

## **ROTARY INTERNATIONAL-UNITED NATIONS DAY**

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Distinguished Delegates,  
Ladies and Gentlemen,

It is a pleasure to be here among so many Rotarians from so many parts of the world.

And welcome indeed to the United Nations.

Let me begin by saying how strongly we believe that Rotary's guiding principles and the Four-Way Test are consistent with the both the core values of the UN as well as the principles of the Global Compact.

Such principles are especially important these days as the world struggles through a crisis of confidence and trust in markets and economies.

I was reminded that Rotary's guiding principles were first put forward as a way of helping to restore trust during the Great Depression. Then, as now, the world faced ethical and economic challenges that called for a rethinking of priorities, behaviors, and values. The parallel is worth considering.

Before I discuss the topic of business responsibility, please allow me to announce the exciting news of a path-breaking partnership between the Global Compact Office and Rotary International.

This agreement is designed to deepen the collaboration between Rotary and the UN – a relationship which stretches back many years.

More specifically, this agreement calls for Global Compact country networks and Rotary clubs and districts around the world to engage in education and information sharing; local project implementation and collaboration (particularly with respect to addressing the Millennium Development Goals); and coordinating a collaborative effort to promote corporate social responsibility practices and volunteer leadership.

With this exciting news as the backdrop, please allow me to offer a few perspectives on the role of responsible business practices in the 21<sup>st</sup> century.

Certainly, one of the most important trends in recent years has undoubtedly been the convergence between the interests and priorities of the international community and those of the private sector.

While core missions obviously differ, it is increasingly clear that there is a range of sustainability and global governance issues – from human rights, to corruption, to development to global health and the environment – that draw us together in new, challenging, and indeed exciting ways.

We find common interest and a need for collective action as never before.

It is also the case that globalization has acted as an accelerator of this convergence, bringing societies and economies closer together – even in spite of recent protectionist trends.

There is certainly no shortage of global threats and challenges that demand a new constellation of cooperation. The issues include:

- 34 active armed conflicts in 24 countries
- 25,000 people dead each day from hunger
- 218 million children involved in child labor
- 78 countries systemically corrupt
- Carbon emissions set to double in next 50 years
- 1 billion people with no safe drinking water

These alarming statistics present massive security challenges for communities and states and the United Nations.

What is rather new is the growing understanding of just how interconnected many of these issues are. We find that climate change, for example, poses major threats to development and other issues, including food and water security.

Corruption, meanwhile, is a cross-cutting issue that undermines economic stability and social cohesion.

The failure to adequately address these problems has many root causes, but one of these is certainly what we call global governance gaps – that is, the fact that existing institutions, architecture, and rules and policies are not sufficient given the complexity of many of the challenges – and that key societal sectors, including the private sector and civil society, have not been sufficiently engaged.

It is a fact that while many of our problems are global, governments remain local and so we are left with a patchwork of regulation – regulation that is too often weak or not enforced.

The Secretary-General recently commented on the growth of crises as well as the need for collective action. He said:

*“Today’s multiple challenges demand a new constellation of international cooperation – governments, civil society, and the private sector working together for the global good...*

*...this means investing in a new economy – the economy of the future. Investing in sustainability will turn today’s crisis into tomorrow’s sustainable growth”*

The Secretary-General’s reference to a “new economy” relates to the crisis of climate change, and the opportunity to turn this crisis into tomorrow’s sustainable growth, in his words.

Which brings me to the main theme of my presentation – that is, corporate sustainability and the role of the private sector.

To begin, I’d like to offer a new-era definition of sustainability defined as the adoption and integration of environmental, social, and governance concerns into business operations and strategy in ways that drive long-term value for stakeholders.

A few important points about this definition:

First, we are not talking about philanthropy, though while important, does not speak to the core of the business. Rather, we are talking about an embedded approach that sees sustainability as central to the mission and operations of the business organization.

Second, you will note that our definition importantly includes social dimensions – so sustainability encompasses environmental concerns but, as well, social issues related to areas such as human rights and working conditions. And, as we have discussed, environmental and social issues are increasingly connected.

Third, this is a stakeholder model. While shareholders remain important, there is increasing recognition that companies have a broader group of stakeholders to consider and respond to. My message today is that this model is going mainstream, and for companies it is increasingly seen as a new paradigm in risk and opportunity management.

While companies have traditionally looked at risk factors such as political, regulatory, and currency-credit risk, many are now layering on a host of new risk factors, in the environmental and social realms, and in some instances, are beginning to see how these risk factors relate to one another in a holistic sense.

I must say that while the financial crisis revealed major shortcomings in financial risk management, it also laid bare the need for better risk management across the spectrum.

Indeed, at the level of the business enterprise, companies are beginning to map the transmission of adopting sustainability policies and practices through their business models – from exposure to specific issues and risks to the development of relevant policies to actual business benefits, defined in financial and ethical terms. These include enhanced reputation; cost efficiencies; improved worker satisfaction and productivity; and contribution to societal goals.

The UN Global Compact offers a strategic policy framework to advance ten principles in the areas of human rights, working conditions, the environment, and anti-corruption.

It is a voluntary CEO-led initiative, which has grown into the world's largest corporate sustainability initiative with over 5000 participants in more than 130 countries.

Companies and leadership teams that commit to the Global Compact pledge to embed the ten principles into their strategy and operations, and also to pursue development partnership projects.

These actions are described in the many Communications on Progress, publicly issued by participants as a requirement of engagement in the Global Compact.

I should also mention that the Global Compact has an important accountability feature – companies that fail to develop their Communications on Progress are delisted from the initiative. In fact, we have delisted more than 1000 companies during the past two years for failing to report their progress.

The financial and economic crises have served to underscore the importance of the issues and values that the Global Compact has long advocated. Many dozens of companies from all regions of the world and representing a range of industries join the Compact each month.

Finally, the Global Compact has established more than 80 country networks around the world. These networks give companies and stakeholders the opportunity to meet at the local level and address problems on the ground.

In announcing today's agreement between Rotary and the Global Compact, our hope is the Rotary members and Global Compact participants can use the platform of these Global Compact country networks to collaborate in ways that further advance the tenets of responsible and sustainable business.

A final point on the relationship between voluntary initiatives like the Global Compact and regulation. It is important to stress that while voluntary efforts provide a space for innovation, learning and improvements, they should never be a substitute for effective regulation. Indeed, the two should be seen as essential counterparts.

In closing, I wish to thank you again for coming to the United Nations to celebrate the close relationship between Rotary and this body – and to chart new pathways for even richer collaboration and partnership.

Thank you.

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