

LIMglobal.net

Dear Reader,

The rules of how business is conducted are rapidly changing. As the internet is still transforming how we do business globally, we are now faced with the sustainability challenge. Climate change, pollution, depletion of our natural resources, and social unrest are all factors dramatically impacting our lives. Education, government and private business have the greatest leverage of addressing the global challenge and acting upon it.

Continuing with our series of articles dedicated to the topic of corporate social responsibility launched in 2006, we are sharing with our readers another milestone: the second Leaders Summit organized by United Nations Global Compact, held in Geneva on July 5 and 6, 2007, representing the largest and most significant event to date on the topic of leadership and corporate citizenship.

We invite you to read some highlights of the meeting and to ask yourself, What can I, and perhaps my company, start doing to aid in the effort?

Enjoy the reading!

Isabel Rimanoczy
Editor

Quote of the Month

*"Global companies realize the need to compete
for a precious intangible capital– trust"*

*McKinsey & Company Report "Shaping the New Rules of Competition"
July 2007*

LIM NEWS

Issue 84

The LIM Newsletter

August 2007

FACING REALITIES: GETTING DOWN TO BUSINESS

The Global Compact Leaders Summit Geneva, July 5-6, 2007

The Global Compact

Launched in 2000, the UN Global Compact^[1] brings business together with UN agencies, labor, civil society and governments to advance ten universal principles in the areas of human rights, labor, environment and anti-corruption. Some 4,000 organizations from 116 countries — among them trade unions, non-governmental organizations (NGOs) and some 3,100 businesses — have so far subscribed to the Global Compact, pledging to observe these ten universal principles. It is the world's largest voluntary corporate citizenship.

On July 5 and 6, 2007, the second United Nations Global Compact Leaders Summit took place in Geneva. A total of 1,027 people registered for the Summit — 638 from companies, 95 from government entities, 76 from international organizations, 65 from international business organizations, 62 from international NGOs (non-governmental organizations), 45 from academia, 28 from the Global Compact network, 13 from foundations and five from international labor organizations.

The purpose of this Summit was to provide leaders from all sectors access to never-before released intelligence on socio-economic and geopolitical megatrends and to offer a platform for working together in order to develop strategies addressing climate change, human rights, anti-corruption, and access to finance and capital.

The Design of the Meeting

The Summit was conceived as a solutions-oriented event. For that purpose the design and format sought to maximize peer-to-peer interactions with top decision-makers from all segments of the international community. For most of the meeting's duration, participants were seated at tables of 8-10 people with leaders of commensurate level. Each table was multi-stakeholder in nature, with business, labor, civil society and government leadership represented. Peter Senge was invited as Master of Ceremonies and a number of moderators supported the dialogue at each table.

From Principles to Action: Driving Value, Achieving Impact

With the Global Compact assuming a leading role defining the principles, the next challenge became how to convert the principles into new behaviors. The Global Compact presented the key findings from its Annual Review^[2]— a benchmarking exercise designed to understand how, to what extent, and why participants are implementing the Global Compact principles.

Global as well as local initiatives were launched at the Summit. Top executives of corporations such as Coca-Cola, Petrobras, Fuji Xerox, China Ocean Shipping Group, Tata Steel, L M Ericsson and Banco Bilbao Vizcaya Argentaria adopted the 21-point Geneva Declaration^[3], which spells out concrete actions for business, governments and United Nations Global Compact participants. The Geneva Declaration expresses the belief that "globalization, if rooted in universal principles, has the power to improve our world fundamentally — delivering economic and social benefits to people, communities and markets everywhere".

"The need for action is urgent," the document states. "Poverty, income inequality, protectionism and the absence of decent work opportunities pose serious threats to world peace and markets".

"Business, as a key agent of globalization, can be an enormous force for good", the Declaration continues, adding that companies, by committing themselves to corporate citizenship, can create and deliver value in the widest possible terms. Globalization can thus act as an accelerator for spreading universal principles".

The Chairman of Anglo American Mining company, Sir Mark Moody-Stuart, indicated at the closing plenary that it was "a remarkably successful meeting. At the first summit three years ago, many companies subscribed to the Global Compact principles because it sounded like the right thing to do, but did not really know how to put them into practice. We are now moving forward towards implementation."

Shaking up the rules of the investment market

Given the key role that investment markets play by setting the rules of how business is conducted, a high point of the Summit was when Goldman Sachs, one of the world's largest investment companies, released a ground-breaking investment framework called ESG (environmental, social, governance). This framework supports the notion that leadership on these issues is increasingly essential to achieving and sustaining market leadership.

The framework, supported by the Principles for Responsible Investment seeking to disseminate the tenets of corporate citizenship among capital markets, was further reinforced by a research report showing that among six sectors — energy, mining, steel, food, beverages, and media — companies that are considered leaders in implementing environmental, social and governance policies have outperformed the general stock market by 25 per cent since August 2005. In addition, 72 per cent of these same companies have outperformed their peers over the same period.

Climate

Through the "Caring for Climate"^[4] platform, CEOs of 150 companies from around the world — including 30 from the Fortune Global 500 — pledged to speed up action on climate change and called on governments to agree as soon as possible on Kyoto follow-up measures to secure workable and inclusive climate market mechanisms. Signatories to the statement commit their companies to "taking practical actions to increase the efficiency of energy usage and to reduce the carbon burden of products, services and processes, to set voluntary targets for doing so, and to report publicly on the

achievement of those targets annually". They undertake to work collaboratively with other enterprises on a sector basis and along their global supply chains, promoting recognized standards and taking joint initiatives to reduce climate risks.

According to the statement, business leaders expect from government the "urgent creation, in close consultation with the business community and civil society, of comprehensive, long-term and effective legislative and fiscal frameworks designed to make markets work for the climate, in particular policies and mechanisms intended to create a stable price for carbon".

China

Two sessions were held about China as an emerging player on the field. According to recent findings by the Chinese Academy of Sciences, highland glaciers in China are shrinking each year by an amount equivalent to all the water in the Yangtse River. It is estimated that 7 per cent of the country's glaciers are vanishing annually. Glaciers on the Qinghai-Tibet highlands that feed the mighty Yangtze could shrink by two-thirds by the end of this century, impacting an estimated 300 million people who depend on water from glaciers for their survival.

The objective of one breakfast meeting attended by over 60 of the world's most renowned international and Chinese companies was to highlight the climate change situation in China and stress the need for concerted action from various sectors of society, in particular the key role the private sector in China has to play to address the climate change challenge.

"Environmental protection and sustainable development is the duty-bound responsibility of the enterprises" underlined Mr. Wang Jinming, former President and senior advisor to SINOPEC, one of the largest oil companies of China.

UNDP China is promoting Public-Private Partnerships to mobilize the private sector and foster its contribution to development, in particular to address climate change.

Water

According to the Human Development Report 2006, a water crisis is deepening around the world. More than 1 billion people lack clean water for drinking, and 2.6 billion lack sanitation. Water experts predict that the situation will worsen in many parts of the world in the coming decades as a result of factors including urbanization and population growth, increasing food production, changing consumption patterns, industrialization, pollution, and climate change.

In an extraordinary call to action, a group of chief executive officers representing some of the world's largest corporations urged their business peers everywhere to take immediate action to address the emerging global water crisis. The CEOs of six corporations — The Coca-Cola Company, Levi Strauss & Co., Läckby Water Group, Nestlé S.A., SABMiller and Suez

Remarks at the Global Compact Leaders Summit
Comments for Opening Plenary Session
Geneva, Switzerland (Excerpt)
**E. Neville Isdell, Chairman and CEO, The Coca-Cola
Company**

"Thank you for that kind introduction.
Your Excellencies, Ladies and Gentlemen,
As we meet here today, global business faces one of the

launched "The CEO Water Mandate"^[5], a project designed to help companies to better manage water use in their operations and throughout their supply chains.

As the six business leaders state in The CEO Water Mandate: "It is increasingly clear that lack of access to clean water and sanitation in many parts of the world causes great suffering in humanitarian, social, environmental, and economic terms and seriously undermines development goals. The private sector has an important stake in helping to address the water challenge faced by the world today".

The CEO Water Mandate asks companies to make progress in six areas: direct operations, supply chain and watershed management, collective action, public policy, community engagement, and transparency. (See remarks by the Coca-Cola Company CEO Neville Isdell in side box.)

Educating the leaders we need

An international task force of sixty deans, university presidents and official representatives of leading business schools presented the Principles for Responsible Management Education (PRME), the first global guiding framework for academic institutions to advance the broader cause of corporate social responsibility.

most important questions of our time.
 Are we a barrier to sustainability? Or are we the greatest hope?
 The climate is changing.
 Our supply of drinkable water is stressed.
 The planet's biodiversity is threatened.
 Conflict over resources is costing lives.
 The global population is growing... mainly in places least able to support millions of additional inhabitants.
 The divide between the world's richest and poorest is a potential case of increased global conflict.
 The time for abstract debate and hopeful assumption is gone.
 Business must become agents of transformation.
 We have the resources. We have the talents. And let's be clear here, we have the self-interest.
 Real transformation brings to the table three non-negotiable demands.
 Speak up.
 Step up.
 And scale up.
 Some very determined and eloquent voices have *spoken up*... clearly... and persuasively.
 Business has *stepped up*... with both promises and programs.
 But if we add up all the great progress to date... it's only a mildly encouraging start.
 It's time to *scale up*.
 It's time to leverage our efforts through concerted, coordinated, cooperative global action.
 That is why The Coca-Cola Company signed."

See the full speech at http://www.thecoca-colacompany.com/presscenter/viewpoints_isdell_gcls.html

Principle 1. Purpose: We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.

Principle 2. Values: We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.

Principle 3. Method: We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.

Principle 4. Research: We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.

Principle 5. Partnership: We will interact with managers of business corporations to extend our

knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.

Principle 6. Dialogue: We will facilitate and support dialog and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

More to be done

Progress is being made, but much more needs to be done. McKinsey & Company presented the results of a survey of chief executives participating at the Global Compact^[6].

The survey revealed the following:

- * More than 90 per cent of CEOs are doing more than they did 5 years ago to incorporate environmental, social and governance issues into strategy and operations.
- * 72 per cent of CEOs said that corporate responsibility should be embedded fully into strategy and operations, but only 50 per cent think their firms actually do so.
- * 59 per cent of CEOs said corporate responsibility should be embedded into global supply chains, but only 27 per cent think they are doing so.

The challenge is great, but it is encouraging to see the progress that is being made in multiple sectors, globally. What is your contribution? 

[1] www.unglobalcompact.org

[2] [Click here to download the UN Global Compacts "First Annual Review"](#)

[3] [Please click here to download the Geneva Declaration](#)

[4] Visit www.unglobalcompact.org/Issues/Environment/Climate_Change/index.html to download the statement and view the list of signatories.

[5] The CEO Water Mandate can be downloaded at:
www.unglobalcompact.org/Issues/Environment/Water_sustainability/index.html

[6] See the full report at http://www.unglobalcompact.org/docs/summit2007/mckinsey_embargoed_until020707.pdf

If you want more triggers for reflection, visit <http://isabelrimanoczy.blogspot.com>.



LEADERSHIP IN INTERNATIONAL MANAGEMENT

© 2007 LIM. All Rights Reserved.

LIM News is published by **LIM**, Leadership in International Management LLC
Editor: Isabel Rimanoczy - Editing Support: Tony Pearson
21205 Yacht Club Drive, Suite 708, Aventura, FL 33180 - USA - Ph/Fax: +1 (305) 692-4586
E-mail: newsletter@LIMglobal.net - www.LIMglobal.net