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Keynote speech

Jacques SANTER

We live in a world plenty of contradictions. On the one hand, we never witnessed in the last twenty to fifty years a so strong movement of solidarity at many levels, solidarity between nations, solidarity between young and elderly people, solidarity between generations, solidarity between poor and rich, solidarity - yes solidarity is becoming a common key word in all discussions.

Today you have outstanding consultant offices from top strategy firms such as Mc Kinsey, the Boston Consulting Group, Monitor, Mercer which are committed to increasing the effectiveness of philanthropy and the non-profit sector around the world in order to accelerate social progress through better use of society's resources. In many reviews and articles f.i. in Harvard Business Review, ways are highlighted how to integrate social issues in the pursuit of corporate competitive strategies, ways in which corporations can create value through these social investments in order to magnify the impact they achieve.

On the other hand, through the globalization of the world economic our planet is reduced to become a global village, where competition in business is becoming much harsher than it was in the past. Quarterly review is a common exercise for CEO's; benchmarks and competitiveness indicators are more relevant than social responsibility or solidarity.

In a Journal Article by Daryl Koehn from the Philosophy Department of De Paul University about the "Ethics of Business Moving beyond Legalism" he writes: The economist Milton Friedman argued that business has only one ethical responsibility: Business has a responsibility to employ all available legal means to increase corporate profits owed to stockholders (Friedman 1993).

Perhaps the most often quoted view of business ethics comes from a man who is not an ethicist and who has never worked in a business. I refer precisely to the economist Milton Friedman. In his article "The social Responsibility of Business is to increase its profits", Friedman argued that "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without description or fraud" (p. 60). These "rules of the game" are to be understood as that particular society's laws. In a nutshell, Friedman is arguing that business persons are ethical if and only if the struggle to ever increase their profits and that they are entitled as part of that struggle to do whatever the law permits. As long as person's profit maximizing actions conform to the law he is, in Friedman's view, acting morally correctly.

The conclusion of Prof. Daryl Koehn is the following: "Although I think Friedman's position is both naïve and dangerous, 5 years of teaching business ethics to undergraduate and graduate students has convinced me that it is the view held by most students and would be business".

This argument is worth to be discussed.

In my view values and ethics in our society as well in business have to be considered in a larger and broader context.

The first question which has to be tackled is: How can we inspire enterprises to go beyond their minimum legal obligations in favour of society and sustainable development? In other words how can the business commitment to corporate Social Responsibility (CSR) be enhanced? In my view this is the perquisite condition for the development of values and ethics in business. Indeed, CSR matters because it mirrors the core values of the society in which we wish to live. It matters to individual companies, big or small, who through innovative products and services, new skills and stakeholder engagement can improve their economic environmental and social performance in the short and long term. Il matters to those who work in and for companies, for whom it can help to create a more rewarding and working environment. It matters to those who buy from companies, to consumers who are paying more and more attention to the social and environmental credentials of the products and services they buy. It matters to the local communities where companies operate, who want to know that they are living amongst organizations that share their values and concerns. It matters to investors who feel that responsible business behaviour needs to be encouraged. It matters to people in other parts of the world who expect for instance European based companies to behave in accordance with European and international values principles. And it matters to our children and future generations who expect to live in a world which respects people and nature.

A strong business commitment to CRS as well as an overall supportive role of public authorities towards CSR has become particularly important over the last 15 years as regard its contribution to the respect for human rights and the rule of law as well as the sustainable functioning of democracy and market economy, be it on a local, national, European or global scale. In order to be a successful economic model, the market economy needs to build on some essential prerequisites: - on the one hand, an effective and coherent legislative and regulatory framework; - on the other hand, self-limitation and self-control as much as a proactive climate of innovation and entrepreneurship, fairness and trust: all these are necessary elements to combine high levels of economic success, environmental protection, social cohesion and welfare. To this end leading enterprises in Europe are more than ever undergoing a process of searching, learning and innovating as regards their governance, management, stakeholder dialogue and product development, thereby making corporate and product responsibility a natural part of their everyday business practice and competitiveness. Small companies, as a key driver for growth and jobs in Europe, have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CRS. Against the background of globalization and the associated structural changes, companies are making these shifts in the expectation that the other stakeholders also commit and shoulder their share of the risks and opportunities of responsibility and innovation. Dialogue with stakeholders helps companies to anticipate and deal with social and environmental issues which may affect future competitiveness.

Given that much of the blame for the recent crisis has been put on the financial sector, the crisis has also been perceived as a crisis of ethics for this sector. Socially-responsible investment is therefore increasingly at the heart of investors concerns on the long-term sustainability of their investment.

Since the end of the Cold War the market economy has prevailed throughout most of the world. While this has opened up new opportunities for business, it also creates a corresponding need for self-limitation and mobilization on the part of the business community, in the interest of social stability and the well-being of modern democratic societies. Moreover, within the EU, better regulation and the promotion of entrepreneurial culture are now high on the European agenda, as confirmed by the Commission's 2006 Annual Progress Report on Growth and Jobs. The Commission is committed to promoting the competitiveness of the European of the European economy in the context of the relaunched Lisbon Partnership for Growth and Jobs. In turn it calls on the European business community to publicly demonstrate its commitment to sustainable development, economic growth and more and better jobs, and to step up its commitment to CSR, including cooperation with other stakeholders. More than ever Europe needs active entrepreneurs, positive attitudes towards entrepreneurship, and confidence and trust in business. Europe needs a public climate in which entrepreneurs are appreciated not just for making a good profit but also for making a fair contribution to addressing certain social challenges. The Commission therefore wishes to give greater political visibility to CSR, to acknowledge what European enterprises already do in this field and to encourage them to do more.

Indeed there are many achievements in this field.

A recent report from the European Sustainable Investment Forum (EUROSIF) estimates that the socially responsible investment sector (SRI) in Europe has a total of Euro 5 trillion assets under management, an increase of 87% in 2 years. That comprises Euro 1 trillion "core" SRI (covering positive screening, or excluding companies from investment portfolios on ethical/values grounds) and Euro 4 trillion "broad" SRI (covering simple screening, engaging with companies in ESG issues, or actively integrating ESG criteria in valuations). Most of the growth in the last two years has come from the broad rather than the core SRI market. According to Eurosif, core SRI now represents about 10% of the asset management industry in Europe.

The nature and relative importance of SRI is different in different EU Member States. EUROSIF itself is a network of national socially responsible investment fora, and such fora exist in less than half EU Member States.

The rating CSR agency Vigeo's latest report notes an increase in European SRI mutual funds of 29% between June 2009 and June 2010, and an increase in SRI assets under management of

41% over the same period. SRI volumes have increased in recent years due not least to increased participation by pension funds. SRI is likely to increase further despite – and because of – the crisis, and in response to cases such as the BP Deepwater Horizon oil spill case.

In its recent Communication on Industrial Policy, the European Commission stated that "the financial crisis showed a new approach is needed to the balance between short-term profit maximization and sustainable value creation in the longer run". This could be undertaken through a mixture of transparency and governance initiatives, including innovative solutions, to maintain momentum. There are some questions which are important to be discussed:

- Is there a balance to be found between promoting SRI as a separate market, and promoting the integration of sustainability consideration into the mainstream investment market?
- Are there good examples of national policies and initiatives that could usefully be taken up at European level?
- What areas of EU competence are most directly relevant to the promotion of more responsible investment? Where can European policy bring greatest added value?
- What should the key elements of European policy on ESG disclosure be if the aim is to promote more responsible investment?
- How can the European market for socially-responsible, green, or sustainable investment be made more effective?
- Is it appropriate for the EU to support SRI in Member States where SRI is currently less well developed, and if so how can this best be done?

Referring to the discussions at the conference Protect, Respect, Remedy – a Conference on Corporate Social Responsibility (CSR) in Stockholm on 10-11 November 2009, the Swedish Presidency of the European Union and the incoming Spanish Presidency have concluded: The European Union and its Member States should take a global lead and serve as a good example on CSR when building markets, combating corruption, safe-guarding the environment and ensuring human dignity and human rights in the workplace. The European Union is the largest economy in the world and the largest development cooperation partner. Europe hosts many of the multinational enterprises in the world. We welcome that European employers consider it an important task to promote and take a global lead on CSR.

The responsibility is threefold: **the State duty to protect** – including legislation as well as implementation of human rights obligations, in particular with regard to business; **the corporate responsibility to respect** human rights; and the responsibility of all parties involved to ensure **access to adequate remedies** to uphold and develop such human rights.

Today's common challenges, emanating from the rapid evolution of globalization, climate change and the current economic turmoil, require a sustained international response. There is a need for common solutions that can balance economic imperatives with the realization of universal norms embodied in internationally recognized human rights instruments. This can only be achieved through active participation of all stakeholders. We need to continue our important dialogue with non-member states, civil society, trade unions and business, including small and medium-sized enterprises, to realize the Protect, Respect and Remedy framework.

Corporate social responsibility – even if in my view it is a perquisite for values and ethics in business – cannot avoid corruption and bribery, which are two main curses of business today. They are many recent examples to document this.

Corruption is a universal phenomenon found in developed, developing and transitional countries.

The original definition of corruption – abuse of public office for private gain – reflects a historical focus on the bribe-taker. This casts the bribe-payer, the company, in a passive role as an unwilling victim of a "corrupt" or difficult environment, with bribes being extracted by "rent-seeking" public officials through solicitation or extortion.

In reality there are numerous examples of corruption environments which are far from "difficult": privatization operations in several countries, construction projects. There is also a considerable volume of research indicating that multinational companies actively pursue bribery as a means to enhance their own economic interests.

Bribery however does have victims. Decision making reflects the private interests of the few, rather than the public interest. The effect is to undermine democracy, misallocate resources, impede development and distort international trade. The outcomes range from lower quality products and public services, to higher prices, to environmental damage, to the funding on inappropriate and expensive projects, with basic needs remaining un-met. Citizens, consumers, workers and, most of all, the poor all pay the price.

The now accepted definition of corruption – "the misuse of trusted power from private gain" – reflects a fundamental shift in the focus of the anti-corruption agenda, which today seeks to hold MNC's that pay bribes to account wherever they operate in the world.

In recent years there has been a host of international legal instruments aimed at combating corruption and international bribery. Most notably they include:

- the OECD Anti-bribery Convention (1999): came into effect on the 15th February 1999 and was the first international instrument specifically targeted at curbing the payment of bribes by MNC's to foreign public officials;

- the United Nations Convention against Corruption (2003): came into effect on 14th December 2005 and is the first global, legally binding anti-corruption instrument.

Unlike the OECD Anti-bribery Convention it is broad in scope covering public, private, domestic and international corruption.

Efforts have also been focused on either extending codes of conduct or developing new anti corruption codes (at company, sect oral or international level).

Beside the OECD Guidelines on multinational Enterprises, backed by governments and used by trade unions and NGO's and companies, and the United Nations Global

Compact launched in 2000, there are many examples of dedicated anti-corruption codes of conduct; they include: Business, Principles for Countering Bribery (2002): a joint initiative of Transparency International (TI) and Social Accountability International (SAI).

They apply to the bribery of public officials, as well as private-to-private transactions and aim to provide a practical anti-bribery tool for companies.

I would mention also the Partnering against Corruption Initiatives established by the World Economic Forum in 2004 and initially focusing on companies from construction,oil and defense. They aim to develop "multi-industry principles and practices that will result in a level playing field, based on integrity, fairness and ethical conduct."

I think it would be boring for you to give an overview of all these instruments, about the possible loopholes, the monitoring procedures etc. I would only stress the role and concerns of trade unions combating corruption.

Trade unions are committed players in local and international efforts to combat corruption, due to concerns over the:

- threat to workers / trade union rights;
- impact on the role and integrity of public services
- need to protect workers who disclose information in the public interest.

Trade unions have a potentially unique role to combating corruption given their dual function as representation of public and private sector workers on the one hand, and (mass) members of civil society on the other. Further more they are globally connected and financially independent of both government and of corporations.

Overall, there is a considerable overlap between the anti-corruption agenda and trade union's core activities as negotiators with companies on behalf of workers, and as campaigners for democracy, social reform and corporate accountability. Trade unions are thus well-placed to undertake a range of activities aimed at raising awareness, deterring and detecting international bribery, both in the workplace and through trade union campaigns.

Speaking about Ethics in Business, I am quite aware that the "corollaire" is to enhance ethical values in Government and public institution. In this respect it is important that civil servants perform their duties and arrange their private affairs so that public confidence and trust in the integrity, objectivity and impartiality of the government are conserved and enhanced. On the other hand in order to guaranty an objective and neutral judgment, a democratic state needs impartial Justice, qualified jurisdictions which have to enforce the legislation in an independent way and in full connection with the Human Rights Conventions. The European Commission and all the other

European Institutions are right, when they impose to the applicant countries to the European Union as formal conditions:

a) a strong and impartial administration

b) a qualified and neutral organization of the Justice Department.

I would have some words of conclusion.

As I said my address this morning is far from being comprehensive. I made only some remarks which I personally consider important and relevant to the topic Ethics in Business and in relation with Corporate Social Responsibility.

In my view successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress.

In our world of globalization, in our global village, it seems to me that our modern society would be only credible if we have the wisdom, the courage to promote the respect for human dignity, to comply with the Human Rights Conventions, to create the dialogue, share responsibility and build material understanding, accountability and transparency.

These are the values which give a moral compass to guide our behavior in business and in public life. I believe that now the time is ripe to take this important work further by developing common frameworks; raising awareness and improving dialogue between all stakeholders.