

# Ways of Holding Corporations Accountable

The lists set out below outline ways of holding corporations accountable for their actions. Various citizen groups around the world use the various strategies and tactics set out below to hold corporations accountable for their actions:

## (1) **Defensive campaign strategies** to stop the harmful activities of large corporations.

For example:

- Grassroots boycotts, letter-writing and publicity campaigns against a "symbolic" corporation that serves as a model for an industry sector's practices and whose activities are especially harmful;
- Boycotts and public pressure campaigns against suppliers, clients, banks and insurance companies of a corporation whose activities are harmful;
- Shareholder activism at corporate annual general meetings, including forcing resignations of "symbolic" board members and demanding improvements in the corporation's activities; and
- Innovative lawsuits aimed at public education and the setting of new standards for corporate social responsibility.

## (2) **Offensive campaign strategies** to press local, provincial and federal governments to adopt corporate social responsibility legislation, regulations, codes, resolutions and other accountability mechanisms, and to press corporations to set industry performance standards that involve social responsibility and increase accountability.

For example:

### **Corporate Decency and Social Responsibility**

- Link public ownership of public assets with public control of those assets and require that portions of the revenues collected from the private use of public assets (e.g. Crown lands, TV and radio airwaves) be set aside to fund citizen watchdog groups that will monitor the use of these assets;
- Require all institutions that mass mail bills or customer statements (banks, insurance companies, TV cable companies, telephone companies, natural gas, hydro-electricity, water and sewage utilities) to include periodic inserts in their billing envelopes that invite customers to become fee-paying members of independent consumer associations which will act as watchdogs to negotiate and advocate for their interests;
- Increase standing rights and class action lawsuit rights, and increase intervenor funding programs so that citizens can more easily gather together to hold corporations accountable in administrative hearings and the courts;
- Require disclosure of details about a corporation's workforce, executive salaries, pollution discharges, occupational injuries, civil and criminal charges, largest shareholders, the primary employer of each board member and their meeting attendance record and other appointments, details about overseas operations, legal and auditing expenses, effective annual tax rate, and value of government grants and contracts;
- Require one year's notice to be given to the government minister responsible for labour, community representatives and workers if a plant closure is planned, and require public hearings on the planned closure;
- Hold the business closing the operation liable to the local government for revenue equal to that lost in taxes for one year from the business, and for the financial value of any incentive package (e.g. property tax breaks) granted to the corporation in return for setting up in the locale and creating local jobs;
- Change political finance laws to prohibit corporate donations, and to require prompt disclosure of donations;

### **Corporate Democracy**

- Require that a majority of the board of directors be made up of "independent directors" who do not have any ties to the corporation;
- Require that directors be assigned to various committees such as consumer protection, environmental protection, law compliance and political relations;
- Prohibit any person from serving as the director of more than two corporations incorporated in the same province;
- To encourage minority shareholder representation on corporate boards, give shareholders the right to nominate candidates for the board of directors;
- Give shareholders the right to review the board's vote on any transaction involving the purchase, sale, lease, merger, consolidation, or financing of assets equal to 10% of the company's total assets, or the sale of 10% of the shares;
- Recognize worker ownership of their own pension funds and give workers greater control over pension assets;

### **Corporate Tax and Subsidies**

- Expose the extent of "corporate welfare" in sectors such as banking, natural resources industries and transportation;
- Impose a minimum corporate tax;
- Charge interest on deferred corporate taxes;
- Increase audits of corporations to reveal corporate tax cheaters;
- Tax corporate mergers;
- Eliminate corporate tax break on first \$200,000 profit;
- Eliminate deduction for corporate entertainment expenses;
- Eliminate deduction for corporate lobbying expenses;

### **Corporate Crime**

- Establish a publicly accessible corporate crime registry so that crime in the suites is tracked in as much detail as crime in the streets (including features such as a "Ten Most Wanted" white-collar criminal list);
- Discourage investments in companies that repeatedly break laws by publishing an index for investors and prohibiting public pension funds from investing in criminal corporate activities. And prohibit criminal companies for getting government grants, licenses or contracts;
- Employees who report illegal activities, so-called "whistleblowers," should be protected from retaliation;
- Increase staffs and budgets of corporate crime police;
- Make it a crime for a corporation to have a standard operating procedure (SOP) that allows employees to execute their responsibilities in an illegal manner without executives being notified;
- Laws concerning the destruction of documents could be strengthened and enforced so that "sensitive" documents are protected for the benefit of the public;
- It could be a criminal violation for a manager not to report to authorities any product or process that may cause death or serious injury;
- Change the standard of proof from "beyond a reasonable doubt" to "on the balance of probabilities" for prosecutions of corporations;
- If a corporate executive is convicted of an offence, he or she could have to make a public confession by newspaper advertisement of the nature of the offence and the penalty imposed, be barred from employment in the industry for a set period of time and be required to participate in community service, including, for example, requiring convicted coal company executives to work in a coal mine for a year;
- Eliminate "country club" prisons so that white collar criminals are treated in the same way street criminals are;
- Convicted companies could be put "on probation" with a legal or financial officer assigned to assure compliance with the law;
- Convicted companies could be required to make payments to their victims, as in civil proceedings, for damages;

- Restructure fines for corporate crimes into equity fines, in which corporations would be required to issue a number of shares to a crime-victim-compensation fund, which can liquidate the shares at will;
- Require that a percentage of fines be paid to support independent corporate "watchdog" groups;
- In serious cases of repeat offences, implement a "three strikes you're out" rule that would strip a corporation of its corporate status;

#### **Corporate Mergers**

- Formalize the notification system and set up a public interest review process for all corporate mergers;
- Tax all mergers, and forbid mergers of corporations of a certain size, regardless of how diverse their business lines are or how competition may be affected;

#### **Corporations and the Environment**

- Tax or prohibit environmentally damaging activities and products and energy-inefficient products;
- Reduce or eliminate subsidies to environmentally damaging corporate activities;

#### **Corporate Performance**

- Document the effects of corporate social responsibility on the creation of "wealth" (using the market definition of revenues, profits and share price performance) by examining the track records of ethical investments funds and other indicators;
- Work with corporations one-by-one to set industry standards that include social responsibility and increase accountability; and
- Gather together representatives from leading, socially responsible corporations and socially responsible investment funds into a coalition that will advocate for many of the accountability mechanisms listed above, and call on their colleagues in the corporate sector to follow their lead.

### **(3) Transformative campaign strategies** to press Canadian governments to re-structure corporations based upon a social responsibility framework.

For example:

- Redefine the process and criteria for granting corporate charters to specifications set by governments after a democratic decision-making process involving all Canadians; and
- Amend the Charter of Rights and Freedoms to explicitly exclude corporations from its protection.

### **(4) International campaign strategies** to create an international social responsibility framework for transnational corporations (TNCs).

For example:

- Strengthen international codes of conduct for TNCs, and their enforcement;
- Establish a global auditing body to evaluate states and TNCs in terms of their adherence to international agreements and codes of conduct;
- Make parent companies liable for the activities of their subsidiaries, and allow legal violations by subsidiaries in other countries to be tried in the parent company's country;
- Ensure that TNCs cannot use transfer pricing (shifting profits from country to country) to avoid paying taxes on profits;
- Make multilateral financial institutions (e.g the World Bank) accountable for the environmental aspects of development projects they subsidize, and expand public access to information about the projects.