

**Midwest Conference on Corporate Social Responsibility and
Sustainability
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**Speech by Gavin Power
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Thank you and good evening ladies and gentlemen.

It is a privilege to be here and I would like to thank Chancellor Herman and the University of Illinois for convening this important and timely conference.

There is, in our view, a profound revolution under way in the global business world – one that goes by many names: *corporate responsibility – corporate citizenship – sustainability – people, planet, profits – business in society*. A few testimonials may help illustrate the point:

- *From Ian Davis, CEO of McKinsey: “Social issues are not so much tangential to the business of business as fundamental to it.”***
- *From Hank McKinnel, CEO of Pfizer: “Progress in corporate citizenship is among our top priorities because it is a key to fulfilling our mission of becoming the world’s most valued company to stakeholders.”***
- *From Sam Palmisano, CEO of IBM: “Leaders in business, government, education and all of civil society must learn how to***

help mature the global enterprise in ways that will contribute to social, environmental, and human progress around the planet.”

The common theme is the growing understanding that companies that proactively address stakeholder priorities and issues – in economic, social and environmental terms – are better positioned to manage global business risks and opportunities, while contributing to a more sustainable and inclusive global economy.

In others words, issues that were once considered soft are soft no longer. They have, in many instances, become quite material to long-term business success – both for large multinationals and smaller enterprises. Today’s business leaders and policy makers speak of a range of issues including environmental challenges like climate change; working conditions, including child labour and discrimination; health scourges such as HIV/AIDS; governance issues including corruption and bribery; and general poverty.

We are not speaking of philanthropy per se, which while hugely beneficial to society can be something of a bolt-on rather than an operational credo. As one observer has put it: “Corporate responsibility is how you make money, not what you do with it after it is made.”

Today, we are joined by a number of leading companies that believe strongly in this 21st century management philosophy, among them Abbott, Caterpillar and Motorola. It is certainly at the core of the

United Nations Global Compact, an initiative that unites business, civil society, labour, governments and United Nations agencies.

The Global Compact was launched nearly six years ago. Then 50 companies stepped forward to embrace, on a voluntary basis, a set of universal social and environmental principles. No one was quite sure whether the experiment would work – and there were many detractors and skeptics.

Today, I am pleased to tell you that the Global Compact has become the world's largest corporate citizenship initiative, with more than 3,000 participating companies and stakeholders from over 90 countries. We have in operation today 50 autonomous country networks around the world, including a rapidly growing U.S. network that includes such companies as Pfizer, Coca-Cola, Gap, Starbucks, Hewlett-Packard, Newmont, DuPont, Johnson Controls, Novartis , Seagate and Symantec.

Countless initiatives and projects have been under taken in support of the Global Compact, and very real impact is being achieved in countries and markets around the world.

Indeed, this conference is a clear sign of the importance of the tenets of this gathering movement, whose drivers include:

- **A desire to build trust and sustainable markets, including in emerging economies.**

- **Globalization and related outsourcing and logistics trends that have raised a host new environmental, social and corporate governance issues and challenges.**
- **The need to respond to the priorities of key stakeholders, including investors.**

With respect to this last item a rather historic event took place on 27 April at the New York Stock Exchange. International pension funds and other institutional investors officially announced and endorsed the UN Principles for Responsible Investment, the first global charter for investment, and an initiative co-led by the Global Compact and UNEP Finance Initiative. At launch, a staggering \$2 trillion committed to the Principles, including a number of US funds. Since then institutions and asset managers from all continents and representing an additional \$3 trillion have signed on – an amount significantly larger than the entire hedge fund industry that we hear so much about.

This is not an ethical investing initiative. Rather these mainstream funds recognize that environmental, social and governance issues can be material to long-term corporate performance and therefore can affect investment returns. They have pledged to actively engage with the companies they invest in, using the Global Compact as one of the key reference points.

This should be welcome news indeed to the many corporate responsibility leaders who have been waiting for the mainstream financial markets to recognize and reward their good performance.

And related to this we see a significant sub-trend unfolding with respect to the convergence of corporate responsibility and corporate governance. As specific issues – be they related to environmental stewardship, human and labour rights, and corruption and ethics – become part of overall risk management, more and more boards are getting in on the act, seeing this as part of their fiduciary responsibility. This is yet another sign of the seriousness and importance of this agenda.

Now just a few thoughts on how this all relates to the United Nations and the international community from a broader perspective. There is, to be sure, a powerful convergence under way between the interests and objectives of the UN and the private sector. At its core is the emerging understanding that in order for markets and communities to thrive and be sustainable, social and environmental pillars must be part of the globalization process – and, equally, that globalization itself must deliver benefits to the world’s marginalized in addition to the fortunate few.

When it comes to poverty, for instance, we realize that the presence of business is rarely the problem. Its absence, however, almost always is. Business, it is being understood, is at the heart of the development process -- providing the investment, income and employment that are so desperately needed in so much of the world.

But what is equally true is that only responsible business practices can lead to systemic and sustainable progress. If societies fail so do markets. At the same time, progress can only occur if states hold up their end of the bargain through good governance that is characterized by the rule of law and the protection of human and environmental rights.

The problems are indeed daunting:

- **More than one billion people still live below the extreme poverty line of one dollar per day, and three billion – almost half of humanity – live on less than two dollars.**
- **14 million children die every year due to preventable causes.**
- **Since the year 2000, more than 40 countries have been scarred by violent conflict. Terrorism threatens societies everywhere.**
- **HIV/AIDS has killed over 20 million men, women and children and the number of people infected has surged to over 40 million.**
- **And environmental degradation continues to erode life-sustaining eco-systems while climate change is bound to disrupt the planet on a large scale.**

The point is that the private sector and the financial industry have a stake in these critical and increasingly connected global issues – from an ethical and business perspective.

The Global Compact was created to help businesses and other stakeholders – through learning, dialogue and projects – advance the notion of responsible globalization, in ways that benefit participants and

the communities in which they operate. And, as Secretary-General Kofi Annan has said: “To give a human face to globalization.”

That continues to be our mission, and I invite you to join us on this journey.

We look forward to an exciting conference.

Thank you.

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