



# THE GOOD CORPORATION

AND ITS ROLE IN MODERN SOCIETY

# Agenda

- 18:30** Networking
- 19:00** Welcome from Tim Montgomerie
- 19:10** Introduction from Alistair Phillips-Davies
- 19:30** Panel discussion with Jim Pettigrew and Helena Morrissey
- 20:30** End

To get involved in the  
online debate, tweet using  
**#GoodCorp**

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## Earning the right to be commercially successful

Welcome to this evening's discussion on the good corporation and its role in modern society. My starting point for tonight's discussion is that we, as the UK's biggest businesses, have a collective problem.

Tonight SSE and ICAS are publishing exclusive YouGov research on public attitudes to tax paid by corporations. There is one result from the research that demonstrates the problem perfectly. Just 34% of people believe that big businesses, generally speaking, pay their fair share of tax, yet 80% believe that small businesses do. I believe that the notion that big businesses have the resources and the wherewithal to bend the system in their favour is at the heart of this lack of trust.

What's at stake is much more serious than some technical argument over what is bending a rule and what is a proper way to plan complex corporate tax affairs. This is about legitimacy and the permission to be commercially successful within the society that enables business to exist.

At SSE we've been trying to understand the problem – that's why we've been undertaking research on public opinion. But more importantly we have been working to do something about it.

It seems to us, that if you are fair in the prices you charge, you pay people a fair wage, you contribute a fair share of tax and are transparent in doing so, if you invest in people and you seek to respond to society's greatest challenges, then you might have a chance of gaining the trust from your customers that is so vital for a business to be successful. Businesses that are successful in a way that's sustainable are vital contributors to a healthy society.

So far, that has been the SSE response to the challenge of what makes a good corporation in today's world. But this is just one set of responses, and I am very keen to hear how others believe businesses should adapt and change in the future.

**Alistair Phillips-Davies**  
Chief Executive, SSE



# The Good Corporation Panel



## Tim Montgomerie

Columnist, *The Times*  
Founder, *The Good Right*

Tim Montgomerie is a columnist for *The Times* and as a Senior Fellow at the London-based Legatum Institute is researching popular sympathy for free enterprise.

Since he left the Bank of England in 1998 Tim has consistently argued for a conservatism and capitalism that takes social immobility and social injustice seriously. With Iain Duncan Smith he established the Centre for Social Justice and more recently established [TheGoodRight.com](http://TheGoodRight.com).



## Helena Morrissey CBE

CEO, *Newton Investment Management*  
Chair, *The Investment Association* and *Founder 30% Club*

Helena joined Newton in 1994 as a fund manager and was appointed CEO in 2001. Newton manages more than £50bn for pension funds, charities and through funds available to individual investors. Helena also founded the 30% Club, a cross-business initiative aimed at achieving 30% women on UK boards by 2015. She also chairs Opportunity Now, Business in the Community's gender diversity campaign.

Helena has recently been named one of *Fortune Magazine's* World's 50 Greatest Leaders. In both 2013 and 2014, Helena was voted one of the 50 Most Influential People in Finance by *Bloomberg Markets Magazine*. In 2014 she was appointed Chair of *The Investment Association*, she is a Fellow of the *Society of Investment Professionals*, a Fellow of the *London Business School* and was appointed CBE in 2012.

A Cambridge philosophy graduate, she began her career as a global bond analyst with *Schroeders*. Helena is married with nine children.

**NEWTON**  
The Power of Ideas



## Jim Pettigrew CA

President, *ICAS*

Jim Pettigrew was the Chief Financial Officer for the world's largest money and derivatives broker *ICAP PLC* before joining *Ashmore Group PLC* as Chief Operating Officer.

He then became Chief Executive of *CMC Markets PLC*.

Jim is currently Chairman of *Edinburgh Investment Trust plc*, Chairman of *Clydesdale Bank plc*, Deputy Chairman of *Royal Bank of Canada Europe* and Chairman of *Audit Committee* at *Aberdeen Asset Management plc*.

He is Non-Executive Director and Senior Independent Director of *Crest Nicholson*.



## Alistair Phillips-Davies

CEO, *SSE*

Alistair became Chief Executive of *SSE* on 1 July 2013. He has a degree in Natural Sciences and is a qualified Chartered Accountant.

He has worked in the energy industry since 1997, when he joined *Southern Electric*. He was appointed to the Board of *SSE* as Energy Supply Director in 2002 and was appointed Deputy Chief Executive in 2012.

As Chief Executive, he leads the Executive Committee and the rest of the *SSE* team in the day-to-day running and operations of *SSE* and is responsible for implementing the strategy and policy set by the Board. He also has Board-level responsibility for Human Resources and Corporate Affairs.





# Profit and virtue: Refashioning the contract between society and business

Chris Deerin, Partner, Charlotte Street Partners

**The simple fact is that the contract between capital and society that sustained for the latter part of the 20th century and into the early years of the 21st has been destroyed.**

The financial crash and its aftermath have had a devastating impact on public trust in big business and heavily undermined support for capitalism-as-usual.

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**“Across the corporate world there is deep thought being given to the function and purpose of a company.”**

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But the vast majority of people also know that the liberties, innovations and prosperity that come with a liberal economy are essential, and proven. There is no great appetite for heavily interventionist solutions that often have short-term objectives but long-term negative impacts.

All of this leaves us with what, to me, seems to be the most important question of our age: how do we refashion that contract? In doing so, how do we improve it, make it sustainable and more in tune with a century in which people’s expectations and desires are being transformed?

Across the corporate world there is deep thought being given to the function and purpose of a company. The theory of maximising short-term profit at any cost, and of incentivising employees to achieve this, increasingly looks to belong to another era.

Instead, there is talk of a new ‘double bottom-line’: profit and virtue. What is this? Building public trust in your wider intentions, deeply rooting yourself in the community around you, looking after and listening to your employees, putting in place responsible remuneration structures, being a good corporate citizen not to tick a box but because it is in everyone’s interests that you be one, paying your fair share of taxes. In this view, companies are cultural entities as well as economic ones. The way they behave sets a tone, reveals their true priorities and motivations, speaks to the nature of our wider society and the kind of people we are and want to be. In return, the good company seeks public permission to create wealth, make healthy profits and grow.

Tonight’s event is sponsored by SSE, a company that has been thinking hard about its place in society. While I am sure it would never claim to be perfect, SSE has taken a few significant steps. In September 2013, it was accredited as a Living Wage employer, the largest FTSE 100 company with that status at the time. It has also implemented a Living Wage requirement in every service and works contract in its supply chain, which is worth

£2.2 billion. The company has been given a ‘Fair Tax Mark’, again a FTSE first, which is based on significant changes to its reporting and accounting to shareholders, including disclosure of all its tax liabilities and country-by-country reporting of revenue and tax paid. Its energy projects are accompanied by largely strings-free community investment grants, and it encourages employee volunteering in local communities. It is also innovating in other areas, such as measuring the value of human capital.

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**“The theory of maximising short-term profit at any cost, and of incentivising employees to achieve this, increasingly looks to belong to another era.”**

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I believe capitalists should support and encourage this shift as a route to a more sustainable economy. Adam Smith, while applauding commerce for its contribution to prosperity, justice and freedom, also worried about the moral character of merchants and manufacturers, and what could be done to keep them in line. In his Theory of Moral Sentiments, he wrote:

*‘How selfish soever man may be supposed, there are evidently some principles in his*

*nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.*

*Of this kind is pity or compassion, the emotion we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrows of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous or the humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.’*

This wonderful sentiment, with its appeal to our shared humanity, should form the basis of how we reconstruct our liberal capitalist system, of how we build the good society. The Good Corporation must, surely, be at its heart.

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**“The good company seeks public permission to create wealth, make healthy profits and grow.”**

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## Public attitudes to corporation tax

**SSE** and **ICAS** commissioned YouGov to carry out a survey on public attitudes towards companies paying tax. Here we give the highlights of that new research.

**34%**

Only one third of individuals believe that most big businesses in the UK generally pay their fair share of tax, whereas four out of every five people think that the majority of small businesses do.

**57%**

Over half of people state that the way a company pays their taxes affects how much they trust that company.

**6%**

Only 6% of people would trust a company to provide accurate information on whether they were paying the right amount of tax – 43% would trust an independent accreditation such as the Fair Tax Mark (second behind HMRC at 47%).

**69%**

More than two thirds of people think that the Government should consider a company's ethics and how they pay their taxes when awarding contracts.

**10%**

Just 10% of people think it is acceptable for a company to move their base of operations to a country with a lower corporation tax rate to avoid paying corporation tax in the UK.

## Calling for a clearer, long term strategy for the UK tax system

The debate on tax burdens, tax avoidance and tax evasion should be an informed and serious one, focussing on effective solutions to build a sustainable tax system, fit for the UK in the 21st century.

### THE LAW MUST WORK PROPERLY

We must have simpler, better legislation because it is the law passed by Parliament that the Courts apply and determines the tax HMRC can collect. HMRC has no power to collect sums just based on money being tight, nor just on prevailing practice by tax advisers, nor on a subjective concept of "fair share", but by what the law determines. The accepted principle of us all paying the right tax at the right time has been overshadowed recently, but the right tax means the law has to be right; this means clear and unambiguous drafting of Parliament's intentions.

### HIGH STANDARDS OF BEHAVIOUR ARE REQUIRED ALL ROUND

From CAs, tax advisers, tax administrations, businesses and individuals; ICAS members are governed by a Code of Ethics and the Professional Conduct in Relation to Taxation guidelines. ICAS supports measures being introduced by government to ensure all those involved in giving tax advice should be qualified and part of the regulated environment. Regulation will not solve the issue of poorly drafted tax laws.

### BETTER INFORMATION IS NEEDED

The public at large deserves to be better informed on tax, with clear explanations being given of business tax complexities and current tax practices. The media bias towards historic and extreme cases is misleading taxpayers as to current levels of tax compliance in the UK. ICAS also has a responsibility in educating and informing the public.

### TAX POLICY NEEDS CLARITY

Governments need to be clear on the underlying principles which govern their tax policy approach. They also need to be clear on which taxpayers benefit from their tax policies and why; for example when tax relief for high earners or large corporates supports business investment or employment creation.

### BUSINESSES NEED TO BE TRANSPARENT

Businesses should consider providing accessible and coherent narrative explanations of their overall tax contributions (not limited to corporation tax) in response to the demand for greater transparency in corporate reporting.

### CRIMINAL TAX EVASION NEEDS GREATER FOCUS

The debate on tax avoidance can overshadow the systematic criminality of those in the black economy. We need to get our priorities clear and focus on the fact that tax evasion costs a lot more than tax avoidance. HMRC should publicise the top 10 things the public can do to tackle evasion, in the same way as they did for avoidance.

# What is Fair Tax?

**The Fair Tax Mark is about UK business leading the world in setting a new independent standard for responsible tax behaviour – from the smallest shop to the biggest multinational.**

The Fair Tax Mark is a label for companies and organisations that are proud to pay their fair share of tax. Whenever consumers see the Fair Tax Mark they can be assured that an organisation is open and transparent about its tax affairs and seeks to pay the right amount of corporation tax (but no more) at the right time in the right place.

Fair Tax businesses acknowledge, assume responsibility for, and are transparent about the impact of their taxation decision-making and policy. When it comes to tax, they are accountable to stakeholders as well as shareholders. Businesses say Fair Tax Mark is: popular with their employees and customers; has been useful when dealing with HMRC and bidding for contracts; demonstrates that their organisation is socially responsible; and shows their business's commitment to giving back to the community.

Find out more about accreditation at [www.fairtaxmark.net](http://www.fairtaxmark.net) or get in touch: [info@fairtaxmark.net](mailto:info@fairtaxmark.net), 0161 226 2929

## 'Fair tax' is about your attitude not just how much you pay.

**Martin McEwen, Head of Tax, SSE**

**Last October, SSE became the first FTSE 100 company to be accredited with the Fair Tax Mark. Some have characterised this as 'brave' and 'bold' but for SSE it was the next logical step in helping people see our commitment to being a responsible taxpayer.**

SSE's starting point on tax is the recognition that, as a provider of an essential service that every member of society depends on, we have a responsibility to contribute to the societies in which we operate.

There is no doubt that there is widespread consumer unease about the way some large companies manage their tax affairs. I believe this is, in part, driven by a sense that companies are not playing fair in the approach they take to managing their tax affairs and are not transparent about the principles that underpin their approach.

SSE has tried to strike the right balance, in providing analysis and commentary as to how the tax charges in our accounts are arrived at, and what factors impact upon them. That detailed analysis, however, only goes part way towards confirming whether the amount of tax payable on our profits seems to be "fair".

What is more important when making that arguably quite subjective assessment, is understanding SSE's attitude to tax. That is enshrined in SSE's tax policy, which cuts to the heart of assessing what kind of a taxpayer SSE actually is, and is why we decided to publish it in full.

We had, however, been looking for the final piece in the jigsaw. We judged that consumers are unlikely to ever be entirely reassured by the claims that companies make themselves. They want an independent third party to provide this reassurance. That is why SSE sought to work with the Fair Tax Mark.

The Fair Tax Mark accreditation has certainly helped us raise our standards and provided the credible third party accreditation we were looking for.

Through the combination of detailed, user friendly analysis; clear statements regarding SSE's attitude in relation to tax; and then external Fair Tax Mark accreditation, we are confident that anyone can assess how the tax payable on our profits is arrived at and what factors impact upon it. More importantly, we hope people can be satisfied that our approach to paying tax is fair and, as a result, be confident we are a responsible taxpayer.



# WHY BECOME A LIVING WAGE EMPLOYER?

**Across the UK one in five workers earns less than the Living Wage.**

The Living Wage is a partnership between civil society and responsible business. It provides an acceptable standard of living for employees and their families and a benchmark for employers who are able to pay more than the National Minimum Wage. The UK Living Wage is currently £7.85 per hour and the London Living Wage is £9.15 per hour.

Paying the Living Wage is a small change that makes a big difference. It can have positive effects on staff wellbeing and team morale. Employers have told us it can mean increased productivity, reduced absenteeism, better recruitment and retention, improved quality of work, and an increased consumer awareness of your organisation's ethical credentials. And consumers care too – 85% of consumers think companies that can afford to do so should voluntarily pay the Living Wage<sup>1</sup>.

Living Wage employers range from community pubs, wholesalers, service providers and Local Authorities to consultancies, charities, banks, building societies and food manufacturers. The majority of our employers are in the private sector.

It's the right thing to do, for your employees and for your organisation.

To start your journey to accreditation simply fill in the form of the Living Wage Foundation website [www.livingwage.org.uk/contact](http://www.livingwage.org.uk/contact) and we will be in touch.

## CASE STUDY

# “THE IMPACT ON OUR SUPPLY CHAIN”

*Ashley MacDonald, Procurement and Commercial, SSE*

**When SSE became Living Wage accredited in September 2013, we were one of only three hundred in the UK and the largest FTSE 100 company to do so. Since then a lot has changed, both for the Living Wage Foundation and for SSE.**

There are now almost 1,500 Living Wage employers in the UK, with several companies larger than SSE now awarded this 'badge of honour' too. To become accredited, and as you'd expect, we ensure we pay all our directly employed staff a Living Wage. But an important aspect of the accreditation criteria is that we must progressively implement the Living Wage for employees of our supply chain who work regularly on SSE premises. For a company like SSE, which invests £1.5-1.7bn in capital infrastructure each year and has a £2.2bn annual procurement spend, implementing the Living Wage in the supply chain is where we are able to make the biggest and most meaningful impact.

Back in early 2014 there was significant debate, particularly in the public sector, about the technical way to impose Living Wage conditions onto suppliers through procurement contracts. SSE, as a highly regulated and large company, navigated the way through all the issues the public sector had been grappling with and is rolling out the Living Wage across our £2bn-a-year supply chain. So from April 2014 every new applicable service and works contract tendered across SSE's supply chain includes a 'Living Wage clause'. This means that, over

time, all our supply chain's employees working regularly on our sites will receive at least the Living Wage, in addition to our own 19,000 direct employees across the UK.

From my perspective within SSE's Procurement Department, it's definitely been a challenge to implement. We include the Living Wage clause in every stage of the procurement process, from pre qualification questionnaire to contract award and of course, we need to explain to our suppliers why the Living Wage is good for business too. So while there have been more processes to implement, we are pleased to do it because it's been an important symbol of the type of company we are. To us, paying the Living Wage is about understanding the value of the people our business relies on to function and grow. It's a matter of basic fairness and making sure the people that work for us can live a decent life.

So I am really pleased that, late last year, we awarded the largest ever Living Wage contract, worth £460m, to construct a core piece of Scottish infrastructure: a subsea transmission cable between Caithness and Moray and which will support at least 600 jobs.

We remain the only major energy company to be an official Living Wage employer and for once, we hope our competitors will match us. Our door is always open to other businesses who would like to learn from SSE's experience in implementing the Living Wage, particularly those with large complex supply chains. Because, ultimately, it is in all our interests that levels of in-work poverty are reduced and there is a highly motivated and productive workforce.

# Beyond-the-bottom -line

Tim Montgomerie, Founder, The Good Right

It's not impossible for business people to be liked. For a start, the most popular person in the world today ran a very big business and is personally very, very rich. I'm thinking of Bill Gates – the founder of Microsoft and for the second year running is top of the pops in the YouGov/Times global poll of the world's most admired people.

Most business folk, however, joined MPs and journalists near the bottom of YouGov's annual survey of the professions. Conducted at the end of last year, the pollster found that just a quarter trust the managers of big businesses whereas 81% of Britons trust teachers and 89% trust nurses. And it's not just bankers that are dragging all of the commercial sector down. Only 30% trust entrepreneurs and even small businesses couldn't break above the 50% trust ceiling.

Businesses have, of course, been portrayed negatively by much of the press and in much popular entertainment for a very long time but they also face a more fundamental public relations challenge. The positive benefits that they provide for the whole of society – including jobs, good value products, and the tax revenues upon which public services depend – are often seen as by-products of the pursuit of profit. We tend to most admire people who do things for selfless rather than self-interested reasons. Florence Nightingales rather than Henry Fords. Mother Teresas more than James Dysons. This is frustrating on many levels as it is undoubtedly true that the social benefits of self-interested business behaviour are many times greater than the

fruits of selfless charitable behaviour. I'd offer the impact of foreign direct investment in developing countries versus the impact of overseas aid spending as my Exhibit A. Technological innovation delivered by business – such as mobile phone technology – has been much more important for African economic growth than any individual NGO; however big-hearted that NGO might be.

It's clear that if businesses want a different kind of reputation than doing the same things that they've always done – however spectacular they might be in terms of the benefits they produce – isn't going to be enough. Businesses need to do different things to achieve a different status in society.

For what that might be let's go back to where I started and to Bill Gates. Gates tops that poll – beating the likes of the Pope, the Dalai Lama, Cristiano Ronaldo and Angelina Jolie - because he's more than a business person. With his wife, Melinda, he's also one of the world's biggest philanthropists – successfully fighting malaria and other deadly diseases all over the planet. With other super-rich individuals he has signed The Giving Pledge (<http://givingpledge.org/faq.aspx>) and will by the end of his lifetime, or in his will, donate at least half of his worldly wealth to good causes. It's the combination of material success and beyond-the-bottom-line generosity that we admire. In Britain, Lord Ashcroft's support for military veterans has earned him many plaudits. We warm to Richard Branson because of his support for great causes and, of course, for his daredevil pursuits, too. The Cadbury

and Rowntree family names live on in public affection because of the charitable projects that they endowed. To be popular all of these people and businesses have acted – to use that expression again – “beyond-the-bottom-line”. It doesn't have to be philanthropy. Today it might mean paying more than the statutory minimum wage to employees – ideally even the Living Wage – and taking a more market-based approach to directors' remuneration packages. It could be gold-plating apprenticeship programmes – rather than simply hitting the government minimum for training youngsters. It might mean not sponsoring the murky world of Fifa but investing in University Technology Colleges instead.

It might not seem necessary for businesses to worry about their opinion poll ratings. Perhaps that should be left to the politicians? But it's the politicians and their focus on opinion polls that should worry businesses. Capitalist-sceptic political parties could win future UK general elections – and elections in other advanced economies as well. There are circumstances in which they and their agenda could return to power. It is also true that the Conservative Party might play to the populist gallery if it thought some anti-business policies could win them votes in a tight election. Defending the City of London, in particular, is unpopular even with Tory MPs and for understandable reasons. You don't have to be a tobacco company to be unpopular anymore – just ask supermarkets or energy companies.

So long as there is a shortage of respected CEOs or entrepreneurs in the public square - who are able to compellingly defend business - there's always a danger that anti-business policies might be implemented. Time is currently on business' side given the nature of the government that has just been returned to power. Every business needs to use that time wisely and focus on what kind of beyond-the-bottom-line projects it can pursue. All with the aim of ensuring Britain remains a place where it's good to be in business.



*Tim Montgomerie is a columnist for The Times and as a Senior Fellow at the London-based Legatum Institute is researching popular sympathy for free enterprise.*



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