author the project proposal for the Tea Improvement Programme (TIP). This proposal would serve as the basis for fundraising, and lay down the foundations for the work plan, aims and expected results of the initiative.

SOMO drafted specific paragraphs and contributed to the context analysis, stakeholder analysis and drafting of the objectives, aims and results in a logical framework.

The project resulted in a Project proposal for the TIP, for submission to and agreement by the IDH board. The proposal was agreed and the project has started in 2009.

□ *Consultancy CBI*

In September 2009, an agency of the Dutch Ministry of Foreign Affairs commissioned SOMO to develop a strategy on sustainability. The agency provides export marketing and management support to SME exporters and Business Support Organisations in developing countries with the purpose of increasing exports to Europe. SOMO has developed a sustainability roadmap and will assist the organisation and its counterparts with its implementation in 2010.

□ *Research Unido private standards*

In 2009, SOMO was commissioned by the United Nations Industrial Development Organisation (UNIDO) to develop a guide on private sustainability standards for small and medium-sized companies in developing countries. The guide will be published in the first semester of 2010.

In cooperation with local researchers, UNIDO and SOMO have undertaken surveys on private standards in the garment sector in Turkey, the leather and footwear sector in India and the furniture sector in Brazil. The surveys form the basis of a guide on private standards. In the guide, SOMO and UNIDO explain to what kind of standards producers can conform in order to increase their access to foreign market and international value chains. The guide will

highlight that many private standards in the field of CSR include similar elements (the core ILO principles, for example) and that producers, by focusing on these common elements, can prepare themselves for adherence to all sorts of private standards and increase their chances on international markets.

C.2.2 Trade and Investment

→ Project financed through subsidies

□ MFS Trade and Investment

The project aims to build capacity of civil society organisations in developing countries in order to advocate for change in free trade and investment agreements and policies. The purpose is to ensure that multinationals in the services sector, especially in the financial sector, as well as their foreign investment in all other sectors are being regulated so as to prevent harmful activities – such as risky financial products – for people and the environment.

SOMO continued to support civil society organisations in engaging the debate on free trade and investment agreements underpinning the risky behaviour of multinational banks, leading to the financial crisis, and undermining sustainability aspects in the services sectors as well as foreign direct investment (FDI) in general. Analysis of policies that stimulate FDI in developing countries have been critically reviewed regarding the rights of companies as compared to the rights of the population.

Activities include:

- Organising or participating at national, EU and international level, in workshops, expert meetings, networking and strategy meetings, lobby activities and policy advice about liberalisation of financial services and investments via free trade agreements, and FDI policy development at the OECD.
- Supporting the work of the Coalitie voor Eerlijke Handel (CEH, Coalition for Fair Trade), European networks (e.g. S2B) and Our World is Not for Sale (OWINFS: who partly funded SOMO's work on financial services).
- Production of several briefing papers, publications and press articles on the risks of

financial services liberalisation for an international audience.

Results of the project:

- The workshop at the WTO Public Forum allowed OWINFS members to establish contact with some WTO negotiators on services and to submit their views and papers for integration in the WTO discussions.
- A SOMO researcher was invited to perform in a video panel, organised by the WTO, about GATS and financial services, which is available on the WTO website.
- NGOs are aware of the problems surrounding financial services liberalisation, integrating these issues into their declaration on the causes of the financial crisis that need to be addressed.
- SOMO monitored FDI policy discussions at the OECD and brought together NGOs, collectively strategising how to ensure corporate social responsibility being taken into account at the OECD beyond the OECD guidelines.
- A strategy paper was written on nexus between OECD investment promotion and OECD guidelines.

→ Network Coordination

□ Coalitie voor Eerlijke Handel (Coalition for Fair Trade)

Hosting the Coalition for Trade and Development contributes to joint action and information sharing among Dutch development organisations with regard to rules regarding fair trade and development

The Coalition for Fair Trade and Development is a coalition of Dutch civil society organisations that have joined forces to strive for equitable global trade by means of international trade agreements in multi- and bilateral trade agreements. The primary aim of the coalition consists of lobby activities, informing and influencing Dutch civil servants and politicians. In addition, the coalition is a platform for information exchange, and the fine tuning of opinions and activities of its members.

Summary of activities:

- A joint website and newsletter.
- A hearing on sustainable trade in the Dutch Parliament.
- Joint letters to ministerial departments,
- A meeting with politicians and civil servants of the economic department.
- A strategy workshop on gender.

C.2.3 Tax Justice

→ Project financed through subsidies

□ Towards Tax Justice

This project contributes to poverty reduction and sustainable development by making national and international tax systems more supportive of development, and secondly by reducing aggressive tax avoidance and tax evasion by multinational corporations and wealthy individuals in developing countries.

Despite the clear link between taxation and development, NGOs, development organisations and governments have given relatively limited attention to tax justice related issues. This is caused by the rather technical and specialist nature of tax topics. NGOs often lack the technical knowledge required to analyse tax issues and their development impacts. Europe Aid Towards Tax Justice addresses this gap by raising awareness on how tax systems can be changed to promote sustainable development, by improving capacity amongst NGOs in Africa, Latin America and Asia with regard to analysing tax issues and their development impacts, by creating regional Tax Justice Networks, and by facilitating the engagement of NGOs with policy makers, multinational corporations, multilateral organisations and other relevant actors. The partner organisations involved in this project are SOMO, Christian Aid from the UK, TJN-Africa from Kenya, Isodec from Ghana, Afrodad from Zimbabwe, Action for Economic Reform and JS-APMDD from the Philippines, and Poder Ciudadano from Argentina.

Summary of activities:

- International conference and expert meetings to raise awareness and build capacity.
- Production and dissemination of information materials.
- Research and advocacy training, production of training materials.
- Research by NGOs, research coaching, conferences to exchange results.
- Coordination of Tax Justice Network (TJN) for Africa and establishment of Tax Justice Networks for Latin America and Asia.
- International strategy meetings.
- Round-table conferences to engage policy makers in developing countries.

- Support for advocacy activities in the EU.

Results of the project:

Information exchange and the formation of regional networks with relevant structures has resulted in enhanced international coordination and cooperation, reflected by increased input from southern partners in the global board of the international TJN.

Africa

African representatives have spoken at a conference on Tax and Development, organised by the European Commission, and a Dutch expert seminar on how to support developing countries to raise tax revenues. They also provided expert input concerning an NGO workshop on Automatic Information Exchange and Country By Country reporting and its possible impact on the south.

These international lobby efforts and two global briefing papers on tax and development (False Profits: Robbing the Poor to Keep the Rich Tax Free and the Financial Secrecy Index), can be said to have significantly contributed to governmental and OECD awareness that developing countries have so far not profited from international cooperation in tax information exchange and that more needs to be done to increase transparency.

A regional policy round-table conference in Tanzania resulted in increased media awareness on harmful effects of tax evasion. A workshop organised in Ghana discussed two research studies carried out as part of this project, on the trends in and nature of taxation in Ghana's extractives sector and on legal, regulatory and policy perspectives on the taxation of international trade in Ghana.

Partners have started building up capacity on tax research and lobby activities by establishing links with universities and carrying out their own research, and by organising workshops/trainings and policy round-table conferences in their regions. The Ghana report is noteworthy for being the first report in a global series of country reports that touch on diverse tax justice issues.

Latin America

The project started with a strategy meeting, bringing together all partner organisations in Belem, Brazil. Directly after this kick-off meeting, an expert meeting organised by the Getulio Vargas Foundation and the Brazilian Institute for Tax Law from the University of Sao Paulo took place in Sao Paulo. It was a public forum with five different discussion

panels and an audience of approximately 80 people, mainly legal professionals.

A large regional study on the tax situation in Latin America was contracted out to the Latin American network Latindadd and some of their partner organisations. The study contains a regional overview, an econometrical study, 8 country reports on Argentina, Bolivia, Brazil, Colombia, Ecuador, El Salvador, Nicaragua and Peru, and recommendations. 9 Latin American NGOs worked on this report, which improved their capacity of working on tax issues. The entire report, as well as the separate country studies, will be presented at the Training and Research Workshop in April 2010 in Guatemala, and used for lobby purposes.

Asia

Not many activities have taken place in Asia as yet, since the activities in this region will start in 2010. Action for Economic Reform has started doing research on tax incentives and has visited Indonesia, both for research purposes and to begin building the Tax Justice Network in the East Asian region. Also, in a regional strategy meeting in Malaysia, JS-APMDD has discussed tax issues with its network members and incorporated them into a broader financial agenda. In addition, a Chinese organisation, which is not part of the TTJ project, translated Tax Us If You Can into Chinese.

□ Supporting tax revenues

This project contributed to sustainable and social development, aiming to support the ability of developing countries to raise tax revenues by enhancing the exchange of information and cooperation among policy makers, NGOs, academics and tax consultants.

The project resulted in specific recommendations for policy makers and NGOs on how to support developing countries raising their taxes for development purposes.

The purpose of the project is to achieve an informed debate, policy reviews, common agenda setting and inter-sectoral cooperation. The project brought together various sector representatives and identified opportunities for cooperation.

To this end, SOMO and Tax Justice NL prepared an overview of existing initiatives, produced research papers and organised a seminar, whilst a

follow-up plan will ensure continued impact of the results.

Summary of activities:

- Consultation on existing Tax & Development initiatives, carrying out a literature review and compiling the results on the website <http://taxrevenues.global-connections.nl/>.
- Three papers on: international factors that influence tax revenues, domestic constraints to raising revenues, and the link between tax revenues and aid.
- Invitation of policy-makers, academics and NGO representatives for a seminar to discuss internal and external barriers to raising tax revenues in developing countries and to propose solutions. The attendants included representatives from the Dutch Ministry of Foreign Affairs, the Dutch Ministry of Finance, the European Commission, Dutch NGOs, academics from the Netherlands and Belgium and a representative from Tax Justice Network Africa.

The discussion results and policy dialogues will continue within existing structures such as Tax Justice NL and follow-up research on the topic will be included within SOMO's tax research activities from 2010 onwards.

Results of the project:

- A policy dialogue between the Dutch Ministry of Foreign Affairs (BUZA), the Dutch Ministry of Finance, African representatives of the Tax Justice Network, development NGOs, academics and tax consultants.
- Several meetings between BUZA, the Dutch Ministry of Finance, TJN-NL and SOMO to discuss future cooperation and expert input concerning policy development on this issue. On BUZA's request, SOMO has provided the ministry with contacts with African civil society organisations working on tax justice and development issues and expert input on research developments.

→ Network Coordination

□ Coordination Tax Justice NL

Tax Justice NL is a network of Dutch organisations working on tax issues: Oikos, SOMO, Oxfam Novib, Both Ends, Attac, TNI en Fairfood. Within its dialogue with governments and companies Tax Justice NL focuses on:

- Transparency: country by country reporting.
- Alternatives: tobin tax or Financial transaction tax.

- Consequences of the Dutch tax system for other countries, especially developing countries.

SOMO coordinated Tax Justice NL during some months in 2009 because there was no other available coordinator.

Tax Justice NL contributes to fair and just tax systems, supportive of sustainable development by way of discouraging the use of tax havens, promoting innovative financing for development and stimulating solidarity in contrast to tax competition. This complements SOMO's mission to contribute directly or indirectly to sustainable development.

The activities of Tax Justice NL can be classified into the following categories:

- Lobby of government and parliament: discussion meetings between Tax Justice Network and the Dutch Ministries of Finance and Foreign Affairs about the importance of tax justice issues, the Dutch tax system, and capacity building in developing countries.
- Company lobby/dialogue: discussion meetings between Tax Justice Network and Dutch multinationals in order to raise awareness of the importance of tax justice issues and searching for ways to make tax planning more supportive of development.
- Information and media: responding to developments in the media.
- Capacity building: streamlining the activities of Tax Justice NL and the activities taking place as part of the Towards Tax Justice project, coordinated by SOMO.

Results of the project:

- Lobby of government and parliament: participation in the preparation of meetings on tax justice in parliament (lower house and upper house). Participation in several meetings with the Ministry of Foreign Affairs and the Ministry of Finance on tax justice. These meetings resulted in steady contacts within the Dutch Parliament and the Ministries of Foreign Affairs and Finance.
- Company lobby/dialogue: seminar on CSR & Tax Planning in which CSR representatives and tax experts of several Dutch companies participated.
- Information and media: SOMO and Tax Justice NL appeared in the media on several occasions – for example, following Obama's

statement on Holland having the characteristics of a tax haven. SOMO and Tax Justice NL helped preparing the Zembra programme on the Netherlands a tax haven.

- Capacity building: contact was established between partners of the Towards Tax Justice project in developing countries and Tax Justice NL, for the purpose of information sharing.

C.3 Corporate Research

Within the subsidised programmes, a range of corporate research is carried out at the initiative of SOMO. SOMO has also conducted many corporate research projects for trade unions, development organisations, sustainable investors and consumer organisations.

→ FNV Company Monitor

The FNV Company Monitor researches the social policies of Dutch multinational companies in developing and transitional countries, and supports the development of networks between Dutch employees of these companies and their colleagues abroad. This programme is motivated by solidarity with workers abroad: by getting in touch, the FNV can help them improve their working situation. In a globalising world, it is important for the Netherlands to have these contacts at their disposal. In ten years, the headquarters of many companies may no longer be in the Netherlands, or even Europe. Therefore, it is important for trade unions to familiarise themselves with the interests and situations of workers abroad, and to exchange experiences and strategies. Trends within a company can only be identified using an international perspective, enabling unions worldwide to anticipate changing situations. The project consists of three elements: trade union networks; corporate research; dialogue and action. SOMO carried out five projects within the programme:

□ Lipton

FNV commissioned a limited study for the IUF to assess the most important Lipton (Unilever) tea markets globally. The main activity was desk research and the result was a short briefing, including spreadsheet.

□ *Cases labour flexibilisation*

This project contributed to awareness raising among Dutch FNV members and others, with regard to the application of core labour rights in developing countries.

Commissioned by FNV Bondgenoten, SOMO wrote several case studies on labour relations and labour rights in several countries and sectors across the world, including South Africa, Thailand, and the tea and chemical sectors. A local journalist wrote some of these studies.

The articles written by SOMO in the context of this project were published by the FNV in a booklet for the decent work day in 2009. The publication was distributed among participants of the decent work day and can be found on the website of the FNV Company Monitor

□ *AkzoNobel Turkey*

This study contributed to the improvement of the labour rights situation of workers and trade unions aligned to AkzoNobel in Turkey.

Commissioned by FNV, SOMO conducted and supervised both desk research and local field research in Turkey. The research aimed to gain insight into the operation of AkzoNobel in Turkey. It focused on labour relations and flexibilisation of work and how practices of workers in Turkey correlated with corporate policies of AkzoNobel.

Main activity: Desk and field research, including company profile, analyses of CSR policies, interviews with workers and former trade unionists.

Results of the project: A report which the FNV and the local Turkish union will use as basis for a dialogue with AkzoNobel.

□ *Unilever*

FNV commissioned SOMO to assess casualisation and labour relations at Unilever around the world. The results will be used to support an international trade union campaign (FNV, ICEM, IUF).

Report will appear and campaign will be executed in 2010.

□ *Company profiles*

The results of this ongoing project contribute to knowledge building concerning CSR policies of Dutch multinationals.

SOMO, commissioned by the FNV, described the CSR policies of six Dutch multinationals. Results have been published on the website of the FNV Company Monitor. In 2009, the main activity was the analyses and description of CSR policies of Dutch multinationals.

→ **Quick Scans**

One of SOMO's specialities is scanning corporations on the basis of CSR criteria, using criteria from the CSR Reference Framework as drawn up by the MVO Platform. As such, the Reference Framework constitutes widely acknowledged criteria, derived from internationally accepted standards and treaties: the ILO Conventions and the UN Declaration on Human Rights. In addition to these general criteria, SOMO's scans also include sector-specific standards.

A Quick Scan (QS) entails a four-to-six-day investigation of a specific company. An analysis is made of the sector(s) the company concerned is active in, as well as the relevant CSR issues in those sectors. Next, an assessment is made of the extent to which the critical issues in the sector can be linked to the company concerned. The company's CSR policy is also evaluated.

A Quick Scan generally consists of three elements:

- Risk analysis: an investigation of whether there has been any media coverage of the company violating CSR criteria or its own code of conduct.
- Policy analysis, focussing on the guidelines and/or sector-based codes of conduct signed by the company, including an assessment of the quality of these codes.
- Policy implementation analysis, focussing on implementation, management systems, monitoring, verification, the level of transparency and reporting methods.

Eight Quick Scans were carried out or initiated in 2009 for five different organisations.

→ Consultancy and corporate research

□ ICCO Company Scans

SOMO was asked by ICCO to develop a methodology for internal risk scans of companies looking for partnerships with ICCO. SOMO will adapt its own QS methodology to suit ICCO's need for brief scans within short timeframes. Additionally, the project includes the development of a manual and a training session.

First steps have been taken in the development of the methodology and the manual. A first meeting has taken place to define the exact needs of ICCO. In 2010, the project is still ongoing.

□ Scope MVO

The project comprises a paper that aims to assist Oxfam in defining its CSR screening of companies in a meaningful and attainable manner. The paper was assigned by Oxfam Novib.

The paper discusses and develops guidance for reasonable and desirable boundary definition related to CSR screening within complex corporate structures. The central question concerns the scope (up and down the production chain as well as within a corporate holding group/ownership structure) of CSR practices and policies to be assessed as part of a particular CSR evaluation of an individual company.

Main activities:

- Literature study on approaches to boundary definition of CSR screening.

Result of the project:

- Paper that provides guidance on boundary definition of CSR screening for Oxfam Novib and Oxfam affiliates. The draft paper was commented upon by Oxfam Novib and then finalised accordingly. It was agreed that SOMO would present its findings to Oxfam Novib and affiliates in the near future, but no concrete appointment has been made.

□ *Multinational Chains in the Dutch Hotel and Catering Industry*

Bedrijfschap Horeca commissioned research on multinational chains that operate in the Dutch Hotel and Catering Industry. The purpose was to

inform their members (both hotel and catering workers and employers) of trends and developments regarding these chains.

The project resulted in a report with an evaluation and analysis of international and national trends within the Dutch hotel and catering industry, including profiles of the largest multinational chains.

→ Benchmarking

Consumer organisations are interested in comparing different brands of the same product. At the European level, SOMO conducted benchmark studies on various issues, thus facilitating the comparison of different companies on CSR issues. SOMO carried out benchmark research in the following sector:

□ Consultancy Ethical retailing

In 2009, Consumers International coordinated an extensive research project in which a number of EU consumer organisations worked together. The project aimed to assess the policies promoting and ensuring sustainable production conditions in the supply chains, often originating in developing countries, of leading retailers in a number of EU countries. The results will be used to support a campaign aimed at retailers, persuading them to adopt better practices.

SOMO input was used for research (instrument) design.

→ Sustainable Investment

SOMO created overviews of controversial practices that occurred or remained unresolved in 2008, of ten listed Dutch multinationals. The VBDO (Dutch Association of Investors for Sustainable Development) addressed some of these issues at shareholders' meetings held between March and May 2009 and in confidential follow-up meetings with the management of these companies. This project was carried out by SOMO and the VBDO for the third time. The results of the project, including VBDO follow-up, have also been used by Ethical rating agencies and other stakeholders as input for a critical stakeholder dialogue. Several multinationals discussed the described controversies in their corporate communications and changed their policies.

D. Organisational aspects

1. Organisational development

In 2009, SOMO kept up two programmes with a three (2007-2009) and four year (2007-2010) duration, respectively. In 2009, SOMO started working on preparations for the period 2011-2015, including a strategy process, fundraising activities and organisational assessments. The following developments are relevant for 2009:

- Capacity: The staff team was expanded with two researchers and a coordinator for OECD Watch. The support staff team was expanded with a new communications officer.
- Fundraising: the Dutch Ministry of Foreign Affairs published a new policy for subsidies concerning the period 2011-2015. Cooperation between civil society organisations is one of the most important aims of this new funding system. For this reason SOMO decided to join two challenging new alliances:
 1. the IMPACT Alliance, with Oxfam Novib as lead agent. The activities of SOMO within this alliance are focussed on instruments and networks for CSR and supply chain responsibility. Other members of this alliance include: ButterflyWorks, 1%Club and Hirda.
 2. the Fair, Green and Global Alliance, with Both ENDS as lead agent. The activities of SOMO and this alliance are focussed on alternatives and economic reform. Other members of this Alliance include: Transnational Institute, Friends of the Earth, NiZA and Clean Clothes Campaign.
- Assessments: in the beginning of 2009, the strategy of SOMO, parts of the MFS programme financed by the Ministry of Foreign Affairs and the MakeITfair programme were evaluated by an external evaluator. In the preparatory stage of SOMO's alliance participation, two assessments were carried out by auditors and consultants of Price Waterhouse Coopers and Change Up. The overall conclusions in these evaluations were very positive. The most important recommendations were focussed on the way SOMO defines, measures and communicates its impact in relations to the mission and goals of the organisation. SOMO is already carrying out actions for improvement, which are also part of the plan for 2010.

2. Sustainability

Sustainability and accountability are key elements of the strategy and primary process of SOMO. In spite of the fact that it is impossible to compare a small-sized civil society organisation to a large production company, SOMO wants to do its utmost to implement high sustainability and accountability standards in its own management systems. Over the past few years, SOMO implemented several procedures to improve its sustainable management:

- Travel: SOMO promotes the use of public transport for their employees. Employees travelling for work related purposes within a radius of 700 km are expected to use the train instead of the airplane. All airplane travel is compensated for its emissions (Greenseats).
- Purchases: in all its purchases SOMO opts for the most sustainable alternative. If possible, SOMO chooses Fair Trade, green or organic products. For the inventory, SOMO first tries to buy second-hand products as much as possible.

3. Accountability

In 2006, SOMO implemented its Code of Conduct and Complaints Procedure to improve its accountability. In 2008, responding to several requests, both the Code of Conduct and Complaints Procedure were translated into English. In 2009, no complaints were submitted. In order to optimise the accessibility of the complaints procedure, SOMO implemented an online form in November 2009.

4. Governance

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 the governance statute 2008 (*directiestatuut*):

- The explicit responsibility of the board is to supervise (toezichhouden) the organisation;
- The managing director is the only member of the directorate, forming the management team of SOMO in conjunction with two senior employees;
- 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 SOMO management and board are responsible for the organisational and managerial context.
- The SOMO staff remains the most important decision making body regarding strategy and year plans.

5. Personnel

- Employment: at the end of 2009 SOMO was employing a total of twenty-four people (19,3 FTE).
- Contracts: fourteen employees have permanent contracts, ten employees have temporary contracts for a period for at least one year. Two freelancers (total 0,7 FTE) were working for SOMO at the end of 2009. The Housekeeper (0,6 FTE) is hired from Pantar. SOMO shares an ICT manager with Both ENDS and Wemos (employed by Both ENDS, SOMO's share is 0,4 FTE). SOMO trained five interns in 2008.
- Absence through illness: 2,3%
- Fundraising and acquisition: The costs for fundraising consist of personnel costs and cost for consultancy (€ 9414). 4,5% of the time available is used for fundraising. The total costs for fundraising are 2 % of the total budget of SOMO in 2009.

6. External Networks

SOMO participates in a number of ad hoc and structural coalitions and networks. SOMO hosts the coordinator for some networks, and is a member of the steering committee or a regular member organisation of other networks. Furthermore, SOMO is the lead agent for a consortium and a member of another consortium.

Host organisation (including membership of the steering committee):

1. MVO Platform
2. Coalitie voor Eerlijke Handel
3. Good Electronics
4. OECD Watch

Member of the steering group:

5. Tax Justice Netherlands
6. European Coalition for Corporate Justice

EU consortia:

7. makelTfair (SOMO is lead agent)
8. ProcureITFair (the German organisation World Economy, Ecology & Development (WEED) is the lead agent)
9. Towards Tax Justice (SOMO is lead agent)

Member of the following networks:

10. The Global Union Research Network (GURN)
11. Agribusiness Accountability Initiative
12. Our World is Not For Sale
13. Red Puentes

14. Seattle to Brussels Network
15. The Northern Alliance for Sustainability (ANPED)
16. Tropical Commodity Coalition
17. Werkgroep Duurzame Natuursteen
18. Clean Clothes Network
19. GATS Platform
20. Bank Track
21. Dutch Social Forum
22. Global Progressive Forum network on Regulate Global Finance Now

For the networks and coalitions SOMO is hosting, an annual evaluation is carried out in conjunction with the steering group or the members. This evaluation provides input for the new annual plan. For SOMO's MFS programme and the two consortium programmes, a consultation is carried out every year among the programme and consortium partners to formulate a new annual plan.

E. Financial position and continuity

The financial year 2009 ended with a positive result, after taxes, of € 79.691. The result realised was higher than was forecasted. The budget forecast for 2009 was a positive result of € 35,000. This budget was based on commissions to which commissioning parties had actually committed themselves in April 2008. The higher result is due to an increase in the number of commissions.

With the long-term subsidy programmes up to 2010, SOMO has a solid basis of commissions and income. For the long term SOMO is involved in 2 Alliances for follow funding from the Dutch Ministry of Foreign Affairs. Together with subsidies from the European Commission, other grants and services delivery there is a diversified potential of funding of the activities of SOMO.

To ensure both quantitative and qualitative growth, SOMO has opted for a scenario of incremental development. The current size of the organisation is 24 employees. It is expected that 1 new researcher will be added in 2010.

At the time of writing this management report in March 2010, the majority of staff members are already fully occupied with the commissions to which commissioning parties have committed themselves for 2010.

Forecast 2010	
Income	
Government grants/contributions	€ 3.006.000
government grants	€ 2.381.000
other contributions	€ 625.000
Professional services	€ 244.000
Total Income	€ 3.250.000
Expenditure	
Direct costs of professionals services	€ 70.000
Direct project costs	€ 1.540.000
Personell costs	€ 1.300.000
General expenses	€ 310.000
Total expenditure	€ 3.220.000
Operating result	€ 30.000

April 2010

Dick de Graaf (chair of SOMO)

Ronald Gijsbertsen (managing director of SOMO)



Financial Statements 2009

Balance Sheet as of 31 December, 2009 (after appropriation of result)

	31-12-2009	31-12-2008
ASSETS	€	€
<i>fixed assets</i>		
tangible fixed assets		
Other equipment	29.109	37.058
<i>current assets</i>		
receivables, prepayments and accrued income		
trade debtors	120.370	64.273
subsidy receivable	32.169	105.646
prepayments and accrued income	231.958	151.970
	<u>384.497</u>	<u>321.889</u>
cash and bank balances	1.326.232	1.180.953
TOTAL ASSETS	<u>1.739.838</u>	<u>1.539.900</u>
LIABILITIES	€	€
equity		
general reserve	320.000	266.890
appropriated reserves	66.581	40.000
	<u>386.581</u>	<u>306.890</u>
provision		
provision personnel	18.635	15.213
current liabilities, accruals and deferred income		
creditors	382.095	351.896
advanced payments/ advances received on subsidies	524.290	533.897
taxation and social securities	56.683	51.345
accruals and deferred income	371.554	280.659
	<u>1.334.622</u>	<u>1.217.797</u>
TOTAL LIABILITIES	<u>1.739.838</u>	<u>1.539.900</u>

Statement of Income and Expenditure, 2009

	2009 realization	2009 budget	2008 realization
INCOME	€	€	€
government grants/contributions			
government grants	2.311.500	2.400.000	1.545.742
other contributions	742.001	350.000	557.433
	<u>3.053.501</u>	<u>2.750.000</u>	<u>2.103.175</u>
professional services	282.636	250.000	170.791
other income	1.405	-	19.826
TOTAL INCOME	<u>3.337.542</u>	<u>3.000.000</u>	<u>2.293.792</u>
EXPENDITURE	€	€	€
direct project costs	1.743.963	1.437.878	963.829
direct costs of professional services	42.661	50.000	51.388
personnel costs	1.250.472	1.204.622	973.866
general expenses	207.418	272.500	224.189
TOTAL EXPENDITURE	<u>3.244.514</u>	<u>2.965.000</u>	<u>2.213.271</u>
OPERATING RESULT	93.028	35.000	80.520
financial income and expenses			
interest income	9.000		7.033
financial expenses	- 1.899		- 1.313
	<u>7.101</u>	<u>-</u>	<u>5.720</u>
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION	100.129	35.000	86.240
taxation on ordinary activities	- 20.438		- 17.395
RESULT AFTER TAXATION	79.691	35.000	68.845

Accounting principles for Financial Reporting

General accounting principles for the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. For the preparation and presentation of the financial statements, SOMO uses the Guidelines for annual reporting of the Dutch Accounting Standards Board as well, especially Guideline 640 "Organisations not for profit".

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

In 2009 SOMO changed the presentation on two places in the annual report to improve the financial insight. These changes did not have any effect on the results or equity.

- € 74.235 presented under 'other income' in 2008 is moved to 'other contributions'
- € 28.929 presented under 'liabilities, other accruals' in 2008 is moved to 'doubtful subsidy receivable'.

Principles of valuation of assets and liabilities

Tangible fixed assets

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

The following fixed percentages of cost are used for depreciation:

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

Receivables

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

Securities

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

Provision

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

Principles for the determination of the result

Government grants/ contributions (allowances)

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

Professional services

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

Taxation

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

Notes to the balance sheet as of 31 December, 2009

ASSETS	2009 €	2008 €
other equipment (computer/office equipment)		
purchase value at historical cost	80.188	70.720
accumulated depreciation	- 43.130	- 31.000
balance as of 1 January	37.058	39.720
<i>movements</i>		
investments	8.920	9.468
desinvestments	-	-
depreciation	- 16.869	- 12.130
desinvestment depreciation	-	-
	- 7.949	- 2.662
purchase value at historical cost	89.108	80.188
accumulated depreciation	- 59.999	- 43.130
balance as of 31 December	29.109	37.058
	31-12-2009	31-12-2008
ASSETS	€	€
trade debtors		
trade debtors	145.130	89.273
minus: allowance for doubtful receivables	24.760	25.000
	120.370	64.273
subsidy receivable		
Subsidies Dutch Government	20.602	46.841
Subsidies European Government	40.496	87.734
subtotal subsidy receivable	61.098	134.575
minus: doubtful subsidy receivable (projects)	- 28.929	- 28.929
total subsidy receivable	32.169	105.646
prepayments and accrued income		
professional services to invoice	185.738	114.815
other prepayments and accrued income	46.220	37.155
	231.958	151.970
cash and bank balances		
cash and bank balances	1.326.232	1.180.953
	1.326.232	1.180.953

Except for 2 bank guarantees (with the sum of € 83.969), all cash and bank balances are available for expenditure by SOMO.

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

LIABILITIES	€	€	€
	begin	movements	end
	financial year 2009	2009	financial year 2009
equity			
general reserve	266.890	53.110	320.000
appropriated reserve housing	20.000	10.000	30.000
appropriated reserve organization development	20.000	16.581	36.581
	<u>306.890</u>	<u>79.691</u>	<u>386.581</u>
provision			
provision personnel	15.213	3.422	18.635

LIABILITIES	31-12-2009	31-12-2008
	€	€
creditors		
creditors	163.849	84.781
contract obligations project partners	218.246	267.115
total	<u>382.095</u>	<u>351.896</u>
advanced payments/ advances received on subsidies		
advanced received on subsidies Dutch Government	151.907	268.268
advanced received on subsidies European Government	124.414	78.253
advanced received on other contributions	247.969	174.553
advanced received on professional services	-	12.823
	<u>524.290</u>	<u>533.897</u>
taxation and social securities		
<i>taxation (corporate tax)</i>	4.060	110
<i>tax dividend</i>	6	6
<i>value added tax (V.A.T)</i>	5.176	5.966
<i>social securities (payroll tax)</i>	47.441	45.483
	<u>56.683</u>	<u>51.345</u>

LIABILITIES	31-12-2009	31-12-2008
	€	€
accruals and deferred income		
pension contributions	8.760	1.844
other accruals and deferred income		
project related expenses	3.310	3.310
holiday days	97.304	70.778
13th month	72.494	60.919
services, auditing, controlling and ICT	50.133	47.532
other	139.553	99.964
	<u>362.794</u>	<u>282.503</u>
	<u>371.554</u>	<u>280.659</u>

Reservations

In 2007 SOMO started a general housing reservation. This first year € 20.000 was added to this reserve. SOMO will add € 10.000 to this reserve annually from any positive results that exceed the result needed to reach the necessary general reserve.

The necessary amount as general reserve equals fifty percent of the fixed annual personnel costs (gross salary, social charges, allowances, pension) of the employees with a contract for an indefinite period (the norm on 31 December 2009 would be: € 320.000). 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.

Contingent assets and liabilities

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

SOMO started a capital account in 2007 related to the Postbank account for bank guarantees. At the end of 2009, 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 2009: € 53.957). 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 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

INCOME	2009 €	2008 €
government grants		
<i>subsidies Dutch government</i>		
Ministry of Foreign Affairs	1.250.815	1.180.883
Ministry of VROM	-	9.968
	1.250.815	1.190.851
<i>subsidies European governments</i>		
DG Europe Aid	1.001.099	307.657
DG Employment and Social Affairs	59.586	47.233
	1.060.685	354.890
	2.311.500	1.545.742
other contributions		
Network Contributions	666.979	556.027
Capacity building and awareness raising subsidies	75.022	1.405
	742.001	557.433
	3.053.501	2.103.174
total income government grants and contributions		
professional services		
professional services	282.636	170.791
	282.636	170.791
total income professional services		

EXPENDITURE	2009 €	2008 €
direct project costs		
travel costs	225.399	199.608
office expenditure	20.126	32.289
telephone and postage	6.737	5.116
printed matter	108.327	64.263
contracted work	1.294.309	591.933
other direct project costs	89.065	70.620
	1.743.963	963.829
direct costs of professional services		
direct costs of professional services	42.661	51.388
total direct costs of professional services	42.661	51.388
personnel costs		
<i>salaries</i>		
gross wages	794.948	668.297
social securities	127.939	108.537
pension contributions	128.084	61.150
expenditure employee saving scheme	2.154	1.813
	1.053.125	839.797
<i>remaining personnel expenditure</i>		
remaining personnel expenditure	233.987	201.652
	233.987	201.652
subtotal personnel costs	1.287.112	1.041.449
minus: received payments for illness	15.465	-
minus: charged for (project) personnel expenditure	21.175	67.583
	1.250.472	973.866

EXPENDITURE	2009 €	2008 €
general expenses		
services(advice, auditing, controlling)	53.214	42.536
literature, website, internet and databank	38.083	37.425
ICT(software and hardware)	45.866	57.416
housing expenditure	14.018	20.109
depreciation	16.869	12.130
building expenditure(rent/energy)	63.540	60.060
other general expenses	65.269	57.906
	296.859	287.582
minus charged for project costs	89.441	63.393
total general expenses	207.418	224.189

Explanation of differences between realisation and budget 2009

The positive result in 2009 is higher than budgeted. The budgeted result 2009 was € 35.000 before taxation. The positive result is **€ 79.691**. The differences can be explained by several causes. In the first place the average effectiveness (direct time in projects / time worked) was slightly higher than the norm of 75%. Secondly, absenteeism was low (2,3%). In 2009 the amount of projects exceeded the expectations. To be able to carry out these additional projects the staff of SOMO worked overtime and extra capacity was recruited on temporary basis. The fixed costs did not rise.



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 can not be related to specific project activities are reported as general expenses.

Appropriation of result 2009

The result after taxation 2009 is € 79.691 positive (2008: € 68,845 positive). The board of SOMO has decided to add this result to the general reserve.

Auditors report

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

AUDITORS' REPORT

We have audited the identified financial statements 2009 of Stichting Onderzoek Multinationale Ondernemingen (SOMO), Amsterdam, which comprise the balance sheet as at 31 December 2009, the statement of income and expenditure for the year then ended and the notes to the balance sheet and the statement of income and expenditure.

Managements' responsibility

Management of the foundation is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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.

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VENNOTEN

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A.F.M. van Klaren
C. Offerman

MANAGER

J.J.H.G. Stengs

MEDEWERKERS-REGISTERACCOUNTANT

drs. P.A.J.M. Bonants
drs. R.W.J. Bruinooge
drs. A.P. Buijten
drs. J.J.M. Huijbregts
drs. G. Visser
drs. J.P. Walter

SENIOR ORGANISATIEADVISEUR

drs. P.W.A. Kasteleyn, PC

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Onderzoek Multinationale Ondernemingen (SOMO) as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, 27 April 2010

Dubois & Co. Registeraccountants

Signed on original C. Offerman and R.W.J. Bruinooge



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