

***Conference: "Smart regulation:
Legislative opportunities for the EU to improve corporate accountability"***

**European Parliament, Brussels
May 29, 2008**

European companies' sphere of influence continues to increase and far too often weak accountability mechanisms have resulted in exploitation of people and the environment. The development of effective accountability mechanisms is key if European aspirational objectives in relation to poverty alleviation and sustainable development are to be met. Action to integrate better corporate accountability measures in all relevant policies is essential for the success of the EU's own commitment to tackling climate change, delivering sustainable development, promoting and defending human rights, respecting biodiversity and creating growth and jobs.

This conference, organized by The **European Coalition for Corporate Justice**¹ (ECCJ) entitled '*Legislative opportunities to improve corporate accountability at the European Union*' will review a range of proposals designed to help Europe truly become a "CSR pole of excellence". Given the EU's influential role as the biggest aid donor worldwide and considering that it has already established a developed set of domestic laws to regulate corporate behavior within the Union's territory, the EU is uniquely positioned to contribute greatly to the advancement of the international discussions on corporate accountability.

In order to address this challenge -and by advancing some of the European Parliaments' recommendations of its resolution on CSR from March 2007, ECCJ together with MEPs, lawyers, academics and civil society campaigners will present in this conference the result of new research and analysis of a range of proposals that aim to strengthen existing EU legislation to provide greater accountability of EU companies' operations abroad.

The three themes of the conference will be (for more detail see next page):

1. Extending parent company liability
2. Establishing duty of care onto parent companies
3. Introducing mandatory social and environmental reporting

The conference is aimed at the different stakeholders involved in the corporate accountability debate at the EU and international level and will be hosted by Richard Howitt MEP on behalf of the European Socialist Group at the European Parliament in Brussels.

¹ ECCJ is a network of national platforms and over 200 civil society organisations working on issues of Corporate Justice around Europe, including the FIDH and national chapters of Oxfam, Greenpeace, Amnesty International and Friends of the Earth. ECCJ's members and its partners in the south have monitored CSR initiatives for many years and have found significant limitations to these, and believe a current gap in the regulatory framework is allowing corporate misconduct to continue.

Extending parent company liability

This proposal challenges the conventional doctrine in relation to limited liability and proposes a legal recognition of Multinational Enterprises (MNEs) as single legal entities. The principle of limited liability creates a serious risk of abuses of human rights and environment throughout the enterprise structure for which the central corporate decision-makers are legally unaccountable. For example, while the directors are liable for the financial position of their companies, they are not equally responsible for environmental and social impacts of their decisions. In line with legal developments taken place in the UK, ECCJ puts forward proposals to address this issue and to redefine the responsibilities of EU parent companies and their directors in this area.

Duty of care

This proposal establishes a duty of care onto parent companies of MNEs in relation to their human rights and environmental impacts within their sphere of influence. The lack of legal accountability of corporations for the environmental and human rights abuses committed by their subsidiaries and suppliers is resulting in a situation where the affected communities often lack effective remedies. Having redefined director and company liability for misconduct of their subsidiaries and suppliers, and in line with case law examples taken place in France and the UK in recent years, ECCJ also defines what redress mechanisms for victims of those abuses should be established in order to complement the proposals.

Mandatory social and environmental reporting

High and consistent levels of transparency of businesses' activities, products and services are needed in order for shareholders, consumers and local communities to make informed decisions. Many countries in the EU have already introduced mandatory schemes for environmental and/or social reporting criteria such as France, Denmark and Sweden. Mandatory social and environmental reporting increases a company's level of awareness for environmental and human rights hazards throughout their sphere of influence. ECCJ proposes reporting requirements that would be feasible to mandate on corporations and that would improve corporate behavior by establishing a responsibility to provide information about the company's structure, current activities and its impacts, and prospective risks on social and environmental aspects of its operations for companies residing in the EU.

Legislation is only as good as its **enforcement** and therefore all three proposals include reforms to existing accountability mechanisms. These proposed reforms include expanding the scope of the current duties of company directors and opening the right to private actions to include all affected parties, that is, victims of the abuse and their civil society representatives.