

Corporate Responsibility Bill

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Make provision for certain companies to produce and publish reports on environmental social and economic and financial matters; to require those companies to consult on certain proposed operations; to specify certain duties and liabilities of directors; to establish and provide for the functions of the Corporate Responsibility Board; 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 Application

- (1) In this Act subject to this section 'company' means—
- (a) all companies registered in the UK; and
 - (b) all companies operating within the UK.

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but with the exception of section 2 below does not include a company with an annual turnover of less than £5 million.

- (2) In the case of—
- (a) subsection (1)(a) above this Act shall apply to all operations of those companies wherever taking place;
 - (b) subsection (1)(b) above this Act shall apply to those operations of those companies taking place in the UK.

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- (3) Subject to this section this Act shall apply to any subsidiary of any company.

2 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.

3 Duty to prepare and publish reports

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- (1) It shall be the duty of every company to prepare and publish a report annually on—
 - (a) any significant environmental, social, economic and financial impacts of any of its operations in the preceding year; and
 - (b) an assessment of the significant environmental social, economic and financial impacts of any proposed activities; and 10
 - (c) the employment policies and practices of the company which shall include the effects of its operations and any proposed operations on its employees; and
 - (d) the amount, or a reasonable summary thereof, of— 15
 - (i) taxes and other payments made to governments for any country of operation; and
 - (ii) grants, tax dispensations or other benefits received from any government or government agency in any country of operation; and 20
 - (iii) any donations or contributions to any political party either directly or indirectly,
 - (e) the way in which the directors of a company have discharged their duties under section 7 of this Act; 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 available to—
 - (a) its stakeholders; and
 - (b) any body set up pursuant to any enactment to regulate its activities;
 - (c) any other person with an interest in the report. 30
- (3) In this Act “stakeholder” means any person who may be affected by any operations to which a report applies and includes but is not limited to—
 - (a) shareholders and investors;
 - (b) employees;
 - (c) communities; 35
 - (d) individuals.

4 Consultation

- (1) Where a company proposes to embark upon a major project it shall before making any final decision as to the project or the nature of it take reasonable steps to consult and respond to any opinions expressed by any stakeholders who may be affected by that project. 40
- (2) A company shall produce as part of any consultation an environmental, social, economic and financial impact assessment of the proposal.

5 Provision of information by companies

- (1) A company shall ensure that a list of background papers used for—
 - (a) the preparation of any report pursuant to section 3 of this Act; and
 - (b) the preparation of any assessment pursuant to section 4 of this Act; and
 - (c) the discharge of the duty of its directors pursuant to section 7 of this Act is compiled. 5
- (2) Subject to subsection (3) below at least one copy of each of the documents in any list prepared pursuant to subsection (1) above shall be open to inspection by members of the public at the offices of the company and any member of the public may make a copy of any such document on payment of a reasonable fee. 10
- (3) A document need not be open to inspection under subsection (2) above if to make it so available would disclose information that would seriously damage the company or would breach personal privacy.
- (4) A company shall send a copy of any report produced under section 7(1)c or assessment under section 4 of this Act to— 15
 - (a) the Financial Services Authority, or other relevant regulatory body; and
 - (b) (where the company is a listed company) the London Stock Exchange.

6 Duty of companies re subsidiaries, mergers etc

- (1) It shall be the duty of a company to which section 1(1)(a) above applies to ensure that any subsidiary of that company wherever registered complies with sections 3, 4 and 5 of this Act. 20
- (2) 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, report to Parliament regarding companies to which section 1(1)(a) above applies specifying— 25
 - (a) what if any provisions including changes to the law he proposes to make regarding the liability any such company may be required to have for claims against any of its subsidiaries if any subsidiary is unable to meet such claims; and
 - (b) what if any provisions including changes to the law he proposes to make regarding any steps any such company may be required to take to ensure that in any merger or other restructuring of the company adequate provision is made to meet any claims against the company. 30

7 Environmental and social duties of directors

- (1) 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— 5
- (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; and 10
 - (b) to take all reasonable steps to minimise any negative environmental social and economic impacts of any such operations or proposed operations;
 - (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 they would be managed. 15
- (2) It shall be the duty of a director of any company to disclose in any annual report any relevant training qualifications or experience they may have as regards— 20
- (a) the environment; and
 - (b) social matters; and
 - (c) the disclosure of economic and financial information by companies.

8 Liabilities of directors

- The directors of any company to which this Act applies shall be liable for any significant adverse environmental or social impacts of their operations which arise from— 25
- (a) any negligence by them;
 - (b) any wilful misconduct by them in relation to the duties of any company under this Act;
 - (c) any wilful misconduct by them relating to the disclosure of information required by this Act. 30

9 Corporate Responsibility Board

- (1) The Secretary of State shall by regulations made within one year of the passing of this Act set up a body to be known as the Corporate Responsibility Board ('the Board'). 35
- (2) It shall be the duty of the Board to issue guidelines regarding—
- (a) the matters to be included in a report published pursuant to section 3(1) above; and
 - (b) the meaning of the term 'significant' in that subsection; and
 - (c) what are to be regarded as 'reasonable steps' under section 3(2) above; and; 40

- (d) persons to be considered to—
 - (i) have an interest in or;
 - (ii) be affected by;
 any operations to which a report applies under section 3(3) above; and
- (e) the meaning of the term ‘major project’ in section 4(1) above; and 5
- (f) matters to be included in any assessment produced under section 4(2) above; and
- (g) matters to be included in any considerations made under section 7 above; and
- (h) the meaning of the terms ‘seriously damage’ and ‘personal privacy’ in section 5(3) above. 10

and in the making of such guidelines the Board shall have regard to any existing standards or guidelines in operation for the time being.

- (3) The Board shall have the power if in its opinion its guidelines are being seriously breached or ignored to issue directions to any company or companies in respect of any of the matters in subsection 2 above 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. 15
- (4) For the purposes of enabling the Board to determine whether its guidelines are being seriously breached or ignored it 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. 20
- (5) For the purposes of ensuring compliance with the provisions of this Act it shall be the duty of the Board to carry out specified number of random audits of companies to which this Act applies and the powers given to the Board by subsection (4) above shall apply to any such audit. 25
- (6) It shall be an offence for any person to obstruct any investigation by the Board under this section or under section 9 below.
- (7) The Secretary of State shall after consulting such persons as he deems appropriate appoint the members of the Board provided that he shall ensure that the membership includes— 30
 - (a) persons with expertise and experience in—
 - (i) the environmental impact; and
 - (ii) the social impact; and 35
 - (iii) the economic and financial impact;
 of operations carried out by companies; and
 - (b) stakeholders of companies to which this Act applies.
- (8) *Regulations may make such other provision in relation to the Board as the Secretary of State deems appropriate, including the payment of remuneration or expenses to Board members and provision in respect of staff of the Board.* 40
- (9) The provisions of the Local Government (Access to Information) Act 1985 (rights of the public to attend meetings and duties to disclose documents subject to certain exemptions) shall apply to the Board.

- (10) Subject to subsection (9) above the Board shall have the power to regulate its own proceedings.
- (11) The Board shall publish an annual report on the way in which it has discharged its functions over the preceding year.
- (12) Regulations made under this section shall be by statutory instrument which shall be subject to annulment by resolution of either House of Parliament. 5

10 Remedies of stakeholders

- (1) If a stakeholder is of the opinion that a report published pursuant to section 3 of this Act is seriously inaccurate or omits serious matters he may request the company to amend the report and the company shall subject to subsection (2) below consider any such request. 10
- (2) A company need not consider a request made under subsection (1) above if it considers it to be without merit.
- (3) Any person aggrieved by a decision of a company pursuant to subsections (1) and (2) above may apply to the Board for redress and in such a case the Board may— 15
- (a) dismiss the application or;
 - (b) agree with any application in whole or in part or;
 - (c) suspend judgment on the application;
- and in any case the Board shall publish its reasons. 20
- (4) Where the Board receives an application under this section the powers given to it under section 9(4) of this Act shall apply as if they were powers under this section.
- (5) Where the Board agrees with any such application in whole or in part it may request the company to amend the report to which the application applies in a way specified by the Board and if such a request is not complied with the Board may direct the company to amend the report in the way specified. 25
- (6) Any stakeholder shall subject to section 1(2) above have a right of action against a company to which this Act applies above 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. 30

11 Penalties

- (1) A person who breaches any provision of this Act commits an offence.
- (2) An offence under this Act shall as appropriate be punishable by— 35
- (a) imprisonment or a fine or both; or
 - (b) a person being prohibited from being a director of a company for a specified period of years; or
 - (c) a person being required to make redress to any other person who has suffered as a result of any offence; or
 - (d) a company being suspended from trading on the stock exchange or 40

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- (e) in cases of persistent serious breaches of this Act a company being directed to cease operations or certain of its operations.
- (3) The Secretary of State shall, after consulting such persons as he considers appropriate, specify in regulations which penalty set out in subsection (2) shall apply in relation to each offence under this Act, as well as the degree of the penalty in each case. 5
- (4) Regulations made under this section shall be made by statutory instrument which shall be subject to approval by each House of Parliament.

12 Expenses

There shall be paid out of money provided by Parliament— 10

- (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.*

13 Short title and extent 15

- (1) This Act may be cited as the Corporate Responsibility Act 2002.
- (2) This Act extends to Northern Ireland.

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