

Business in the

The Politics of Responsible Business 2005

Community

A survey of MPs' and Peers' attitudes towards corporate responsibility

Research Document



nationalgrid

Foreword

It has been five years since the All Party Parliamentary Group on Corporate Responsibility (APPG on Corporate Responsibility) was established. In fact, the Group's establishment was prompted by a survey in 2000 of politicians' attitudes revealing a lack of awareness and understanding about corporate responsibility. The Group felt that it is now important to re-visit key Members' of Parliament and Peers' views and investigate current understanding and expectations of corporate responsibility.

I am delighted that over two in three of the Parliamentarians surveyed believe the APPG on Corporate Responsibility has helped to raise the level of debate about corporate responsibility in that time, and look forward to challenging further debates with business and Parliamentarians over the next year.

Overall, it seems clear that parliamentarians' definition of corporate responsibility has broadened and with that the perceived link with competitiveness is clearer. Expectations of business remain high, particularly in terms of how a company treats its employees and the environment in which it operates, as well as how that company reports its impacts.

Baroness Greengross, Chair, All Party Parliamentary Group on Corporate Responsibility

Research Partners

The research was managed by Business in the Community together with the secretariat for the APPG on Corporate Responsibility. Thank you to GlobeScan for their involvement, advice and, of course, for processing the data. We are grateful to National Grid, as the supporters of the APPG on Corporate Responsibility who kindly agreed to sponsor this research.

Technical Note

The survey was sent to all MPs and Peers by email, with an option to fill in the survey on-line or on paper. All responses were sent back directly to GlobeScan to ensure respondents' anonymity. 54 questionnaires were returned by 18 October 2005 - 28% online, 72% on paper. 45% of respondents are MPs, the remaining 55% Peers. Half of the respondents are members of the APPG on Corporate Responsibility, half are not.

The survey's response rate means that the survey is statistically reliable, and using a 95% confidence interval is representative of both Houses to within $\pm 13\%$.

The Politics of Responsible Business 2000

Throughout this report we refer to an earlier study conducted by PricewaterhouseCoopers. That survey 'The politics of responsible business' was conducted in Summer 2000 by PwC, in association with The Industry and Parliament Trust and is widely regarded as helping to create the APPG on Corporate Responsibility.

Key Findings

- There has been a significant shift in both the understanding of corporate responsibility and the expectations of companies since 2000. Parliamentarians now recognise its breadth reflecting how a company operates internally (through governance culture and treatment of employees) as much as its external impact on the environment and the communities in which it operates.
- Corporate responsibility is certainly seen as much more influential on bottom line than five years ago, with 4 in 5 Parliamentarians seeing active management of corporate responsibilities as a competitive advantage.
- Expectations of companies' lobbying activities also reflect the increasing breadth of responsible business practice. A majority want to see evidence of correlation between stated corporate responsibility positions and any lobbying.
- The key issues cited by Parliamentarians for companies to focus on in the next five years are seen to be the global environment, (particularly climate change), treatment of staff and addressing pension issues.
- Awareness of specific company activity remains low. Nearly half of the MPs who responded were unable to say whether companies in their constituency are well engaged on key social issues. When all the respondents were asked to name any particular responsible company, 1 in 5 could not name one.
- The APPG on Corporate Responsibility is seen to have helped raise the level of debate about corporate responsibility in Parliament over the last five years.

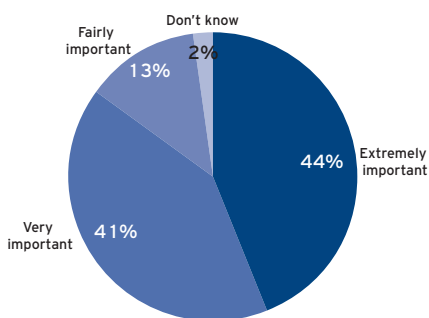
Corporate responsibility in context

4 in 5 Parliamentarians who responded believe companies that actively manage their corporate responsibilities have a competitive advantage, with 30% strongly feeling responsible businesses have such advantage. In fact, no-one believes it would be to a company's disadvantage. This seems a significant shift since 2000, when 50% believed corporate responsibility was not influential in creating value for shareholders.

Members of the APPG on Corporate Responsibility are more likely to believe that active management of responsibilities increase competitiveness (89% agree compared to 67% of non-member Parliament colleagues).

Overall, 98% of Parliamentarians believe it is important for UK companies to effectively manage their responsibilities to society. 44% believe it to be 'extremely' important.

Q: How important do you feel it is that UK companies effectively manage their responsibilities to society?



Half strongly believe that responsible business practice is just as relevant for small to medium-sized enterprises as for large companies.

It's seen as an integral part of a company's make-up. . .

Parliamentarians are most likely to look to a company's treatment of employees and their quality of products or services when forming an opinion about that company. In fact, when people were offered a list of nine options, 50% and 48% respectively picked these as their top criteria taken into account when forming an opinion about a company. 37% also point to social responsibility, with a third mentioning environmental responsibility. All of these (together with a company's financial performance) are viewed as more important than the quality of a company's management.

So what do Parliamentarians believe corporate responsibility is?

It is clear that Parliamentarians view corporate responsibility issues as relevant across the environment, community, workplace and the marketplace.

83% of the respondents use good treatment of employees to define

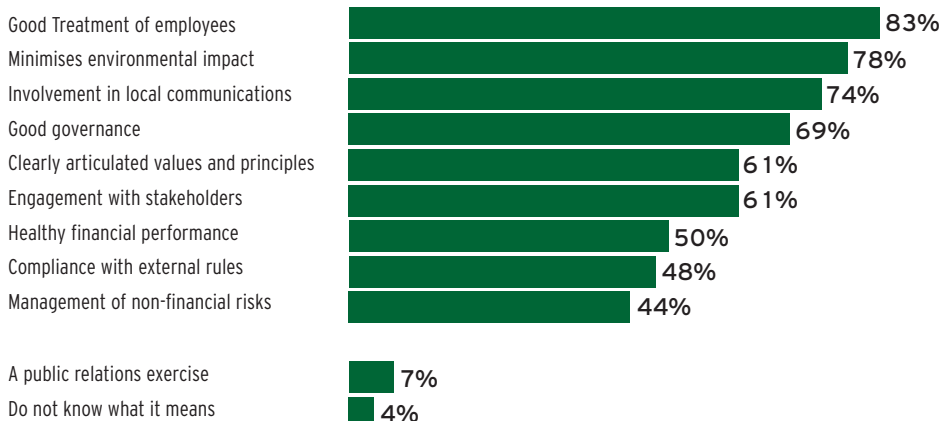
'corporate responsibility'. This is particularly significant given this is seen as the top factor judged on when forming an opinion about a company (about financial performance or quality of management).

As well as good treatment for staff, corporate responsibility is also seen to be about minimising environmental impact, involvement in local communities and good governance.

It is clear that the perceived definition of corporate responsibility has broadened since 2000 when the top responses were treatment of the environment and a company's support for charities.

Perhaps one demonstration of the increasing understanding of responsible business practice is the significant shift in opinion over the last five years on corporate responsibility being purely PR. In 2000, 91% stated that 'corporate social responsibility is seen as a public relations strategy'. Now, only 7% opt for corporate responsibility being a public relations exercise.

How would you define 'corporate responsibility'?



Businesses' Role in the UK

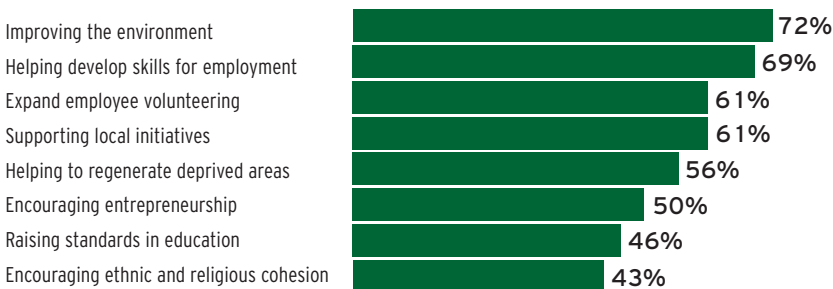
MPs and Peers are united in their belief that businesses have a significant role as corporate citizens in working with Government to solve key problems in the UK today.

Respondents believe companies could be most productive in focusing their efforts in the UK on improving the environment and helping people develop skills for employment. 56% would like to focus on regeneration, while 43%

believe companies have a role to play in encouraging ethnic and religious cohesion.

Nearly all respondents (98%) believe companies have an inherent responsibility to ensure that they consider the impacts their products and services could have. While two in three **strongly** believe companies should consider the impact of their products, this increases to three in four Peers.

Where do you believe companies could most productively focus their efforts in the UK?



Perceptions of Current Activity

However, MPs are less convinced that companies' current activity meet their expectations. 31% of respondent MPs believe that companies in their constituency are well engaged on key social issues, while 23% disagree.

Awareness remains an issue - 46% do not know enough to have an opinion. Encouragingly, two in five asked for more information about companies involved in their area of interest or constituency.

The companies most likely to be named by Parliamentarians as being particularly responsible are BP and The Co-operative Group. Other companies with more than three mentions are B&Q, Boots, The John Lewis Partnership, Marks & Spencer, National Grid and Tesco. 20% could not name any specific company they considered responsible organisations.

Conversely, the companies most likely to be mentioned as particularly irresponsible are BAT, Gate Gourmet, Ryanair and Shell.

Q: In my constituency, companies are well engaged on social issues



Base: All MPs only



I welcome the findings of 'The Politics of Responsible business' report which clearly shows that Parliamentarians increasingly expect business to be conducted in a responsible manner and, in turn, recognise its influence on competitiveness. I am encouraged by their belief that businesses have a significant role as corporate citizens in working with Government to solve key problems in the UK today. ”

Malcolm Wicks MP,
DTI Minister for CSR



I don't get a sense from the data that Members of Parliament are particularly engaged on the subject of corporate responsibility. With our research showing this phenomenon sweeping the world, I would suggest the All Party Group redouble its efforts on this challenge. ”

Doug Miller, President, GlobeScan

Lobbying

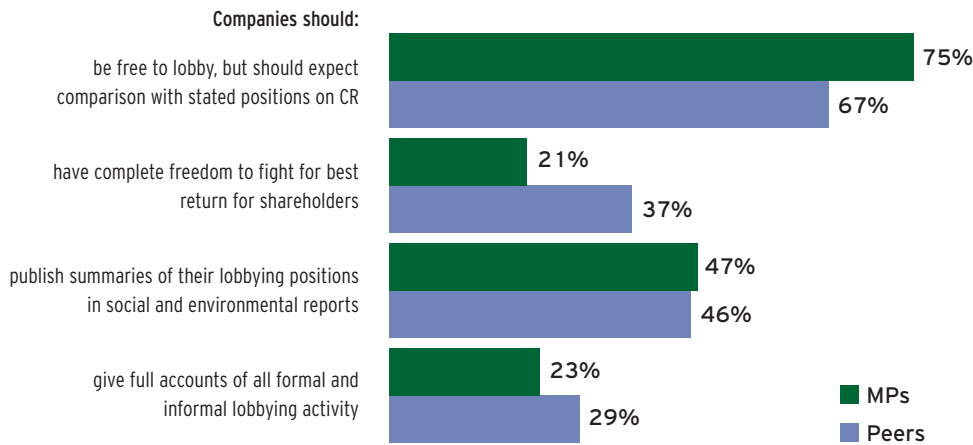
The majority of Parliamentarians who responded feel that companies should be free to lobby, but should expect comparisons with their stated positions on corporate responsibility. 30% believe companies should have complete freedom to fight for the best return for their shareholders.

In terms of transparency, nearly half (46%) believe that companies should publish summaries of their lobbying positions in social and environmental reports. 26% go further, believing companies should give full and detailed accounts of all formal and informal lobbying activity.

Views again differ by House. Peers are significantly more likely to favour companies having complete freedom to fight for their shareholders' interests, while MPs are more likely to favour some comparison with their corporate responsibility positions.

Overall, only one respondent believes that companies should not be allowed to lobby Parliament or Government.

Q: Which best reflects your expectations of companies and how they lobby Parliament and Government?



Reporting

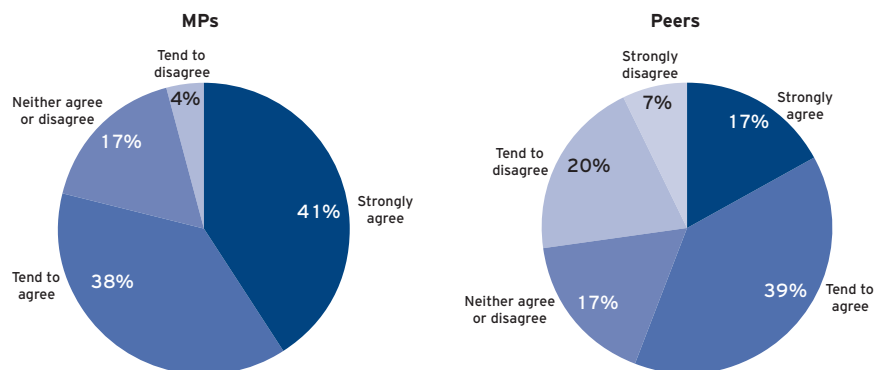
A quarter of respondents claim to regularly read companies' social or environmental reports, with a further 63% saying they have occasionally read them. One in ten of those who responded have never read any.

Opinion is more polarised on reporting than on other issues.

Overall, two in three believe companies should be required to produce verified reports on social and environmental performance, with 28% strongly agreeing. However, two in five do not believe companies should be required to do so. MPs are significantly stronger in their expectations of company reporting.

This is one area where expectation has not changed over five years. In 2000, 70% agreed that companies should be required to produce verified reports on social and environmental performance. In 2005, it is 67%.

Q: Companies should be required to produce verified reports on societal and environmental performance

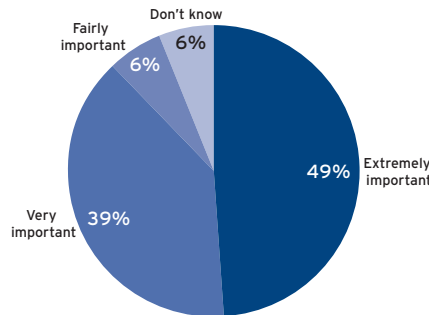


Responsible Government

95% of the Parliamentarians who responded believe it important that UK Government meets the same standards expected of business. Overall, half feel it is **extremely** important. Peers are more likely to believe it is of extreme importance.

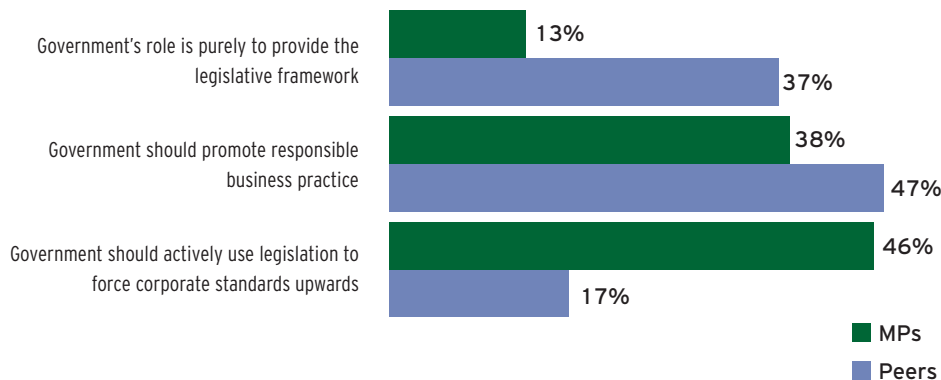
It is in the Government's role in encouraging corporate responsibility where MPs' and Peers' views differ most significantly.

Q: How important do you feel it is that UK Government should meet the same standard expected of business?



Overall, two in five feel Government should promote responsible practices to companies, while a quarter believe its role is purely to provide the legislative framework that establishes the minimum standards. However, 30% feel that Government should actively use legislation to force corporate standards upwards beyond the minimum requirement. Members of Parliament are three times as likely as Peers to favour active legislation.

Q: What do you see as Government's role in encouraging corporate responsibility that goes beyond compliance?



Business in the Community has supported the APPG on Corporate Responsibility for five years and I am delighted to see in that time how the understanding of responsible business practice has changed to now believing that it is about how business operates not just what business does in the community. Business in the Community exists to inspire, engage, support and challenge companies to continually improve the impact it has on society and our primary way of doing this is by sharing the best practice of our leading edge companies to show the many business benefits that result. However, as nearly half of our MPs who responded to the survey are unable to comment on companies in their own constituency that are well engaged, there is clearly much more to do to demonstrate the positive impact companies can have on social issues. Business in the Community will commit to working to further raise awareness in order to encourage all MPs, as a matter of course, to ask their local companies what action they are taking and what the impact of it is both on the community and to the business.”

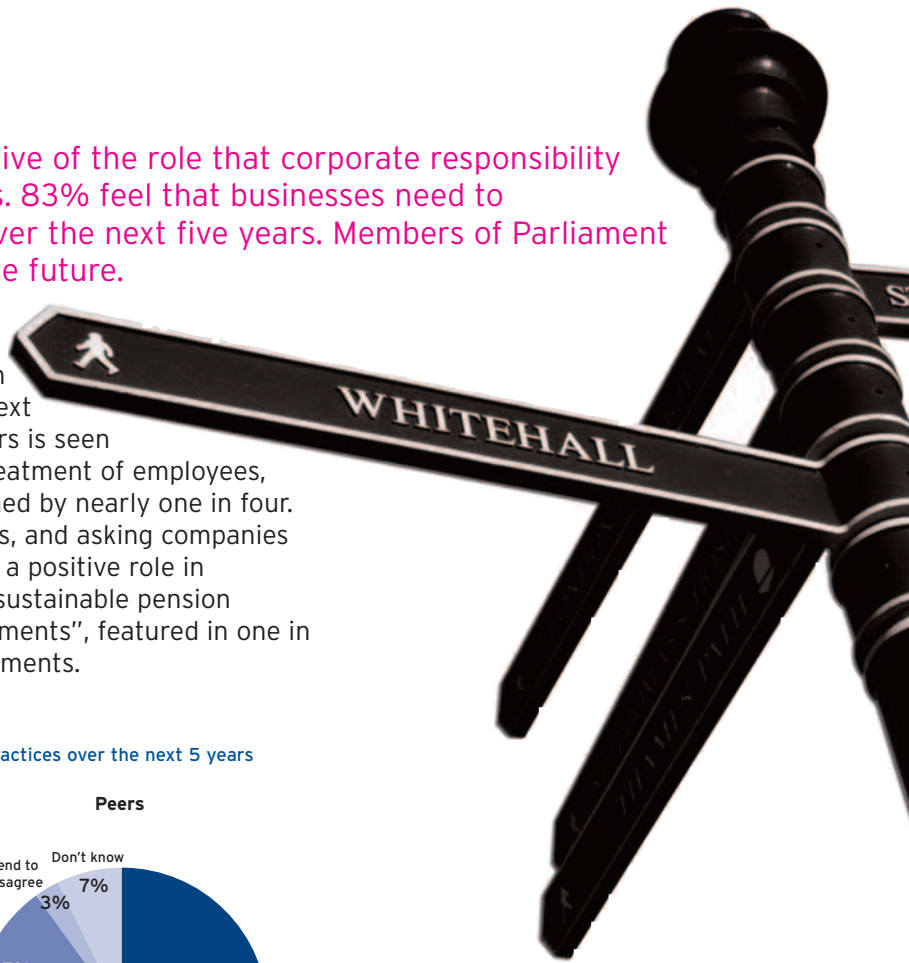
Julia Cleverdon, CVO CBE, Chief Executive, Business in the Community

Future Expectations

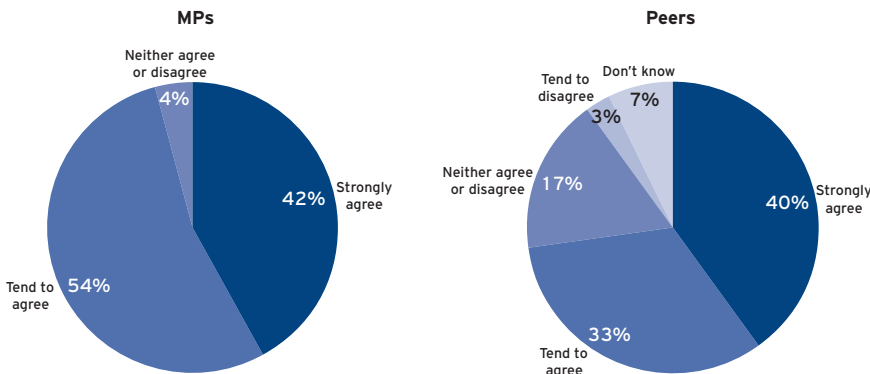
While Parliamentarians are more positive of the role that corporate responsibility can play, they retain high expectations. 83% feel that businesses need to significantly improve their practices over the next five years. Members of Parliament tend to have higher expectations of the future. (96% MPs vs. 73% of Peers)

Parliamentarians were asked what they believed the key corporate responsibility issues are for UK business over the next five years. While this encouraged a variety of ideas, the most common theme emerging is the environment, mentioned by over half, particularly climate change. The next key issue for companies to

focus on in the next five years is seen to be treatment of employees, mentioned by nearly one in four. Pensions, and asking companies "to play a positive role in finding sustainable pension arrangements", featured in one in ten comments.



Q: Businesses need to significantly improve their responsible practices over the next 5 years



Other comments include:

To ensure they translate their fine words into action and to ensure that all the key areas of the company are both aware of and behaving in accordance with standards and values of the organisation
Crossbencher Peer

Ensuring consumers and stakeholders are aware of companies' corporate responsibility and ethics
Labour MP

Balance global competition needs and pressures with social responsibility. Justify the cost.
Labour Peer

To ensure their core products/services/initiatives are 'good'
Crossbencher Peer

Ensuring fair trade policies are followed in dealing with overseas suppliers and customers
Labour Peer

Use of resources and finite resources
Liberal Democrat MP

Encouraging the 'laggards' to take up the challenge of corporate responsibility
Labour MP

Food marketing and production issues
Conservative Peer

Ensuring transparency and honesty in all work undertaken
Liberal Democrat Peer

Balancing the interests of shareholders, employees and the community at large
Conservative MP

The All Party Parliamentary Group on Corporate Responsibility

The APPG on Corporate Responsibility is an officially registered all party group in Parliament. The Group was established in 2001 following the PricewaterhouseCoopers survey (referred to in this document) with its main aim being to promote debate and understanding of corporate social responsibility in Parliament.

Overall, two in three Parliamentarians believe that the APPG on Corporate Responsibility has helped raise the level of debate about corporate responsibility in Parliament over the next last years. One in ten believe it has helped 'a great deal'.

94% of respondents have heard of the APPG on Corporate

Responsibility, with half of the sample being members.

Members of the group are more likely to be aware of companies' corporate responsibility activities and their social and environmental reports, and significantly more likely to see the competitive benefit that it can bring.

However, increased awareness does not mean they expect less of business. As well as being more likely to ask more of business over the next five years, members also ask more of social reporting. In fact, they are twice as likely as their colleagues to expect companies to publish their lobbying positions in social reports and 50% more likely to want companies to produce verified reports.

The Sample

- 45% of the sample are MPs, with half of these Labour. 55% are Peers (6 Labour Peers, 9 Conservative Peers, 6 Liberal Democrat and 8 Crossbenchers).
- 83% have had some experience working in business, with 37% having worked for over 20 years.
- 40% asked for more information about companies involved in their area of interest or constituency.

CONTACTS:

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For further information about the All Party Parliamentary Group on Corporate Responsibility, its members or its meetings, please contact Gemma McNeillis, Business in the Community on 0870 600 2482 or gemma.mcneillis@bitc.org.uk, or the group's secretariat Patricia Constant, CLC on 020 7222 1265 or patricia.constant@centrallobby.com

Please note the Group is a parliamentary one only, but non-Members are welcome to attend meetings by invitation or on request. Full listing of the group's members and minutes of meetings are available on www.bitc.org.uk/parliament

Business in the

Community

Business in the Community is a unique movement of over 750 member companies, with a further 2000 plus engaged through our programmes and campaigns. We operate through a local network of more than 100 business led partnerships and 60 global partners.

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