

**THE UN NGO COMMITTEE
ON
SUSTAINABLE DEVELOPMENT**

**SPEAKER
GEORGE KELL
Director, United Nations Global Compact Office**

**THE GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT
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Introduction: Roma Stibravy, Chair

Our speaker today is George Kell, whose name and the Global Compact are in many ways synonymous because George has been with the Office from its concept and inception. George is the executive head of the Global Compact office here and oversees a network that includes several hundred companies, international labor, non-governmental organizations and other civil society groups. He was one of the chief architects of the Global Compact initiative launched by Secretary General, Koffi Annan, in July 2000 to promote good corporate citizenship and responsible globalization. George has had extensive experience in international trade and development issues. In 1990, he joined the New York office of UNTAD, the UN Conference of Trade and Development, where from 1993 to 1997 he served as Office Head closely interacting with delegations and UN general assembly. Mr. Kell began his UN career in 1987, spending three years in Geneva with UNTAD. He joined the Executive Office of the Secretary General in 1997 as a Senior Officer, responsible for fostering cooperation with the private sector to advance broad UN objectives. Prior to joining the United Nations, Mr. Kell worked as a financial analyst in developing countries in Asia and Africa, appraising industrial projects for banks and multi-lateral institutions. Mr. Kell holds advance degrees in Economics and Engineering. Following his post-graduate studies he spent two years in Tanzania where he helped establish an industrial research institute. George has been an untiring advocate of the proposition that integration of the Global Compact principles into a company's operations are good both for the company's long-term business interests and for the goals of sustainable development. His presentation will help us understand why this is the case.

Speaker George Kell

Thank you very much Roma. Thank you for your activism and the great work you do. I'm also glad that Bill Stibravy is here. The International Chamber of Commerce was an early supporter of the Global Compact, and we very much appreciate the ICC's continued support and involvement. Thank you all for coming. I'm just coming back from the China-Global Compact Summit in Shanghai. We then had very important consultations with employers and workers in Geneva, where we also met with governments to replenish our trust funds. We also had a fairly big event just two days ago in Berlin on partnerships and values. I just want to share with you where we stand at this point, quite frankly, because the global compact idea is now five and a half years old. It

has matured in many ways but it continues to evolve. It's virtually happening while we are speaking. We are ourselves totally amazed that the idea of a principle-based engagement in support of UN goals continues to be supported so widely around the world. The compact will also be launched next week in Pakistan. South Korea is next. We have major collective action initiatives going on all around the world. There are now virtually hundreds of, what we call, downstream projects; practical partnerships that have come out of the commitment. I would like to reflect with you on aspects of the global compact stepping back just a little bit to put things into historical perspective.

Koffi Annan made his overture to the business community at the World Economic Forum in January of 1999. He then argued that, "Listen, you business leaders whose influence has been growing so rapidly. Now that the world, by and large, has embraced the market-based approach, you benefit from market openness and liberalization, but you must also realize that markets, unless embedded in some ethical framework, are not going to be robust enough to grow indefinitely". In other words, openness must be supported by a sense that everyone benefits from it. Markets, at the end of the day, must deliver social legitimacy, not only from the micro side but also from the macro side. And, after all, we must use globalization to bring the poor into the marketplace because, remember, the poor are poor largely not because there is too much business. On the contrary, they are poor because there is no business. And, he then argued, "Listen, you don't have to wait for every government to get it right. You act beyond borders. You know very well that there are great frameworks out there; beautiful conventions; beautiful agreements; heads of states of governments occasionally come together to celebrate that. You also know that the real problem, is of course, is implementation". Therefore, the Secretary-General asked why business leaders not demonstrate leadership and incorporate the universal principles in the area of human rights, workplace, environment and anti-corruption into their corporate culture, making these principles part of their ethical framework. By doing so, you not only create your own islands of good practices, you also demonstrate that irrespective of where you operate, you can actually practice good, responsible corporate citizenship. You also, by doing so, will understand that the UN's job in tackling poverty and environmental issues is also your concern because, at the end of the day, markets can only grow if societies grow as well. So, it's a double win proposition for business leaders, if they embrace the principles of the Compact and make them part of their management culture. They have to make sure that their own employees know about the Compact, and make sure that they strive for its full implementation, thereby creating a more robust global marketplace that will increasingly be underpinned by principles which share universal consensus. After all, the principles all derive from international frameworks well recognized by governments. But you can also, by doing so, then understand the UN's mission on poverty, on environment and on inclusion is actually also your call for action. Poverty can also be an opportunity. You will understand that market fragility has to do with your own success and we want you to be successful, but in order to be so, you also must understand that we have a shared approach, a shared overlap of objectives. Yes, the purposes are very different. The UN is about peace and poverty, by and large. Business is about profit and growth. But because the world has grown together, because corporations act trans-nationally, because climate has gone global, environment has gone global, because health issues are global, because most challenges have gone global; therefore, the area of overlap in what the UN tries to achieve and what

is material to business success is increasingly growing. Therefore, you business leaders should become part of the compact. It requires a leadership commitment. We want a CEO to step forward, to take a public stand, to discuss this at board level, where appropriate, to make sure employees know about it, to drive principles through the operations and the supply chain, and to be open for engagement and partnerships in support of UN goals. This was the call to action six years ago and I'm here to tell you today that this call to action today is even more relevant than it was six years ago. Why? Because the world continues to deepen its interdependences. Because trade continues to grow. Because cautious nations and people continue to learn to work with one another. Because structural changes are reshaping the world like probably only once in our history before, a hundred and twenty years ago. The world is becoming more integrated. Part of this integration is irreversible -- technological change. Once technology advances communications, you cannot put it back into the bottle. It spreads. It diffuses. But the other component that shapes integration is reversible, is a collective commitment to openness to make markets work at the global level. Governments know it at the national level. Openness requires social legitimacy. It requires people to support it. But, also, multi-laterally, we are currently witnessing within the WTO conferences, how important it is that there is a shared understanding of the benefits of openness and building a robust global marketplace. So, at the end of the day, you can argue that the global compact is, in a larger scale of things, a quite ambitious experiment to make the global market both more robust, by underpinning it with principles, but, also more inclusive by encouraging business to support UN goals. This call for action has never changed. We have remained faithful to this call for action. It's entirely voluntary. That means we are betting on the business engagement. It is designed as a scalable solution so while we welcome the many partnership projects that have developed we are also working at a quite high political level. We are trying to find solutions, which are scaleable. We are working at the national level as we did in Shanghai in China, or in Egypt, or in Pakistan. We are trying to work in a way that indeed aspires towards the principles and is increasingly supported by the market. We know that a voluntary initiative can never ever be a substitute for what governments do or don't do. It is a complement, and as a complement to what governments do, our chief challenge is to demonstrate to business the value of the principles. How do we do it? By fostering learning, dialogue and partnership. In the year 2000 forty-seven corporations and a few NGOs and labor organizations joined this initiative. Today there are more than 2,400 adherents from over 90 countries. Increasingly, national organization structures have emerged as members, and currently, roughly fifty networks are operating. These are voluntary associations of committed champions of the compact who have organized themselves in order to learn to dialogue, to test the markets through partnerships. We, at the global level, remain a small office. We are basically doing what we call issue leadership. I have here a set of examples of our recent publications from the business propositions of human rights and the business propositions of transparency and anti-corruption and the business proposition of partnership engagement and the business proposition, if you so want, of individual corporations. There are many more publications on our website(www.unglobalcompact.org). This is what we call issue leadership because establishing the business case for the principle-based engagement is not easy. Here comes the good news now. Over the last five years, so many initiatives of corporate social

responsibility have been launched in so many countries that this has given us a lot of impetus. A lot of lawyers and human rights NGOs have helped us make the case of its importance. Today we are actually in a good situation in that the ethical, normative case has been widely established. I don't think that anybody serious out there is questioning, anymore, the rationale that this is the right thing to do. Now, whether it is the profitable thing to do, the jury on that is still out. And, we know that only if we can prove that part, we have achieved scaleable and long lasting impact in the marketplace. Until then the good news is that not only are corporations increasingly understanding that costs of getting it wrong are indeed very, very costly and therefore, it makes sense to pre-invest and be pro-active. But, also, the benefits of good performance are increasingly recognized by financial markets. I can show you in a recent publication, which was prepared by the IFC, which will be on our website, *Who Cares Wins*. Mainstream financial institutions, both long-term investors, pension funds, but also financial institutions are increasingly catching up with the real investors, recognizing that as the world becomes more interdependent corporations can benefit from openness and increase markets and profits. But there is also a downside -- the risks I have mentioned. There is a need to adjust the risk paradigm. This is an extremely powerful entry point because financial markets recognize that corporations, which are pro-active and have a pro-active policy in this area, are, on average, better equipped to manage risks and opportunities. The more financial markets recognize this, the more business acceptance of the global compact is verified and intensified by the markets. This is currently happening. There are major working groups currently active in this area. One with public pension funds that will go public with principles for responsible investment, which, in essence, recognize the importance of environmental, social and governance issues to long-term value for corporations. Another working group is a conference board in the US and probably two dozen leading financial institutions working to come to grips with environmental, social and governance criteria and how to apply them in investment analysis and financial investment. The financial mainstream market does, as of today, not have the right tools in place to come to grips with these so-called "soft issues" This is moving to the mainstream now, so to speak, and this is the good news. Now, we also succeeded in keeping governments at arms length. It was important for us to have the support of governments but not to make governments the drivers of the initiative. Obviously, this would have politicized the global compact.