

Corporate Responsibility Bill

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TO

Make provision for certain companies to produce and publish reports on environmental, social and economic and financial matters; to consult on proposed operations of the company; to specify certain duties and responsibilities of directors; to establish a right of access to information held by companies; to specify the powers and duties of the Secretary of State; to provide for remedies for aggrieved persons; and for related purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Interpretation

For the avoidance of doubt, any duty under this Act to report on or to minimise the economic impact of any operations or proposed operations does not apply to the effect of those operations or proposed operations on other companies.

2 Activities of companies

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A company shall carry out its activities in accordance with administrative practices and laws of the countries in which it operates, as well as international agreements, responsibilities and standards, including but not limited to, those relating to—

- (a) the preservation of the environment;
- (b) public health and safety;
- (c) the goal of sustainable development;
- (d) employment;
- (e) human rights; and
- (f) consumer protection.

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3 Duty to prepare and publish reports

- (1) It shall be the duty of every company to prepare and publish a report annually containing –
- (a) an assessment the company’s policies and performance in regards to environmental, social and economic impacts of any of its operations in the preceding year; 5
 - (b) an assessment the company’s policies and performance in regards to environmental, social and economic impacts of any proposed activities;
 - (c) an assessment of the company’s employment policies and performance, such an assessment to include the effects of its operations and any proposed operations on its employees; 10
 - (d) the amount, or a reasonable summary thereof, of –
 - (i) taxes and other payments made to governments for any country of operation;
 - (ii) grants, tax dispensations or other benefits received from any government or government agency in any country of operation; 15
 - and
 - (iii) any donations or contributions to any political party either directly or indirectly;
 - (e) any relevant training, qualifications and experience the company’s directors have as regards – 20
 - (i) the environment; and
 - (ii) social matters; and
 - (f) the way in which the directors of a company have discharged their duties under section 7(1); and for the avoidance of doubt it is hereby stated that this shall include any measures taken by the company pursuant to that section. 25
- (2) A company shall take reasonable steps to make the report under subsection (1) publicly available.

4 Consultation 30

- (1) Companies shall take reasonable steps to consult and respond to opinions expressed by stakeholders who may be affected by any proposed projects that may have significant effects on them.
- (2) A company shall produce as part of any consultation an environmental, social and economic impact assessment of the proposal. 35

5 Right of access to information

- (1) The Secretary of State shall by order made by statutory instrument specify the circumstances under which companies must disclose commercial information.
- (2) The Secretary of State shall by order made by statutory instrument prescribe the manner of access to information and information to be treated as confidential pursuant to section 1. 40
- (3) Any person who is refused access to information following a request made in the prescribed manner shall have a right of appeal.

- (4) The Secretary of State shall by order made by statutory instrument nominate an existing body or establish a new body to determine the right of appeal pursuant to this Act.

6 Parent company liability and applications to subsidiaries, mergers, disposals, acquisitions and other restructurings

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- (1) A parent company of a corporate group shall be liable to pay compensation in respect of the classes of damage set out in subsections (1)(c)(i) to (iii) below where –

(a) the manner in which the group’s activities are organised managed or undertaken falls below the standards that can reasonably be expected of the group in all the circumstances of the given case; and

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(b) the manner in which the group’s activities are organised managed or undertaken fails to ensure –

(i) the health and safety of persons working in or affected by those activities;

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(ii) the protection of the environment; and

(c) such a failure may be regarded as a cause of –

(i) serious physical or mental injury to persons working in or affected by those activities;

(ii) serious harm to the environment; or

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(iii) both.

- (2) For the purposes of this section it shall be immaterial whether the injury to persons or harm to the environment occurred within the United Kingdom.

- (3) It shall be the duty of a company to which subsection (1)(a) applies to ensure that –

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(a) any other entity which is under that company’s operational control wherever registered or domiciled complies with sections 3, 4, 5, 7 and this section; and

(b) any subsidiary undertaking of that company wherever located complies with sections 3, 4 and 5.

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- (4) The Secretary of State shall within one year of the passing of this Act, after taking such steps as he considers reasonable to consult companies and their stakeholders, lay before Parliament a report regarding companies to which subsection (1)(a) applies.

- (5) In this section –

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“corporate group” shall mean a parent company and its subsidiary undertaking or undertakings as defined in section 258 of the Companies Act 1985 (c. 6) (as substituted by section 21 of the Companies Act 1989 (c. 40));

“parent company” shall have the meanings set out in section 258 of the Companies Act 1985 (as substituted by section 21 of the Companies Act 1989); and

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“subsidiary undertaking” shall have the meaning assigned in section 258 of the Companies Act 1985 (as substituted by section 21 of the Companies Act 1989).

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7 Environmental and social duties of directors

A director of a company shall, when considering any matter or taking any decisions, act in the way which in his opinion would be most likely to promote the success of the company, but in so doing it shall be the duty of the directors of any company –

- (a) to consider –
 - (i) the environmental, social and economic impacts of their operations and any proposed operations; and
 - (ii) the interests of all their stakeholders
 when making any decision in respect of those operations or proposed operations;
- (b) to take all reasonable steps to minimise any negative environmental, social and economic impacts of any such operations or proposed operations; and
- (c) to prepare a annual report which identifies any risks to the company as a result of the company’s environmental, social and economic impacts and how any such risks would be managed.

8 Responsibilities of directors

The directors of any company to which this Act applies shall be liable for any significant adverse social, environmental or economic impacts of their operations which arise from –

- (a) any negligence by them;
- (b) any wilful misconduct by them in relation to the duties of any company under this Act; or
- (c) any wilful misconduct by them relating to the disclosure of information required by this Act.

9 Functions of the Secretary of State

- (1) It shall be the duty of the Secretary of State to issue guidelines regarding –
 - (a) the matters to be included in a report published pursuant to section 3(1);
 - (b) the meaning of the term “significant” in that subsection of that section;
 - (c) what are to be regarded as “reasonable steps” under section 3(2);
 - (d) persons to be considered to –
 - (i) have an interest in, or
 - (ii) be affected by,
 any operations to which a report applies;
 - (e) matters to be included in any assessment produced under section 4(2); and
 - (f) matters to be included in any considerations made under section 7;
 and in the making of such guidelines the Secretary of State shall have regard to any existing standards or guidelines in operation for the time being.
- (2) The Secretary of State shall have the power, if in his opinion his guidelines are being seriously breached or ignored, to issue directions to any company or companies in respect of any of the matters in subsection (1) and different directions may be issued to different companies or different types of

companies and it shall be an offence for a company to ignore or contravene any such direction.

- (3) For the purposes of enabling the Secretary of State to determine whether his guidelines are being seriously breached or ignored he shall have the power to investigate the matter in question and this power includes the right to summon any person to give evidence and the right to require the provision of such information by any person as may be reasonably required for that investigation. 5
- (4) For the purposes of ensuring compliance with the provisions of this Act it shall be the duty of the Secretary of State to carry out random audits of companies to which this Act applies and the powers given to the Secretary of State by subsection (3) above shall apply to any such audit. 10
- (5) It shall be an offence for any person to obstruct any investigation by the Secretary of State under this section.
- (6) The Secretary of State shall publish an annual report on the way in which he has discharged his functions under this section during the preceding year. 15
- (7) The Secretary of State may by regulation nominate or establish a body (“an appointed body”) to carry out his functions under this section and in such a case references to the Secretary of State in this section shall be construed as references to that body. 20
- (8) Regulations made under this section shall be by statutory instrument which shall be subject to annulment by resolution of either House of Parliament.

10 Remedies of stakeholders

- (1) If a stakeholder is of the opinion that a company is in breach of this Act he may make a complaint to the Secretary of State (or to any appointed body) and the Secretary of State (or appointed body) shall subject to subsection (2) consider any such complaint. 25
- (2) The Secretary of State (or appointed body) need not consider a request made under subsection (1) if it considers it to be frivolous or without merit and in any such case the Secretary of State (or appointed body) shall publish the reasons for that decision. 30
- (3) Where the Secretary of State (or appointed body) receives an application under this section the powers given to him or it under section 9(3) shall apply as if they were powers under this section.
- (4) Any stakeholder shall subject to any provisions of this Act have a right of action against a company to which this Act applies and any directors thereof for any breach of duty owed towards him as a result of this Act and the courts in the United Kingdom shall have jurisdiction to hear any such case. 35

11 Penalties

- (1) A person who breaches any provision of this Act commits an offence. 40
- (2) An offence under this Act shall as appropriate be punishable by –
 - (a) imprisonment or a fine or both;
 - (b) a person being prohibited from being a director of a company for a specified period of years;

- (c) a person being required to make redress to any other person who has suffered as a result of any offence;
 - (d) a company being suspended from trading on the Stock Exchange; or
 - (e) in cases of persistent serious breaches of this Act a company being directed to cease operations or certain of its operations. 5
- (3) The Secretary of State shall, after consulting such persons as he considers appropriate, specify in regulations the scale of punishments that shall apply in relation to offences under this Act.
- (4) Regulations made under this section shall be made by statutory instrument and no such regulations shall be made unless a draft of those regulations has been laid before and approved by a resolution of each House of Parliament. 10

12 Definitions

- (1) In this Act subject to this section “company” means—
- (a) all companies registered in the United Kingdom, and
 - (b) all companies operating within the United Kingdom 15
- but with the exception of subsection (3) does not include a company with an annual turnover of less than £5 million.
- (2) It shall be the duty of the Secretary of State to determine a transitional period for which this Act shall apply to certain UK companies.
- (3) In the case of— 20
- (a) subsection (1)(a) this Act shall apply to all operations of those companies wherever taking place;
 - (b) subsection (1)(b) this Act shall apply to those operations of those companies taking place in the United Kingdom.
- (4) Subject to this section this Act shall apply to any subsidiary of any company. 25
- (5) In this Act a stakeholder is an individual, community or organisation that is materially affected by the operations of a company.
- (6) The Secretary of State shall by order specify the definition of “materially affected”.
- (7) In this Act, “transitional period” means the period beginning with the commencement of this Act and ending on such date as the Secretary of State, after consultation, may determine. 30
- (8) An order made under this section shall be by statutory instrument which shall be subject to annulment by resolution of either House of Parliament.

13 Expenses 35

There shall be paid out of money provided by Parliament –

- (a) *any expenditure incurred by the Secretary of State in consequence of this Act; and*
- (b) *any increase attributable to this Act in the sums payable out of money so provided by virtue of any other Act.* 40

14 Short title and extent

- (1) This Act may be cited as the Corporate Responsibility Act 2003.
- (2) This Act extends to Northern Ireland.

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*Ordered by The House of Commons
to be Printed, 19th June 2003.*

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PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON: THE STATIONERY OFFICE
Printed in the United Kingdom by
The Stationery Office Limited
£x.xx net