



SOMO Annual Report 2007





SOMO

Annual Report

2007



Content

Director's Report 2007	4
A. SOMO	4
B. Mission.....	4
C. Board, management and employees	5
D. Activities 2007	6
E. Organizational aspects	23
F. Financial position and continuity	24
 Financial Statements 2007	 26
Balance Sheet as of 31 December, 2007 (after appropriation of result)	27
Statement of Income and Expenditure, 2007.....	28
Accounting principles for Financial Reporting.....	29
Notes to the balance sheet as of 31 December 2007	31
Notes to the Statement of Income and Expenditure.....	35
Explanation of differences between realization and budget 2007	37
 Other Information	 38
Appropriation of result 2007	38
Auditor's report 2007	39



Director's Report 2007

A. SOMO

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

SOMO's address is:

Sarphatistraat 30

Amsterdam 1018 GL

The Netherlands.

Telephone: +31 20 6391291

Fax: +31 20 6391321

Email: info@somo.nl

Website: www.somo.nl

Listed in the Amsterdam Trade Register under no. 41223308.

B. Mission

SOMO's research and activities are aimed at promoting sustainable, social and ecological development, improving the situation of workers, counterbalancing multinational corporations and effectively tackling exploitation, poverty and inequality worldwide. SOMO's research and activities are focussed 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 aimed at change. On the one hand this entails acting as a 'watchdog'. SOMO gathers information and carries out analyses to pinpoint and highlight the conduct of multinationals

and the contradictions in economic and political systems which impinge on sustainability. On the other hand, SOMO's analyses and alternatives contribute to the policy development of national authorities, international organizations, NGOs, companies and trade unions.

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 unlocking fragmented knowledge, building NGO networks and reinforcing and training NGOs. SOMO targets NGOs focusing on multinationals and international trade (trade unions, organizations working in the areas of human rights, consumer interests, environmental issues, development cooperation and gender, sectoral campaigning groups, lobby and research organizations).

The second pillar of SOMO activities is:

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

3. Enhancing the impact of civil society organizations

SOMO contributes to civil society debates through research projects, cooperation with Southern partners

and joint NGO initiatives. SOMO targets its policy-influencing activities, workshops and public meetings at opinion leaders and decision makers in public service, civil society organizations and the media. SOMO promotes the interests of the South, for example in policy dialogue, lobbying activities, conferences and expert meetings.

The third pillar of SOMO activities is contributing to participation in civil society debates.

C. Board, management and employees

2007's Annual Report listed three Board Members:

- Adeline van de Kastele (Board Member)
- Dick de Graaf (Chairman and Secretary)
- Dirk de Jager (Treasurer)

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

At the end of 2007, SOMO was employing a total of 20 people (15.3 FTE). Sixteen employees have permanent contracts, four have a one-year contract. Four employees had been hired on the basis of a zero-hour contract.

In 2007, Ronald Gijsbertsen acted as SOMO's managing director (0.9 FTE). Management tasks take up some 70% of 0.9 FTE, constituting overhead costs. The remaining 30% is used for managing the project organization. The total personnel costs (gross salary, allowances, insurance costs and pension costs) for the managing director were € 63.400.

SOMO trained 7 interns in 2007.

D. Activities 2007

SOMO carries out research on commission (service provision) as well as at its own initiative, mostly financed 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 social responsibility
- Corporate research

The survey of activities below lists projects first according to the sectors and themes SOMO is working on. Where relevant distinction is made within the sectors and themes between different types of funding and projects: 1. *subsidy projects* mainly focussing 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 separately after the sector and themes.

Because there are projects in every sector and theme which are realised with MFS subsidy, this programme will be explained first. The programme will run from 2007-2010, and is financed by the Dutch Ministry of

Foreign Affairs within the 'Mede Financiering Stelsel' (MFS; Co-Funding System).

This MFS programme of SOMO aims to contribute significantly to sustainable development and poverty eradication by building the capacity of civil society organizations worldwide in order to influence the social, environmental, human rights and economic impacts of MNCs and their contribution to sustainability and poverty eradication.

The purpose of the programme is to build the capacity of civil society organizations around the world in order to improve their capabilities to influence 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 organizations 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 organizations, 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 organizations worldwide, improve the exchange of knowledge and information and develop common

strategies for influencing corporations and policy-makers. SOMO targets 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 organizations with the capacities they need in order to successfully counterbalance international trade and industry. Which capacities are most required depends on available knowledge and information, chosen strategies – such as negotiation or mobilisation – and the ability to work with other players in the field. These players include civic organizations, such as trade unions, and institutions, such as parliaments.

4. Influencing policy-makers

through lobbying at the national and international level. NGOs and trade unions are trained in these activities, with an emphasis on making the perspective of southern civil society organizations more prominent in the debate surrounding CSR, the world trade system and investment regulations. SOMO itself does not engage in lobbying or campaigning activities, but will act as an expert organization 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 research done on companies manifests itself largely through the review procedures of a particular research project. SOMO presents its research results preferably at the

sector level as opposed to the company level, or in a multi-stakeholder setting.

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 have a 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 programme is implemented with twenty Southern partners and fifteen Northern partners.

D.1 Sectors

D.1.1 Garment and Textiles

→ Project financed through subsidies

□ MFS project Garment & Textiles

Several Southern and Eastern African countries have attracted foreign investment in garments as part of a strategy for economic development. While many donors and institutions such as the World Bank and the OECD praise the benefits of foreign investment for development, SOMO's report "Footloose Investors" looked at the impact of foreign direct investment in garments from the perspective of sustainable development and poverty eradication.

The information in this report was based on research in some countries in Southern and Eastern Africa, with special focus on Lesotho and Swaziland and on several ‘footloose’ investors from Asia, such as Tri-Star and Haps Investment. The findings highlighted how in the garment industry foreign investors are attracted by the Africa Growth and Opportunity Act (AGOA) which gives trade preferences for countries in Africa. Investors that are mainly from Asian countries such as Taiwan and Sri Lanka can easily leave when they can find deals elsewhere which they perceive to be better, leaving behind empty factory shells which are provided by the government, a damaged environment and unemployed workers who were not able to save any money while working in the factories. The costs to the host country, the workers, communities and the environment need to be taken into account when looking at the costs and benefits of foreign investment.

SOMO also developed the following activities with regard to the garment sector in 2007:

- Organization of a workshop at the World Social Forum in Kenya 2007 on the social costs of investments;
- Research by Red Puentes members on companies in the garment sector. At the end of 2007, the Red Puentes network started research into the supply chains of two multinational companies in the garment sector in Latin America (Inditex and C&A). Partners in this project are Fundacion el Otro (Argentina) and Plades (Peru). SOMO supports this research by building capacity on research methods among member organizations of Red Puentes.
- Organised a workshop in Madagascar on labour rights and CSR.

□ *Campaigning Towards Change*

In the period 2004 – 2007, SOMO carried out a capacity building programme called Campaigning Towards Change. This project is being subsidised by FNV Mondiaal. The programme consists of different elements:

- disseminating available knowledge on labour conditions in the supply chain;
- translating the available codes and campaigning materials;
- research into trade and investment treaties;
- research into price-setting mechanisms;
- research into Asian multinationals;
- research into labour rights in various Southern African countries.

In 2007 SOMO conducted research with partners in various Southern African countries (Lesotho, Malawi, Swaziland). This research is presented in the report “Footloose Investors” and contains both an analysis of investment in the garment industry in Southern African countries and case studies.

→ **Services**

□ *Information requests Clean Clothes Campaign (CCC)*

SOMO was commissioned by the CCC to gather information on Chinese garment suppliers of five big European retailers including Tesco, Aldi and Lidl. Desk research was conducted, primarily through seeking information provided by Chinese business portals. SKK utilized this information to orient regarding supplier-

buyer relationships for potential research and campaigning activities.

SOMO conducted a short study to provide CCC with information concerning the activities of Fibre and Fabrics International in the Netherlands. The purpose of the study was to assist SKK and LIW in their legal conflict with FFI.

□ *G-star*

LIW commissioned SOMO to provide information on all the relevant parties, directly and indirectly, associated with the court case of Fibres & Fabrics International against several Indian and Dutch labour and human rights NGOs and two Dutch internet providers. SOMO was asked to seek, analyse and present new data combined with information already gathered and, in some cases, published by the NGOs in question. In addition, formal and informal networks between the companies were taken into account, as far as these existed.

□ *Stakeholder dialogue textiles*

At the request of the Ministry of Economic Affairs, SOMO cooperated with Visie en Strategie to initiate an arrangement between commercial parties in the textile industry and NGOs, on the introduction and use of voluntary standards concerning labour conditions. A Socratic dialogue session was used in order to attempt to increase mutual trust and enhance future cooperation.

D.1.2 Financial Institutions

→ Project financed through subsidies

□ *MFS project MFS Finance*

The financial services programme encompassed the following four themes and activities: (1) the impact of tax havens on development– SOMO contributed to the foundation of the Tax Justice Netherlands and published a report on the inconsistency between Dutch tax and development policy; (2) Support for Bank Track, an international network of NGOs that focuses on the behaviour of private banks – SOMO shared expert knowledge during the annual conference and other meetings, and wrote a chapter in the Bank Track flagship report 'Mind the Gap', in which the social and environmental behaviour of 50 international banks were evaluated; (3) SOMO provided expert input during various NGO conferences on the working of the financial system and issues such as private equity and hedge funds. Networks to which SOMO provided input include Red Puentes, Transnacionales Network and Enlanzando Alternativas.

□ *NCDO Tax Evasion*

The project about the Dutch tax system for foreign companies in relation to financing of development, which was started in May 2006, continued in the first half of 2007. The Tax Justice NL network was officially launched during a successful conference in May, attended by a broad audience, including tax advisors and representatives of trust companies. A second

SOMO report, focussed on inconsistency between Dutch government policies on development cooperation and taxation, was discussed at the conference and published in June. The activities of SOMO and Tax Justice NL have generated considerable attention to taxation and development among fiscal experts, NGOs and politicians, and a dialogue was started with the Ministry of Finance.

→ Services

▣ *Spanish banks*

SOMO prepared an in-depth study on the financial links between the two largest Spanish banks – BBVA and Santander – and controversial companies and projects in Latin America for SETEM, a Spanish NGO that campaigns on CSR issues. The report has formed the core input to a campaign to improve the social and environmental performance of the two Spanish banks. One important result is that BBVA started to participate in the dialogue on sustainable finance within the Equator Principles group of banks, which was something it had not done before.

D.1.3 Electronics sector

→ Project financed through subsidies

▣ *MFS project Electronics*

The overall objective of the MFS programme on the electronics sector is to improve the social, environmental and human rights conditions associated with the production of consumer electronics, with the

ultimate objective of poverty eradication and sustainable development. The core aspect of the programme is capacity building of partner organizations in production countries, supporting international cooperation between NGOs and trade unions, influencing company policies and practices, and new fact-finding studies. MFS partners in production countries are located in The Philippines, Mexico, India, China and Indonesia.

Activities included new fact-finding studies on mobile phones and PC components, continuing dialogue with the brand companies and setting up dialogue with suppliers, offering handling perspectives for sustainable procurement, expert input for the international electronics network GoodElectronics. The capacity building activities were concentrated on Thailand.

Results: Research report on Hard Disk Drives and two country reports with field studies (Thailand and the Philippines), Company profile of Philips for ethical investment organization, Workshop in Thailand with NGOs, workers organizations and trade unions and report on the workshop, Supplier forum with electronics suppliers in Thailand organized in cooperation with Hewlett Packard, Conference on Sustainable procurement in the Netherlands for civil servants.

▣ *Connecting People (makeITfair)*

Connecting People is a Europe-wide project financed by the European Commission on consumer electronics under the banner makeITfair. makeITfair aims to inform

young consumers about human rights and social and environmental issues along the supply chain. It also addresses consumer electronics companies that can contribute to change. The project is coordinated by SOMO, the twelve project partners are located in Sweden, Germany, Finland, The Netherlands, Poland, China, India and the Democratic Republic of Congo.

In 2007, the activities were focused on new fact-finding studies on the mining of metals for the electronics industry in South Africa, DR Congo, Zambia and Indonesia and on addressing social and environmental problems at the twenty largest electronics companies. Research was also conducted into labour conditions in Poland.

Results: The launch of the makeITfair website, three research reports on the extractives sector, and one research report on labour conditions in Poland, five press releases, a makeITfair video available on the website, easily readable short summaries of the studies, testimonials, and 2 leaflets written and designed for young people to read, establishing cooperation with youth groups for campaigning, the start of production of educational materials and web-based tools, a capacity building workshop in Poland, and an email campaign aimed at the brand companies.

▣ *Sustainable public procurement*

In 2006, SOMO received funding from the Dutch Ministry of Housing, Spatial Planning and the Environment to develop social criteria for the procurement of ICT hardware. SOMO has organised meetings with major ICT brand-name companies,

NGOs, trade unions and procurement officers to establish social criteria for the procurement of ICT hardware. These social criteria will be published in a manual for procurement officers in the first quarter of 2008. The manual will be distributed among public buyers in the Netherlands.

This manual in Dutch will be used as basis for a buyer's guide SOMO needs to develop in the context of a European campaign for sustainable purchasing of computers, in collaboration with civil society organizations in Austria, Czech Republic, Germany, Spain and Hungary.

In order to receive input on the draft version of the manual, SOMO, in cooperation with the Dutch CSR Platform, organised a workshop with public buyers of ICT hardware and ICT companies in September 2007.

→ **Network coordination**

▣ *GoodElectronics*

The global GoodElectronics network consists of a coordination point, steering committee and 150 members (unions, NGOs, universities and individuals). The network aims to strengthen and stimulate civil society organizations and workers in their actions to improve human rights and environmental conditions in the electronics industry, and improve corporate and public policy and practice in the electronics industry based on common demands.

Activities include: broadening and consolidating the network, harmonizing strategies and uniting the

strengths of different organizations by implementing campaigns and conducting research. A platform for the building and sharing of knowledge includes a newsletter, the GoodElectronics website, an annual roundtable conference, capacity building workshops.

D.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 Agriculture sector. The spearhead is the tea sector. To support this, SOMO launched a study on social, ecological and economical conditions in six of the most important global tea exporting countries. The aim is to bring to light detailed knowledge on critical issues in tea supply chains, to make recommendations to various stakeholders and to build the capacity of CSOs in tea-producing countries. The project, to a large extent realized by a number of Southern research partners, was supported by a range of networking, lobbying and outreach activities.

These activities included a tea workshop to raise awareness, held at the World Social Forums in Nairobi, the use of preliminary results from the international comparative research project in various publications, including international consumer magazines, the formation of an active NGO network on tea, coffee and cocoa known as the tropical commodity coalition, and the organization of a roundtable dialogue with the

Dutch tea industry to improve conditions in tea supply chains, which has led to a promising joint project.

D.1.5 Pharmaceutical sector

→ Project financed through subsidies

□ MFS Pharmaceutical sector

With regard to the pharmaceutical industry, the work of SOMO in 2007 remained focussed on ethical issues in clinical trials carried out in developing countries. A draft report on the testing and approval of drugs for the European market was discussed at an expert meeting in Brussels, organised by Wemos and chaired by Dorette Corbey, Member of the European Parliament. The meeting succeeded in drawing attention to the problems signalled in the SOMO study. A final report will be published in 2008.

SOMO also provided independent input for the Access to Medicines (ATM) Index, an initiative that is aimed at stimulating access to medicines in developing countries by benchmarking company performance. SOMO is drawing on its expertise from previous projects for input to improve the rating methodology and the outcomes of the initiative.

D.1.6 Public Services

→ Project financed through subsidies

□ MFS project 2007.007 MFS services

SOMO's work on the public services sector began in 2007 and is aimed at evaluating the impact of multinational companies on the quality of public services in developing countries. Access to and quality of public services are crucial for promoting sustainable development and alleviating poverty in developing countries, and many services such as access to water and energy are basic human rights. In addition to evaluating the impact of MNCs, this project examines how public service MNCs view their social responsibility in development and whether companies' CSR policies translate into practice on the ground. The ultimate goal of the project is to assist civil society stakeholders in the South in developing strategies for improving the quality of the public services they receive.

SOMO began work on public services with a survey of the sector to determine where, both geographically and thematically, SOMO can best contribute to sustainable development and poverty eradication through its work on public services. Based on this survey, it was decided to focus on the energy/electricity sub-sector, and several articles were written on sustainability in energy for various publications.

□ Energy companies

This project was commissioned by Greenpeace in the Netherlands to investigate profits from and investment in various types of energy sources in the Dutch power sector. The research was aimed at determining the extent to which power utilities benefit from burning dirty fuel, including a comparison with the profits from renewable energies, and identifying the investments that the companies are making in various types of power generation.

Six energy companies operating in the Netherlands (Essent, Nuon, Eneco, E.On, Electrabel and RWE) were examined in terms of shareholder structure and the dividends paid to the shareholders between 2001-2006, company profits, a breakdown of the fuel mix currently being employed for electricity generated and sold by each company, and investments being made in different energy types (fossil vs. renewable).

The *Powering Profits* report was published, with a print run of 500 copies. Greenpeace based a public action on the report, which attracted widespread media attention (both of the GP action and of the SOMO report). The GroenLinks party in Friesland referred to Powering Profits in a provincial budget meeting, and FEM Business published an article on sustainability in the energy sector. Shortly after the publication of *Powering Profits*, Nuon announced its decision not to proceed with its plans to build a new coal-fired power plant and invited SOMO to address the Nuon Consulting Group at a sustainability meeting.

D.1.7 Extractives

→ Project financed through subsidies

□ *MFS Extractives*

In 2007, SOMO started working on the extractives sector, focussing on gemstones, natural stone and on extractives for electronics, more specifically on the Platinum Group Metals (PGMs).

In 2007 a desk study was conducted on trade in gemstones, mining and processing, and consumer markets. A preliminary field visit was carried out in Madagascar to examine sapphire mining. In 2008, a report will be published on extractives for electronics. Within the makeITfair programme, SOMO sent questionnaires to the companies on supply-chain responsibility down to the extractives level. Electronics brands, such as HP, Nokia, Motorola and Dell are taking steps towards implementing a social and environmental policy in the first tier of the supply chain, but are not working towards implementation in the whole chain of production. This will be followed up in the coming years by developing principles for electronics companies on extractives and by aligning with campaigning organizations, among other things.

This resulted in a report on PGMs and the supply chains of electronics companies, which led to an initiative initiated by the electronics industry. Following on from the questionnaire of the companies, one of the electronics brands, HP, initiated a study into the extractives part of their supply chain, as part of a sector initiative.

□ *Capacity building programme research in Africa*

Together with NIZA, SOMO developed a research training course for organizations working on extractives in Southern Africa to support organizations in conducting research that can be used for lobbying, raising awareness and campaigning activities.

The project started in 2006 with two training courses, and SOMO supported the research activities until six bulletins were produced in 2007, in English and French, which were used by the organizations participating in the research training.

→ Services

□ *Natural Stone*

SOMO continued its participation in the Dutch Working Group on Sustainable Natural Stone in 2007. In collaboration with SwedWatch and IHLO, a Hong Kong-based labour organization, SOMO investigated production conditions in China and provided practical recommendations to the working group for the implementation of improvement projects.

D.2 Themes

D.2.1 Corporate Responsibility

→ Project financed through subsidies

▣ MFS Corporate Responsibility

The Corporate Social Responsibility (CSR) team is part of the MFS programme. SOMO's ambition in the area of CSR is to act as a centre of expertise where knowledge on CSR practices and policies is gathered and used in an effective and coordinated way by civil society organizations working together in various networks through their corporate work. SOMO hosts and coordinates a number of CSR and CA related networks, with their own specific detailed activities and work plans.

The Dutch CSR Platform, OECD Watch, ECCJ, Red Puentes and Global Compact Critics are all networks that SOMO supports, coordinates and provides with expertise on CSR policies and strategies.

The following activities were carried out:

- Training of Southern NGOs as part of Human Rights Advocacy and Business programme in Jakarta on CSR and researching MNCs
- Set up of Global Compact critics network and blog (www.globalcompactcritics.org)
- Review of the functioning of National Contact Points for the OECD Guidelines
- Production of legal papers for the European Coalition for Corporate Justice
- Participation in and providing expertise to Dutch CSR Platform, Red Puentes, OECD Watch, ECCJ

- Participation in the stakeholder dialogue for the development of ISO 26.000 standard for CSR
- Lobby to set up a Dutch multi-stakeholder initiative focusing on sustainability in supply chains

This resulted in two specific instances filed by Philippine organizations on the basis of SOMO training in Jakarta, 2000 visitors of the Global Compact blog and 20 organizations member of informal network, a declaration of intent for an Initiative for Sustainable Trading (Initiatief voor Duurzame Handel) which has been signed by NGOs, industry, trade unions and the government, publication of articles on corporate accountability in national and international journals (UNRISD, Zeggenschap)

→ Network Coordination

▣ MVO Platform (Dutch CSR Platform) and new CSR Frame of Reference

The MVO Platform (Dutch CSR Platform) is a network of 35 Dutch civil society organizations and trade unions that are working together to promote corporate social responsibility and to lobby government and parliament. The goal of this network is to stimulate, facilitate and coordinate activities of the different organizations in order to reinforce each other's efforts. The emphasis of the MVO Platform is on issues dealing with CSR in developing countries.

In 2007 the MVO Platform published the 'CSR Frame of Reference 2007'. The 2007 version builds on a similar document published in 2002. The CSR Frame of Reference was developed by the 35 member

organizations of the MVO Platform and reflects the vision on CSR for the CSR Platform. The CSR Frame of Reference has been drafted for use by business, the government and non-profit organizations alike. The publication was made possible with financing of the Dutch Ministry of Housing, Spatial Planning and the Environment (VROM). The CSR Frame of Reference is available in Dutch, English, French, Portuguese and Spanish. A Chinese version will be published in 2008.

▣ *OECD Watch EU programme*

EU-funded project by SOMO in partnership with Setem, RAID, Sherpa, GermanWatch, FinnWatch, IRENE, FES Poland and Eurosif, with the following aims: to promote the best practices of European governments in the implementation of the OECD Guidelines through their NCPs; to promote convergence of the CSR tools in the SRI community based on the OECD Guidelines.

To realise this, SOMO undertook the following activities:

- Survey to identify best practices of European NCPs and publication of a Model NCP
- Organization of three (3) regional roundtables in Spain, Finland, and Slovakia
- Organization of a European-wide multi-stakeholder conference in Brussels
- Publication of newsletter and briefing paper
- Undertaking a legal analysis of the OECD Guidelines
- Organization of two (2) dialogue sessions with Eurosif and European SRI agencies.

- Production of four (4) SRI fact sheets to promote the use of the Guidelines in the SRI community
- Production of a quarterly case update from the OECD Watch database of cases.

This resulted in the following activities and publications: a publication for the improvement and harmonization of the procedures of the NCPS for the OECD Guidelines; 150 representatives of governments, NCPs, businesses, trade unions, SRI agencies and ethical investors and civil society organizations (and more than 2000 indirectly) informed and made aware of the usefulness of the OECD Guidelines; an effective exchange of information between NGOs and the SRI community on the basis of the OECD Guidelines; Recommendations on how the OECD Guidelines could become more useful for SRI agencies; Better mutual understanding between the SRI community and the NGO community in Europe, regarding concerns about corporate practices, investment decisions and information needs.

▣ *OECD Watch Capacity building programme*

SOMO is involved in a four-year (2005-2008) project to build the capacity of Southern NGOs in use of the OECD Guidelines and other corporate accountability mechanisms, and networking and advocacy of the OECD Watch network towards the OECD Investment Committee and National Contact Points. Within this context, SOMO undertook the following activities; supporting NGOs in filing specific instances with NCPs (Milieudéfense case against Shell/Clean Clothes Campaign case against G-Star), supporting southern NGOs in research activities on corporations and using

the OECD Guidelines, monitoring and influencing the work of the OECD Investment Committee, and the organization of an interregional seminar with 30 participants from the OECD Watch network in Cochin, India. As part of the programme, southern NGOs were trained in the use of the OECD Guidelines to support their corporate work, and cases were filed with various NCPs by NGOs from all over the world.

□ *European Coalition for Corporate Justice (ECCJ)*

The European Coalition for Corporate Justice (ECCJ) brings together NGOs, trade unions and coalitions promoting Corporate Social Responsibility (CSR) and Corporate Accountability (CA) from all over Europe. In 2007, SOMO was involved as member of the Steering Group and project partner in an EU funded project that aimed at strengthening the coalition through networking and coordination activities and the development of policy proposals and common viewpoints towards CSR at the European level. Within this context, SOMO undertook the following activities:

- Production of three legal research papers on limited liability, mandatory reporting and supply chain responsibility
- Organization of four seminars throughout Europe on limited liability (London), mandatory reporting (Paris), public procurement (Stockholm) and supply chain responsibility (Milan)
- Organization of a General Assembly for all ECCJ members
- Lobbying activities at the European and Member state level for European Parliament resolutions on CSR
- Coordination of Legal/Policy Working group of ECCJ

This resulted in three detailed legal proposals for regulatory measures at EU level, improved cooperation between NGOs and civil society groups at the European level, and the adoption of European Parliament's resolution on CSR including key NGO demands.

□ *Red Puentes*

Red Puentes is a network of 52 civil society organizations from eight countries in Latin America and Europe. Its mission is to promote corporate accountability in Latin American countries from the perspective, vision, rights, and needs of those societies.

On behalf of the Red Puentes network, SOMO participates in the ISO working group that is developing an international standard that will give guidance to organizations on social responsibility: the ISO 26000 standard. The Working Group initiated its work in 2004 and is expected to deliver the guidance standard in the first half of 2010. The ISO Working Group on Social Responsibility is arguably the only international initiative focused on the implementation of existing norms, rather than creation of additional ones. Moreover, ISO standards are the most widely respected and used non-governmental standards. ISO 26000 will not be for certification – but literally

hundreds of thousands of organizations will hear about it and trust it. Moreover, SOMO, through a project with Oxfam Novib Linkis, seeks to support the member organizations of Red Puentes in carrying out research and awareness-raising activities. SOMO helps these organizations to develop high-quality research projects and to use the results effectively in campaign and lobbying in Latin America and Europe. SOMO also offers guidance on how to learn from best practises in the network.

→ Services

▣ *Birma research*

October 2007, Milieudefensie commissioned SOMO to investigate which European multinationals were commercially active in Burma at the time of the anti-government protest of Burmese monks two months earlier. A desk study was conducted which involved verifying and updating information from the Burma Campaign Dirty List, writing a short report, and providing some additional information on Dutch wood companies purchasing wood from Burma. Assisted by the SOMO research, Milieudefensie, in alliance with a few other Dutch organization, published an ad in the Volkskrant to pressure the European Commission to take measurements against trade from Burma. Eventually, the EC decided to disallow a specific range of products from Burma including wood.

▣ *Verification of Sustainable Procurement Dutch Government*

In March 2007, the Task Force on Sustainable Procurement of the Dutch Government asked SOMO to develop a method for the monitoring and verification of social criteria in public procurement. In 2005, the Dutch parliament adopted a motion which stated that sustainability will be used as a paramount criterion in all public procurement procedures by 2010. In 2007, the government commissioned SOMO to make recommendations on how public authorities can check if their suppliers comply with the social criteria that are to be included in procurement procedures. The result of this research project was a report and a presentation that was made in the presence of high government officials. The Dutch government has agreed to implement most of the recommended procedures and methods.

In November 2007, SOMO presented the method for the monitoring and verification of social criteria at a special meeting with procurement officers and policy makers at the Ministry of Social Affairs.

At the European level, SOMO also strives to improve public purchasing policies. In October 2007, SOMO, in collaboration with SwedWatch and the ECCJ, organized a seminar in Stockholm, Sweden, to discuss civil society strategies to promote the inclusion of social criteria in procurement procedures. At this seminar, several lawyers and civil society representatives were present.

D.2.2 Trade and Investment

→ Project financed through subsidies

□ MFS project Trade and Investment

The project aimed at building the capacity of NGOs and officials from developing countries regarding negotiations on trade in services and on investment in the World Trade Organization (WTO) as well as in free trade agreements between African countries and the European Union – known as Economic Partnership Agreements (EPAs). SOMO was one of the very few NGOs focusing on this issue.

The results of the project were:

- A clearer position of the Dutch government that EPAs should not include services and investment negotiations;
- Arguments for African NGOs to resist services and investment negotiations in EPAs (which at the end of the year did not yet include these issues);
- Better understanding by African negotiators of problems to include services and investment in EPAs.

→ Network Coordination

□ Coalitie voor Eerlijke Handel (Coalition for Trade and Development)

The Coalition for Trade and Development is a coalition of Dutch civil society organizations that have joined forces to strive for equitable global trade by means of international trade agreements in multilateral and bilateral trade agreements. The primary aim of the

coalition is lobby activities, informing and influencing Dutch civil servants and politicians. In addition, the coalition is a platform for information exchange, fine tuning opinions and activities of its members. In 2007, several internal and external activities were carried out among them: joint letters to ministerial departments, a workshop during the Africa Day of the Evert Vermeer Stichting, a protest action against EPAs at the German embassy, and a debate on free trade at the Dutch Social Forum.

→ Services

□ Trade incentives

The project provided a full overview of the existing investment agreements, investment policies, regulations, promotion and incentive instruments in Zambia and South Africa regarding foreign investment in the extractive industry.

SOMO recognised the importance of the findings so that the 2008 MFS programme includes further research and assessment of the findings together with partner organizations in Indonesia and Benin.

□ EPA briefing paper

The project consisted of writing a technical briefing paper on how the EU's proposals in the negotiations for free trade agreements between African countries and the European Union – known as Economic Partnership Agreements (EPAs) - were undermining regional integration in the service and investment sectors. The output of the project was a briefing paper

used for lobbying the Dutch government, EU and African negotiators.

The project led to a better understanding by African negotiators of problems in the context of including services and investment in EPAs.

D.3 Corporate Research

Within the subsidised programmes, a range of corporate research is carried out at the initiative of SOMO. SOMO also conducted a large amount of corporate research for trade unions, development organizations, sustainable investors and consumer organizations.

→ 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. The motivation for this programme is solidarity with workers far away: by making contact the FNV can help them improve their working situation. In a globalising world, it is important in the Netherlands to have these contacts. In ten years, the headquarters of many companies may no longer be in the Netherlands, or even Europe, but much further away. That is why it is important for trade unions to know the interests and situations of workers abroad now, and to exchange experiences and strategies. Only in that way can trends be identified within a company, and can unions worldwide anticipate changing situations. The project depends on three elements: trade union networks -

corporate research – dialogue and action. In 2007 FNV Bondgenoten started on the third phase of the programme. The focus in 2007 was on the trade union networks. SOMO carried out two projects within the program:

- Research on ABN Amro in India
- Advice of the steering committee on the restructuring of the Company Monitor Program and formulating a protocol with the responsibilities of the different parties during company research.

→ Quick Scans

SOMO specialises in scanning corporations on the basis of CSR criteria, using criteria from the CSR Reference Framework as drawn up by the CSR Platform. As such, these constitute 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 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 of 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 is carried out into whether there has been media coverage of the

company violating CSR criteria or its own code of conduct.

- Policy analysis: the focus here is on the guidelines and/or sector-based codes of conduct signed by the company, as well as an assessment of the quality of these codes.
- Policy implementation analysis: here, the focus is on implementation, management systems, monitoring, verification, the level of transparency and reporting methods.

Eleven Quick Scans were carried out or initiated in 2007.

→ QS method Plan Nederland

In the beginning of 2007, Plan Nederland decided to assess the extent to which their own organization lives up to the standards it applies to the multinational companies they have partnerships with: 'Practice what you preach'. These standards are laid out in the Child Centered Corporate Scan (CCCS) as developed by Plan Nederland in cooperation with SOMO. As the CCCS is a corporate scan, it was necessary to adapt it and make it usable to assess an NGO such as Plan Nederland.

Both the CCCS and relevant accountability initiatives of NGOs are used to develop a questionnaire for the accountability assessment of Plan Nederland, which includes all critical issues for fundraising NGOs active in the humanitarian sector. The questionnaire was initially designed as a self-assessment tool; however Plan Nederland decided to involve SOMO as a third party to get an external view of the organization. The

questionnaire is used as a framework for the interviews conducted by SOMO.

The result is a report which can be seen as a baseline measurement based on the information provided through the interviews and the policies of Plan Nederland. The recommendations in the report are put as action points with deadlines on the agenda of the Management Team of Plan Nederland. The assessment has also been brought to the attention of Plan International. The idea is to have a second assessment one year after the first.

→ Benchmarking

Consumer organizations are interested in making a comparison between different brands of the same product. At the European level, SOMO conducted benchmarking in various areas, in order to make a comparison on CSR issues possible.

SOMO carried out benchmark research in the following three sectors with the following companies:

▣ Mobile Phones

The purpose of this project was to give ICRT/Euroconsumers an update on the *High Cost of Calling* report with additional information on company responses to the report, improvements/changes in the factories, and additional case studies.

The mobile phone companies were surveyed about their response to the report, and additional field research was conducted at a factory in China. The results were incorporated into an updated report, which was presented in Brussels for five national-level

ICRT correspondents from Belgium, Finland, Spain, Portugal and Italy.

An updated *High Cost of Calling* report was provided to ICRT/Euroconsumers, and articles in five national-level consumer magazines were published based on SOMO's research (with the following reader/recipient figures): Italy (281,000), Portugal (267,000), Spain (217,000), Belgium (333,000), Austria (73,000), Denmark (78,000) and Finland (23,000). In addition, email advice has been given to five students working on mobile phone sustainability issues.

□ *ICT Brands*

ICRT is an association of 41 consumer organizations from 37 countries, located mostly in Europe (International Consumers Research and Testing). The ICT hardware sector is one of the sectors selected by the ICRT to include Corporate Social Responsibility in test results. Cooperation with the Swiss development organization Bread for All (BFA) and the Swiss Catholic Lenten Fund (CLF) was a good opportunity because they wanted field studies and a benchmark to support their campaign 'High Tech – No Rights'.

Eight computer brands were selected by the ICRT and BFA/CLF. SOMO was responsible for the data collection through desk study and field studies. The ICRT (members include the Consumentenbond, the Dutch Consumer Association) was responsible for development of assessment criteria, indicators and benchmark of companies.

Within this project eight CSR company profiles were produced in which CSR policies and practices are assessed: Hewlett Packard, Dell, Sony, Fujitsu Siemens, Packard Bell, Acer, Toshiba and Apple. Three country reports about working conditions in the ICT export processing industry in China, Philippines and Thailand. A company benchmark integrating the results of both desk and field survey. Ten European Consumer organizations published the research results and the benchmark in their national consumer magazines. BFA and Lenten Fund used the research and benchmark for their 'High Tech – No Rights' campaign.

□ *Tea*

Commissioned by Euroconsumers, SOMO conducted a research on CSR in the tea sector. This involved a description of the tea sector (trade, production, stakeholder), CSR and its pressing issues from a sustainability perspective and profiling of CSR policies of 20 European tea companies (packers/retailers). The research report with CSR company profiles (qualitative) and data sheets (quantitative profile) laid the foundation for publications of editorial versions written by EC of the report in consumer magazines in 4 countries (Belgium, Italy, Portugal and Spain).

□ *Banks*

In 2007, SOMO was commissioned by Euroconsumers, a federation of consumer organizations, to undertake a large study on the social and environmental policies, as well as actual practice, of a total of 20 banks from four countries: Belgium, Italy, Spain and Portugal. The

SOMO study formed the basis for five articles (two in Belgium) in consumer magazines which are read by a very broad audience. The articles offer a guide to consumers in case they want to deposit their money at a sustainable bank.

→ Sustainable Investment

SOMO prepared overviews of controversial practices that occurred or remained unresolved in 2006, of ten publicly listed Dutch multinationals. The VBDO (Dutch Association of Investors for Sustainable Development) addressed some of these at the shareholders' meetings in the period March to May 2007 and in confidential follow-up meetings with the management. The project has had some successful outcomes. Philips quickly addressed problems at a Mexican supplier, for example, and Heineken committed to independent monitoring of the beer promotion code in Cambodia and to report back on this in 2008.

E. Organizational aspects

1. Organizational development

2007 brought many changes. SOMO started on two programmes with a running time of three and four years. As a result of these programmes, organizational development was required. The following initiatives were launched and changes were implemented in 2007:

- Capacity: in order to implement the programme, SOMO grew by three new employees. Two junior research positions were created. To strengthen the

administrative capacity, the position of Planning and Control Officer was created.

- Location: in August, SOMO moved from Keizersgracht to Sarphatistraat in Amsterdam. The new building is better suited to current workplace needs, and improved accessibility.
- Facilities: in 2007 the implementation process of new software applications started in the area of contract management and Monitoring & Evaluation. SOMO invested heavily in ICT software and hardware to provide better facilities to employees.
- Cooperation with IRENE: in 2007 the board of SOMO and the board of IRENE agreed on a transfer of projects and personnel of IRENE to SOMO. In 2008 Peter Pennartz will be seconded to SOMO to carry out the projects of IRENE.

In 2007 the focus of organizational development was primarily on implementation of plans. At the end of 2005, SOMO formulated the strategic goals for the period 2007-2010. In 2006, fundraising was carried out on the basis of this strategy plan. After approval of the project proposals, it was necessary to focus on implementation in 2007. This process of implementation will be continued in 2008. In addition, a new round of strategic orientation and policy development will start in 2008.

2. External consultation

In addition to project-based consultations, SOMO participated in a number of incidental and structural consultations:

1. Clean Clothes Network
2. GATS Platform

3. Bank Track
4. Dutch Social Forum

F. Financial position and continuity

The financial year 2007 ended with a positive result after tax of € 66,196. The result realised was higher than was budgeted. The budget forecast for 2007 was a positive result of € 50,000. This budget was based on commissions to which commissioning parties had actually committed themselves in April 2007. 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. In the coming two years, attempts will be made to broaden the funding channels, particularly in the light of the subsidy conditions after 2009. SOMO wants to

obtain its income from subsidy from the various levels of Dutch government, European government, international funds and income from service provision. A balanced distribution between these sources of financing is the most preferable situation.

SOMO is following a strategy of incremental growth. To ensure both quantitative and qualitative growth, SOMO has opted for a scenario of incremental development. The current size of the organization is 20 employees. It is expected that one new researcher will be added in 2008. A vacancy for an administration officer is expected at short notice. At the time of writing this management report in March 2008, the majority of staff members are already fully occupied with the commissions to which commissioning parties have committed themselves for 2008.

Forecast 2008	
Income	
Government grants/contributions	€ 2.225.000
government grants	€ 1.800.000
other contributions	€ 425.000
Professional services	€ 240.000
Total Income	€ 2.465.000
Expenditure	
Direct costs of professionals services	€ 50.000
Direct project costs	€ 1.134.000
Personell costs	€ 1.000.000
General expenses	€ 256.000
Total expenditure	€ 2.440.000
Operating result	€ 25.000

24 april 2008

Dick de Graaf (Chair of SOMO)

Ronald Gijsbertsen (Managing Director of SOMO)



Financial Statements 2007

Balance Sheet as of 31 December, 2007 (after appropriation of result)

ASSETS	31-12-2007	31-12-2006
	€	€
<i>fixed assets</i>		
tangible fixed assets		
Other equipment	39.720	19.337
<i>current assets</i>		
receivables, prepayments and accrued income		
trade debtors	173.493	70.780
subsidy receivable	233.502	151.158
prepayments and accrued income	120.138	32.088
	527.133	254.026
cash and bank balances	665.223	500.837
TOTAL ASSETS	1.232.076	774.200
LIABILITIES	€	€
equity		
general reserve	198.045	111.849
appropriated reserves	40.000	60.000
	238.045	171.849
provision		
provision personnel	13.274	10.174
current liabilities, accruals and deferred income		
creditors	248.535	120.845
advanced payments/ advances received on subsidies	427.873	209.138
taxation and social securities	2.632	28.568
accruals and deferred income	286.728	218.637
guarantee	14.989	14.989
	980.757	592.177
TOTAL LIABILITIES	1.232.076	774.200

Statement of Income and Expenditure, 2007

INCOME	2007		2006
	realization €	budget €	realization €
government grants/contributions			
government grants	1.391.444	-	661.760
other contributions	412.203	2.300.000	363.898
	<u>1.803.647</u>	<u>2.300.000</u>	<u>1.025.658</u>
professional services	198.703	200.000	195.545
other income	124.599	-	96.402
TOTAL INCOME	<u>2.126.949</u>	<u>2.500.000</u>	<u>1.317.605</u>
EXPENDITURE	€	€	€
direct project costs	927.361	1.340.000	437.112
direct costs of professional services	12.816	40.000	50.986
personnel costs	878.803	600.000	590.520
general expenses	230.877	470.000	145.316
TOTAL EXPENDITURE	<u>2.049.857</u>	<u>2.450.000</u>	<u>1.223.934</u>
OPERATING RESULT	77.092	50.000	93.671
financial income and expenses			
interest income	7.076		4.642
interest expenses	- 257		- 32
	<u>6.819</u>	<u>-</u>	<u>4.610</u>
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION	83.911	50.000	98.281
taxation on ordinary activities	- 17.715		- 28.194
RESULT AFTER TAXATION	<u>66.196</u>	<u>50.000</u>	<u>70.087</u>

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 Netherlands Civil Code. For the preparation and presentation of the financial statements SOMO uses also the Guidelines for annual reporting of the Dutch Accounting Standards Board, especially Guideline 640 "Organizations 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 if they have become known before preparation of the financial statements.

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 the personnel which have the right to built up 'pension' and 'vacation 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)

The allowances are included in the statement of income and expenses in the year to which the

subsidized 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 2007

ASSETS	2007	2006
	€	€
other equipment (computer/office equipment)		
purchase value at historical cost	64.771	56.174
accumulated depreciation	- 45.434	- 34.006
	19.337	22.168
balance as of 1 January		
<i>movements</i>		
investments	33.165	7.673
desinvestments	- 27.216	
depreciation	- 12.782	- 10.504
desinvestment depreciation	27.216	
	20.383	- 2.831
purchase value at historical cost	70.720	64.771
accumulated depreciation	- 31.000	- 45.434
	39.720	19.337
balance as of 31 December		
	31-12-2007	31-12-2006
ASSETS	€	€
trade debtors		
trade debtors	204.993	90.780
minus: allowance for doubtful receivables	31.500	20.000
	173.493	70.780
subsidy receivable		
Subsidies Dutch Government	90.331	122.074
Subsidies European Government	143.171	29.084
	233.502	151.158
total subsidy receivable		
prepayments and accrued income		
professional services to invoice	94.109	19.493
other prepayments and accrued income	26.029	12.595
	120.138	32.088
cash and bank balances		
cash and bank balances	665.223	500.837
	665.223	500.837

SOMO started a capital account in 2007 related to the Postbank account for bank guarantees. At the end of 2007, the total sum of bank guarantees is €83,969.

This amount refers to two bank guarantees. The first one (€ 26.275) relates to the lease for the building of SOMO at Sarphatistraat 30 in Amsterdam (annual expense: € 52,541) The second bank guarantee (€ 57.694) was required by the European Commission in order to receive advanced payments of a subsidy. All

other cash and bank balances are available for expenditure by SOMO.

SOMO only buys shares when it 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 2007	2007	financial year 2007
equity			
general reserve	111.849	86.196	198.045
appropriated reserve removal	40.000	-	-
appropriated reserve housing	-	20.000	20.000
appropriated reserve organization development	20.000	-	20.000
	<u>171.849</u>	<u>66.196</u>	<u>238.045</u>
provision			
provision personnel	10.174	3.100	13.274

Costs were incurred due to the relocation of SOMO in 2007 from Keizersgracht to Sarphatistraat. SOMO had reserved € 40,000 for this relocation in previous years. The new lease entered into with third party in respect of the property at Sarphatistraat starts from July 2007 till June 2012. The reservation for relocation has now been renamed as a general housing reserve and reduced to € 20,000. SOMO will add € 10,000 to this provision 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 salary

costs of the employees with a contract for an indefinite period (for 2007 the norm would be: € 270,000). Any residual positive results will be added to the reserve for organizational 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.

LIABILITIES	31-12-2007	31-12-2006
	€	€
creditors		
creditors	79.529	58.818
contract obligations project partners	169.006	62.027
total	248.535	120.845
advanced payments/ advances received on subsidies		
advances received on subsidies Dutch government	251.836	58.812
advances received on subsidies European government	13.702	-
advances received on other contributions	159.300	149.326
advances received on professional services	3.035	1.000
	427.873	209.138
taxation and social securities		
<i>taxation (corporate tax)</i>	-	5.714
<i>tax dividend</i>	-	1
<i>value added tax (V.A.T)</i>	-	15.644
<i>social securities (payroll tax)</i>	-	23.991
	2.632	28.568
31-12-2007		
LIABILITIES	€	€
accruals and deferred income		
pension contributions	-	48.132
	48.132	546
other accruals and deferred income		
project related expenses	52.603	48.709
holiday days	64.122	48.865
end of year personnel bonus	58.183	39.226
services auditing, controlling and ICT	48.058	43.658
undue payment	50.000	-
other	61.894	38.725
	334.860	219.183
	286.728	218.637

The contracts with project partners refer to short-term debts (maximum of one year) for cooperation in joint projects or subcontracting in services delivery.

Contingent assets and liabilities

The foundation has a defined benefit plan that provides pension for employees on retirement. It is allowed that 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 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.

The lease for Sarphatistraat 30 SOMO signed in 2007 starts from 1 July 2007 – 30 June 2012. The first annual rent is € 52.541.

SOMO has a contract for a copier which runs until 10 June 2008. The annual fixed costs for this rent are € 2,000.

The financial commitment for the programmes SOMO conducts with (consortium) partners is on annual basis. In the case of the programme commissioned by the European Commission, seven consortium partners are involved (SwedWatch, FinnWatch, GermanWatch, IRENE, Cividep, SACOM, SOMO). For the period of the programme, SOMO signed a Memorandum of Understanding with the 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	2007 €	2006 €
government grants		
<i>subsidies Dutch government</i>		
Ministry of Foreign Affairs	919.558	510.618
Ministry of VROM	23.943	100.834
	943.501	611.452
<i>subsidies European governments</i>		
DG EuropeAid	259.280	-
DG Employment and Social Affairs	188.663	50.308
	447.943	50.308
	1.391.444	661.760
other contributions		
Network Contributions	374.948	203.850
Capacity building and awareness raising subsidies	37.256	160.048
	412.203	363.898
total income government grants and contributions	1.803.647	1.025.658
professional services		
professional services	198.703	195.545
total income professional services	198.703	195.545

EXPENDITURE	2007 €	2006 €
direct project costs		
travel costs	160.643	91.254
office expenditure	52.567	11.234
telephone and postage	5.356	5.204
printed matter	64.633	40.035
contracted work	603.904	257.330
other direct project costs	40.258	32.055
	927.361	437.112
direct costs of professional services		
direct costs of professional services	12.816	50.986
total direct costs of professional services	12.816	50.986
personnel costs		
<i>salaries</i>		
gross wages	633.089	426.466
social securities	95.328	67.059
pension contributions	48.197	39.419
expenditure employee saving scheme	932	996
	777.546	533.940
<i>remaining personnel expenditure</i>		
remaining personnel expenditure	148.942	118.500
	148.942	118.500
subtotal personnel costs	926.488	652.440
minus: charged for (project) personnel expenditure	47.685	61.920
total personnel costs	878.803	590.520
general expenses		
services (auditing, controlling, advice)	35.302	35.316
literature, website, internet and databank	20.906	6.227
ICT (software and hardware)	48.995	36.154
depreciation	12.782	10.504
building expenditure (rent/energy)	70.148	24.967
housing expenditure (including removal)	71.262	26.697
other general expenses	49.341	53.681
	308.736	193.546
minus charged for:		
project costs	77.859	48.230
	77.859	48.230
total general expenses	230.877	145.316

Explanation of differences between realization and budget 2007

Analysis of difference

The positive result in 2007 is higher than budgeted. The budget 2007 was € 50,000 before taxation. The positive result is € 66,196. The differences can be explained by several causes. In the first place, the effectiveness of employees was higher. The average effectiveness (direct time in projects / time worked) was higher than the norm of 75%. Secondly, absenteeism was very low (1.2%). More projects were carried out in 2007, and for this reason extra capacity was recruited on a temporary basis. The fixed costs did not rise. The relocation and the investment in the new building were higher than expected.

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.

Two new programmes started in 2007. The first programme is funded by the European Commission and runs from January 2007 to December 2009. The second programme is funded by the Dutch Ministry of Foreign Affairs and runs from January 2007 to December 2010.

Expenses

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



Other Information

Appropriation of result 2007

The result after taxation 2007 is € 66,196 positive (2006: € 70,087 positive). The board of SOMO decided to add this result to the general reserve.

The reserve for relocation has been renamed as a housing reserve and reduced to € 20,000. This means that € 20,000 of the reserve for relocation has been reallocated to the general reserve.

Auditor's report 2007

Dubois  Co.
REGISTERACCOUNTANTS

Oranje Nassaulaan 1
1075 AH Amsterdam
Postbus 53028
1007 RA Amsterdam

TELEFOON [020] 571 23 45
TELEFAX [020] 664 21 87
E-MAIL info@dubois.nl
www.dubois.nl

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

AUDITOR'S REPORT

We have audited the identified financial statements 2007 of Stichting Onderzoek Multinationale Ondernemingen (SOMO), in Amsterdam, which comprise the balance sheet as at 31 December 2007, 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 auditor's 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.

VENNOTEN

M. Karman
A.F.M. van Klaren
C. Offerman

MANAGER

J.J.H.G. Stengs

WISCONSINGELREGISTERACCOUNTANT

drs. P.A.J.M. Bonants
drs. R.W.J. Bruinooie
drs. A.P. Buteijn
drs. J.J.M. Huijbregts
drs. G. Visser
drs. J.P. Walter

SENIOR ORGANISATIEADVISEUR

drs. P.W.A. Kasteleyn, RC

Dubois  Co.
REGISTERACCOUNTANTS

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 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, 24 April 2008

Dubois & Co. Registeraccountants

Signed:

C. Offerman

R.W.J. Bruinooge



**Centre for Research
on Multinational Corporations**

Sarphatistraat 30
1018 GL Amsterdam
The Netherlands
T: +31 (0)20 639 12 91
F: +31 (0)20 639 13 21
info@somo.nl
www.somo.nl