



**ASSOCIATE PARLIAMENTARY
CORPORATE RESPONSIBILITY GROUP**



Annual Report

2011-2012

Introduction



The last year has been another very challenging one for responsible businesses as, sadly, the reputation of business generally has been adversely affected by various issues. The disenchantment with the financial services sector engendered by the financial crisis and arguments about excessive executive remuneration has been compounded by distrust of the media, following months of revelations about “hackgate” unveiled at the Leveson inquiry. At a time when household incomes are under intense pressure, and the Government is struggling to re-balance public finances, the suspicion that some major and highly profitable companies operating in the UK are avoiding paying their fair share of tax has been particularly toxic. More recently, successive scandals related to LIBOR, the mis-selling of insurance policies by banks to SMEs and allegations about money-laundering and sanctions-busting activity have further tarnished the reputation of British banks.

All this is in stark contrast to the ideals of striving for excellence through hard work and commitment, teamwork and fair competition that we have seen exemplified by Olympian athletes in London this summer.

In his review of “short-termism” published in July, Professor John Kay emphasised the dependence of successful financial intermediation on trust and confidence; and the need to create cultures in which business and finance can work together to create high performing companies and earn returns for savers on a sustainable basis. These views were echoed at our meetings last October and December, when we discussed the role of the City in promoting responsible investment and executive remuneration in the wake of the High Pay Commission’s report. There was strong agreement at both meetings on the need to take a long term view when judging investment, performance and pay.

If business generally is to regain public trust and be held once again in high regard, it is essential that business leaders learn from the 2012 Olympics. Inspirational leaders set the values as well as the goals and policies of their companies. They must ensure that decent values are embedded in the way their companies operate and thereby deliver outperformance. As we have seen, neglecting values can have dire consequences for companies’ reputation and sustainability. The Cooperative Bank has won a swathe of new customers attracted by its ethical reputation, while the share price of banks such as HSBC and Standard Chartered plummeted in the wake of allegations of money-laundering and sanctions-busting activity.

In addition to ensuring companies adhere to decent values it is vital that the leaders of responsible businesses publicly communicate these values and the admirable work being done by their companies in order to raise awareness of it. Companies are not just generating jobs and, through the production of vital goods and services, delivering profits to their shareholders, although these fundamental benefits of responsible business should not be underestimated. While our country continues to face enormous economic challenges, it is worth noting that employment in the UK has held up unexpectedly well during the recession and this is due in no small part to enlightened management recognising the mistakes of the past and negotiating with employees to offer more flexible and part-time employment, rather than making more people redundant.

In our meetings this year we have heard some inspirational accounts of the work being carried out by our members in many fields, not least through their business-education partnerships with schools and universities and their apprenticeship schemes. This work is making an invaluable contribution to skills development in the UK, which is absolutely essential if we are to remain internationally competitive. This corporate investment in our people and our communities, and much else besides, deserves to be celebrated and I applaud the work of the many organisations, including Business in the Community, the City of London Corporation and *The Financial Times*, which through their award schemes and indices celebrate and draw attention to corporate best practice.

Values-led leadership and good communication are essential to re-building trust and confidence in business, but they will be insufficient alone. As Richard Lambert reminded us last year, many business leaders are now talking about shared value rather than share value and thinking about whether companies have a broader mission in life than just maximising short-term profits for shareholders. Increasingly business sustainability - and thus shareholders' long term value - is being linked with communicating with, and acting in the interests of, a wide range of stakeholders. Creating a store of goodwill and trust will also enable companies to call on those reserves if and when problems arise.

At our last meeting before the summer recess we discussed whether well-being is a suitable objective for governments and responsible businesses. Mark Williamson, Director of Action for Happiness, made the important point that one of the best ways in which businesses can behave responsibly is by nurturing their staff. The promotion of well-being, including employees' physical and mental health, will pay dividends in terms of a company's performance; it will also support healthier and flourishing families and communities.

Defra is consulting until mid October on a revised set of Sustainable Development Indicators to be used by Government - alongside the national well-being measures developed by the ONS, which the Group discussed in July - to provide a wider set of measures of how society is progressing. The need to move beyond GDP as the sole measure of progress received international recognition at the Rio+20 Summit. Defra is also consulting on new draft guidance for corporate sustainability reporting. The proposed guidance shows businesses how they can measure and report on their performance in five areas: air quality and emissions, water, biodiversity and ecosystem services, natural materials and waste.

As memories of London 2012 begin to fade, I hope that part of the lasting legacy of the Games will be healthier communities and an expansion of volunteering in the UK.

All businesses can help deliver healthier communities by promoting employees' health and by supporting community sport; while companies in the food and drink sectors have a direct opportunity to support public health by producing and promoting a healthier diet and supporting work to reduce alcohol-related harm. Many responsible businesses are, of course, already engaged in such work, including those committed to pledges under the auspices of the Public Health Responsibility Deal. The number of Responsibility Deal partners has more than doubled from 176 when it was launched in March 2011 to more than 390 organisations now.

The 70,000 "Games Makers" clearly left an indelible impression on many of the athletes, spectators and officials who visited the London Games. Enabling employees to get involved in volunteering has a demonstrable benefit in terms of employee well-being, the community and a company's performance and reputation. Employee volunteering can and should make a major contribution to the expansion of volunteering in the UK. I hope that more companies will follow the example of the best in promoting employee volunteering and in this and other ways, help to ensure that British businesses are held in high regard by their employees and in their neighbourhoods.

I look forward to discussing the Olympian legacy at our next meeting in October with Daniel Moylan, the Chair of the London Legacy Development Corporation, and Baroness Grey-Thompson, Britain's most successful Paralympian to date, before we turn in our last meeting of 2012 to the issue of media responsibility, following the publication of the Leveson inquiry report.

The APCRG will be as busy as ever over the next twelve months: challenging businesses to raise their standards and providing opportunities for Parliamentarians to learn more about responsible business practice. I greatly look forward to working with the Officers and members in the year ahead. The Group would not be as successful as it is without our excellent secretariat, provided by Patricia Constant of Central Lobby Consultants, and the active support of my fellow Officers. The Group benefits enormously from the collective experience and wisdom of Baroness Gibson of Market Rasen, Martin Horwood, Baroness Howe of Idlicote, John Robertson, Lord Sheppard of Didgemere and Jo Swinson. I thank them and all the Associate and Parliamentary members who have enriched our discussions over the last year.

A handwritten signature in black ink, reading "Sally Greengross". The signature is written in a cursive, flowing style.

Baroness Greengross, Chairman 2011-12

Meetings held 2011-2012

CSR, the City & responsible investment - October 2011

Our first meeting of the autumn term provided an opportunity to discuss the role of the City in promoting responsible investment and investment to support social action, with leading experts in these fields. Our guest speakers were: Sir Ronald Cohen, Chair of Big Society Capital; Paul MacKay, Chief Executive of Hermes GPE and Chair of the Private Equity and Venture Capital Association's Responsible Investment Advisory Board; and Paul Lee, Director of Public Policy & Product Development at Hermes Equity Ownership Services. Sir Ronald Cohen provided a particularly inspiring account of the way in which the social investment bank, Big Society Capital, will be able to channel investment funds on a much greater scale than hitherto seen into social enterprises enabling them to tackle social issues such as sickness, homelessness, or recidivism cost effectively.

Executive remuneration - December 2011

Executive remuneration in the UK has become an increasingly controversial issue as the link with performance has become blurred and income inequality has soared. This meeting followed shortly after the publication of the High Pay Commission's final report on executive remuneration and the publication in September 2011 of revised Principles of Executive Remuneration by the Association of British Insurers (ABI), which suggested that executive pay should be more clearly tied to successful performance and Boards should "strongly resist" rewarding failure. Members were able to discuss these issues with our expert guest speakers: Deborah Hargreaves, Chair of the High Pay Commission, and Hugh Savill, Director of Prudential Regulation at the Association of British Insurers (ABI).

Corporate taxation and tax avoidance - January 2012

The Group held a meeting in January 2012 to discuss corporate taxation and tax avoidance in the UK against mounting criticism that many companies operating in the UK are avoiding paying UK taxes and we are not "all in this together". The guest speakers were Richard Murphy, a tax consultant, author and journalist; and Professor Philip Booth, Editorial and Programme Director at the Institute of Economic Affairs and Professor of Insurance and Risk Management at Cass Business School, City University. At the end of a lively discussion, Philip Booth emphasised that the proportion of tax paid by labour and capital is roughly the same as a generation ago and Richard Murphy gave corporate responsibility directors and managers advice about what they should seek to achieve within their companies.

The emergence of mutuals from the public sector - March 2012

The last Labour Government and the current coalition Government have both looked to encourage the development of new ways of providing public services, not least by encouraging the emergence of mutuals in the public sector. To mark the UN Year of the Co-

operatives, we decided to hold a meeting to consider how far these reforms might go and how likely they are to provide demonstrable improvements in public services. Our guest speakers were Professor Julian LeGrand, the Government's Policy Adviser on Mutuals; Peter Walls, Chief Executive of Gentoo; and Paul O'Brien, Chief Executive of the Association for Public Service Excellence. Peter argued that there is space in society for not-for-profit organisations to expand so that more resources are used for the common good rather than to generate private profits. Paul highlighted the importance of democratic accountability and suggested that relationships between the public sector and third sector should be founded on co-operation and collaboration rather than competition.

AGM - May 2012

The Group's AGM – a requirement of the Parliamentary rules for Approved Parliamentary Groups - was held in May. All the existing Officers agreed to be re-nominated and were elected unopposed. Lord Newby and Lord Younger of Leckie subsequently had to stand down upon appointment to the Government. The Officers discussed ideas for meetings in the year ahead and a provisional programme was agreed. All members are encouraged to contact the Secretariat to suggest subjects for future meetings.

Skills development and business-education partnerships - May 2012

On 15 May a panel of five speakers drawn from the Group's membership gave a really encouraging and practical account of their work with schools and undergraduates, their work experience programmes, apprenticeships schemes and their support for the National Skills Academies. The speakers were: Camilla Fletcher, Head of EMEA Philanthropy, Bank of America Merrill Lynch; Wendy Sinfield, Community Relations Manager, Manchester Airport Group; Les Ratcliffe, Head of Community Relations, Jaguar Land Rover; David Micciche, Health Safety Environment & Sustainability Director, John Laing; and Sally Gold, External Affairs Manager, Shell.

Is well-being a sensible objective for governments and employers? - July 2012

The Group discussed whether the promotion of well-being is a sensible objective for governments and responsible businesses at its meeting in July. The guest speakers were Dr Mark Williamson, Director of Action on Happiness, and Glen Everett, Programme Director, Measuring National Well-being, at the Office of National Statistic (ONS). Mark talked about the importance of employee well-being for good decision-making, creativity, resilience and the ability to form positive relationships in the workplace. He suggested one of the most important things a responsible business can do is to look after its own people. Glenn spoke about the work being done by the ONS to devise a set of measures for monitoring national well-being.

Membership of the APCRG

Officers:

Chair: Baroness Greengross OBE

Vice-Chairs: Baroness Gibson of Market Rasen, Baroness Howe of Idlicote, John Robertson MP, Lord Sheppard of Didgemere and Jo Swinson MP.

Hon. Secretary: Martin Horwood MP

MPs:

Tony Baldry, Ed Balls, Gregory Barker, Anne Begg, Hazel Blears, Peter Bottomley, Vincent Cable, David Cameron, Kenneth Clarke, Michael Connarty, Rosie Cooper, Ian Davidson, Jonathon Djanogly, Jonathan Evans, Nigel Evans, Hywel Francis, Michael Gove, Stephen Hammond, Chris Huhne, Barbara Keeley, David Lammy, Tim Loughton, Andy Love, Ian Lucas, Fiona Mactaggart, Jim McGovern, Michael Meacher, Alun Michael, Madeleine Moon, Michael Moore, Jessica Morden, Nicky Morgan, Jamie Reed, Barry Sheerman, David Simpson, Ian Stewart, Jo Swinson, Gareth R Thomas and Ed Vaizey.

Peers:

Lord Aberdare, Lord Alton of Liverpool, Baroness Andrews, Lord Bhatia, Baroness Blood, Lord Brennan, Baroness Brinton, Lord Browne of Madingley, Baroness Buscombe, Lord Butler of Brockwell, Baroness Chalker of Wallasey, Lord Clement-Jones, Baroness Coussins, Baroness Cumberlege, Baroness Dean of Thornton-le-Fylde, Lord Debden, Lord Faulkner of Worcester, Lord Freeman, Lord Gavron, Baroness Goudie, Baroness Gould of Potternewton, Lord Harrison of Chester, Lord Haskel, Lord Haskins, Lord Hastings of Scarisbrick, Baroness Hayman, Baroness Hooper, Lord Howard of Lympne, Lord Howarth of Newport, Lord Howell of Guildford, Lord Joffe, Lord Jones, Lord Judd, Lord Lester of Herne Hill, Baroness Liddell of Coatdyke, Lord MacGregor of Pulham Market, Baroness McIntosh of Hudnall, Baroness Miller of Chilthorne Damer, Lord Mitchell, Baroness Noakes, Baroness Northover, Lord O'Neill of Clackmannan, Lord Paul, Baroness Perry, Lord Peston, Lord Phillips of Sudbury, Baroness Pitkeathley, Baroness Prashar, Baroness Prosser, Lord Puttnam, Baroness Richardson of Calow, Lord Sharman, Baroness Sharp of Guildford, Lord Sheldon, Lord Simon of Highbury, Lord Stevenson of Coddanham, Lord Stone of Blackheath, Lord Taylor of Warwick, Lord Touhig, Baroness Valentine, Baroness Warwick of Undercliffe, Baroness Whitaker, Lord Williamson of Horton and Lord Wolfson of Sunningdale.

Associate members:

Accenture, Addleshaw Goddard LLP, Allen and Overy LLP, Alliance Boots, Apax Partners, ASDA Stores Ltd, Associated British Foods plc, AXA UK, Bank of America Merrill Lynch, BBC, Betfair Ltd, British American Tobacco, British Land, BT plc. Camelot Group plc, Capita Group

plc, Capital Shopping Centres Group plc, Carillion, CEMEX, Centrica plc, Channel 4 Television, Charities Aid Foundation, City of London Corporation, Clifford Chance LLP, Coca-Cola Enterprises Limited, CSC Computer Sciences, Deloitte LLP, Diageo plc, Freshfields Bruckhaus Deringer, FTI Consulting Ltd, Fujitsu UK, Gala Coral Group, Gentoo Green Group Ltd, Hallmark Cards plc, Heineken UK Ltd, Hermes Equity Ownership Services Ltd, Hogan Lovells LLP, Imperial Tobacco Group plc, Institute of Business Ethics, Jaguar Land Rover, John Laing, John Lewis Partnership, Johnson Matthey, JTI, Legal & General Group plc, Liberty International plc, Linklaters LLP, Manchester Airport plc, Marks and Spencer plc, McDonald's Restaurants Ltd, MITIE, National Grid, Nationwide Building Society, NM Rothschild & Sons Ltd, Northumbrian Water Ltd, Olswang LLP, PricewaterhouseCoopers LLP, Provident Financial plc, RBS, Reed Elsevier, Rolls Royce plc, Samworth Brothers, Santander UK, Scottish Power plc, Serco Group plc, Shell UK Ltd, Siemens plc, Southern Water, Tata Consultancy Services, Telefónica O2 UK, Thales Holdings UK plc, The Heaven Company, Unipart Group Ltd, University of Nottingham, Warburtons Ltd, Whitbread, WPP, Yorkshire and Clydesdale Bank Foundation and Zurich Insurance plc.

Subscriber members:

CSC Computer Sciences, Guardian News and Media, National House Building Council, Pirelli UK Tyres Ltd and Princes Foods.

Finance and Registration

The Group is officially registered with the Parliamentary Commissioner for Standards and it is on the Approved List as a recognised Associate Parliamentary Group. Further information about the Group is available on our website at: www.apcrg.org.uk