

Creating a Better World through Corporate Governance

Thursday, 20th September 2007

Opening Plenary

09.30 – 11.00

The session opened with Dr Madhav Mehra welcoming the guests and introducing the conference theme. He said it is rare for corporate governance to be viewed for its social and environmental impact. Good corporate governance practices essentially focused on integrity, accountability, equity, transparency environmental responsibility and social inclusion. All this helps to make the world better and more sustainable. For this to happen business has to be on the top of social agenda and become driver of social change and innovation. He said diversity (ethnic, social, religious or demographic) was as much a competitive differentiator in the knowledge society of today as productivity was in the industrial society of 19th and 20th century. He welcomed the chief guest His Holiness Baba Hardev Singh, Spiritual Head of the Sant Nirankari Mission whose teachings of love, universal brotherhood and celebration of diversity have inspired millions worldwide.

The invocation address of His Holiness emphasised the importance of diversity – linking the importance of these values in the emerging thinking on Corporate Governance.

Ola Ullsten, Former Prime Minister of Sweden & Chairman of the World Council for Corporate Governance, then welcomed delegates with his opening address. This address began with discussing the links between ethics and corporate governance, making the link with trends towards Corporate Social Responsibility. Dr Ullsten labelled this approach the 'competitive power' of ethics and governance. This included the 'triple bottom line' approach to accounting – recognising the superiority of market driven solutions with a long term holistic approach. He encouraged companies to show leadership and to develop their own strategies for building competitive advantage.

Baroness Flather, Member House of Lords UK, continued the discussion – emphasising the importance of women in the debate. By stressing the role of women as the poorest of the poor, Baroness Flather questioned how the Millennium Development Goals and private sector goals would be achieved without the involvement of women. Drawing on examples from India, the way in which women gain a sense of self-worth was detailed – and how this has the potential to build development based on 'putting the family first'. This potential for life and community changing investment needs to be based on partnerships between the private sector and NGOs. The question raised was "Do we care?".

Neena Gill, member of the European Parliament, spoke on the issue of 'responsibility' – not just to shareholders but to stakeholders, as the key to success. This includes making sure that workers, the community and other affected parties – have some form of dialogue with the company. She illustrated the need for long term strategic CSR, which is not only top down but that operates throughout the company. This is the rationale behind the recent European Parliament declaration encouraging companies to look at their global supply chains to promote development and poverty alleviation.

Dr Madhav Mehra, President World Council for Corporate Governance then concluded the opening session by referring to the power of markets. He specifically dwelt on the role of transparency. He said "markets are the most powerful human innovation. These have tremendous power to create equitable wealth provided we can ensure transparency in the operation of the markets". Referring to the current crisis of liquidity, he said, "queues of depositors outside big banks are indicative of the degree of opacity in the market place caused by hedge fund operations. The scare is only because no one knows who owes whom how much. This brings into focus the importance of regulation. He quoted Eliot Spitzer by saying self-regulation has been a failure but excessive regulation also is not the answer."

He added that the purpose of this conference is to find collective wisdom and encourage networking. Quoting the holy Vedic scriptures he said : "Let us come together, let us think together , let us combine our intellectual strength, let out collective brilliance shine and let there be no ill will. That is the real pathway to peace."

**Plenary Session
11.00 – 12.30**

The first plenary session was opened by the chair Baroness Flather, who invited the speakers to deliver their speeches.

Richard Sandor, Chairman and CEO Chicago Climate Exchange, detailed the work of his financial organisation, explaining how carbon trading works in practice. Contrasting between 'command and control' CO2 reductions and a 'cap and trade' approach, he gave the history of the Carbon Exchange. Mr Sandor talked through the numerous challenges experienced in starting the exchange, then highlighted the current successes in attracting a large number of companies to subscribe as members of the exchange. This membership now equals 420 tonnes of CO2, or 12% of the USA. In part, this is in an effort to manage the following:

- 1) Policy risk
- 2) Physical risk
- 3) Legal risk
- 4) Competitive advantages
- 5) Strategic benefits

William Halal, Professor of Management & Innovation, George Washington University, USA – then discussed the limitations of CSR. Because of the

emphasis on responsibility – there is no universal acceptance. Instead, a collaborative approach is required – between communities, employees, customers and companies. Prof Halal emphasised the potential of employees – seeing them as partners not just wage earners. Here, developing a sense of ‘ownership’ amongst teams and employees, is often the best strategy for moving from hierarchy towards an ‘internal market’ system. This enables companies to make an improved market and social contribution – through collaboration.

Lord Karan Bilimoria, Founder/Chairman, Cobra Beer UK, began his comments with the tale of a ‘glass of milk and a teaspoon of sugar’ from the Farsi community in India. He attributed the success of the Farsi community to the underlying principle of trying to reach the top whilst also making a contribution to society. Central to this is the issue of diversity, which has real benefits for businesses. For example companies in the UK with diverse boards are more effective. This message, that diversity makes good business sense, was well received.

Plenary 3 - Panel

How Can Boards Drive Social, Environmental & Ethical Agenda?

12.30 – 13.30

Matthew Cadbury, chairing the session, invited the guests to make short contributions before he opened the discussion to the audience.

Allen Blewitt, Chief Executive Officer, ACCA UK, drew linkages between corporate governance and CSR. By recognising that corporate governance embraces the needs of stakeholders beyond shareholders, the social/environmental and ethical issues of today are very much part of corporate governance. This involves leadership taking a long term view. The challenge is in reporting on and managing this sustainability agenda.

Prof Nada Kakabadse, from Southampton Business School, began by summarising some of the key findings of the morning. That companies can be responsible and that many boards have a focus on CSR. But that this is very much risk focused behaviour – responding to challenges rather than taking strategic choices. The exceptions, such as Cadbury, have tended to be value based companies. This is why governments need to set standards as part of the changing corporate landscape. This should focus on Corporate Sustainable Responsibility.

Dr Jean-Claude Cosset, Director of Research & Professor of Finance, HEC Montreal, Canada – detailed the connections between ‘Privatisation, Political Connection and Policy Impact’. Speaking at how privatisation changes notions of ownership and public goods, and changes popular expectations of these companies. With continued ‘political connection’ in these privatised firms, the policy impact is difficult to determine. This impacts on corporate governance because it demonstrates a changing understanding of the independence of boards and a more complex regulatory structure.

Jermyn Brooks, Executive Director, Transparency International – took a very practical approach – assuming that boards want to do something about CSR, but that few have gone beyond words. He attributed this to:

- 1) Boards being remote from day-to-day operations
- 2) Boards being dominated by 'pale, stale' members
- 3) A failure of boards to reach out to stakeholders.

Based on this boards need to include CSR as a regular agenda point. This should also use young people's energy and idealism as well as be based on internal policies and procedures – which place transparency and responsibility at the core.

Dr S M Dewan Director General Standing Conference of Public Enterprises India finished the discussions with practical experiences from India's public sector – which still accounts for 11% of its GDP. These public enterprises have pressures to serve both the public and profit – balancing between which is not easy. Thus there is a need for leadership from the public sector to achieve both.

Plenary 4
Developing
Boards to
Enhance
Sustainable Value
14.30 – 15.30

After a lunch break, the chair Olivier Giscard d'Estaing, Founder Chairman of INSEAD, France, introduced the topic of the afternoon – focusing on how boards can enhance sustainable value.

George S Dallas, Managing Director Governance Services, Standard and Poor's, UK, began the discussion by detailing how analysing financial risk from an external perspective ties into sustainable performance. His discussion centred on how stakeholder and shareholder engagement is key to this – which is reflected in CSR moving from being a PR focus to an operational and strategic focus. This is set against a background of legal reform, redefining the fiduciary duty of board directors, which retains a focus on financial returns combined with new social and environmental responsibilities. This is why good Environmental, Social and Governance performance is often a good proxy for sound financial management. A strong analytical profile for this will include: public commitment, evidence based reporting, demonstrated board engagement and external reporting.

Olivier Giscard d'Estaing then presented his personal input as a board member of IBM France, where social reporting occurs in parallel with financial reporting.

Prof Colin Coulson–Thomas, University of Lincoln Cambridge, continued the discussion by addressing the issue of developing a sustainability strategy and implementing it outside the boardroom. He stressed that finding practical ways to help individuals is essential. Drawing on real examples, Prof Coulson–Thomas demonstrated that stakeholder engagement, especially with staff, is the best way of implementing a sustainability strategy. This is based on providing the 'tools' to staff to enable them to make the 'right' decisions – in the interests of the company and the environment.

Sanjay Anand, Director, Sarbanes-Oxley Institute, USA continued the discussion by noting that many ideas for board development become repetitive. Thus he set out to focus on sustainability and queried how this can be measured and reported on. This is why his 'Sustainability Maturity Model' has been developed as a tool to help evaluate boards and corporate

performance. The current models, such as LEADER, GRI and CSR balanced scorecards, have pros and cons. Thus the 'Sustainability Maturity Model' is condensed into manageable reporting requirements that can be ranked and compared across different companies.

In the ensuing panel discussion – one of the key question that emerged was how to manage this transition process, especially when labour and other stakeholders are not committed to engagement. This was acknowledged as a challenge to the sustainability agenda – with the panel suggesting that the role of boards is to be proactive and systematic in stakeholder engagement.

Another topic of discussion was how often sustainability measures are actually used in risk management – with the panel agreeing that it is currently low but growing fast.

Plenary 5

Unleashing the Power of Markets – For a Sustainable World

16.00 – 17.30

Lt Gen J S Ahluwalia, PVSM (retd.), CEO of IOD India chairing the session introduced the challenge of 'Unleashing the Power of Markets For a Sustainable World' – discussing how there is a need for innovative solutions to confront new challenges in today's world.

Beginning the discussion, Olivier Giscard d'Estaing, Founder Chairman of INSEAD, France – looked at the three periods of the power of the market. This transitioned from industrial capitalism (involving exploitation and labour abuses) which in the post-WWII period framed as a reaction to the extremes of Marxism and Exploitative Capitalism. Today, we are in a third – transitional – phase, which is shaped by many new forces and pressures for which we are poorly equipped. In today's world – there is a need for collaboration with NGOs, governments and civil society to address the pressing issues of the day. This is where using the power of markets holds some possibility – but to achieve this there needs to be a renegotiation of how capitalism operates. Yet despite these challenges, Dr Giscard d'Estaing remains optimistic in the ability of people to overcome today's challenges.

Dr Poonam Kumar addressed the important questions of liberalisation and globalisation. As global trade and freedom increase, a lack of accountability in how this operates will become an increasing concern. Businesses need to take part in the movement towards greater accountability – shifting away from economic empires towards more entrepreneurial models. Issues of corporate governance have now taken centre stage, with former economic giants being destroyed through poor governance, and emerging economies showing themselves as the primary engines of economic growth. With this growth comes the need for greater transparency and governance controls – to capture economic growth and harness it for social development and poverty reduction.

Dr Tagi Sagafi-nejad, Radcliffe Killam Distinguished Professor of International Business and Director, Ph.D. Program in International Business Administration, Texas A&M International University, - concluded the panel discussion. He commented on the 'UN Galaxy and Global CSR – Challenges and Opportunities'. Referring delegates to his paper in the

proceedings, Dr Sagafi-nejad took the idea of different stages or style of capitalism, positioning this within the role of the United Nations in governing global CSR. First questioning how this now occurs, Dr Sagafi-nejad then provided some tools for analysis for judging the role of the UN and how this might develop in the future.

Concluding the session for the day – guests were then invited to the Meeting of Indo British Partnership Network and other Sectoral Meetings for Business Collaborations. This was followed at 1900 by a Reception/Award presentation & Dinner, including the Presentation of Golden Peacock Global Awards for Excellence in Corporate Governance & CSR Reporting.

**Indo-British
Partnership
Network for
Business
Collaborations**

1730-1900 hrs

Concluding the sessions for the day-guests were invited to the Meeting of Indo British Partnership Network for Business Collaboration. This was attended by 37 Indian Companies apart from the CEO and officials of Indo – British Council and British Companies. Dr Madhav Mehra who chaired the session outlined the purpose of this meet. He said at a time when both the Indian and British economies were growing at a fast rate, there was greater need to capitalise on the traditional linkages and bonds to extend cooperation and enhance trade and investment between the two countries. Sharon Bamford, CEO Indo-British Council underlined the role of UK India Business Council in helping businesses between the two countries. She offered the services of her office to speed up collaborations and partnerships between the companies in the two countries.

J S Ahluwalia, CEO, IOD India, offered that IOD HQ in Delhi would be happy to help both British and Indian companies in identifying potential collaborators and facilitating their businesses in India.

**Golden Peacock
Award Dinner-
Presentation of
Golden Peacock
Global Awards for
Excellence in
Corporate
Governance &
CSR Reporting**

1900 – 2100 hrs

The evening ended with a grand Golden Peacock Awards dinner night. Golden Peacock Awards instituted by the Institute of Directors, India. In his introduction, Rev Dr Graham Wilson a management consultant of repute mentioned that Golden Peacock Awards Secretariate based in London has become one of the most sought after addresses in London. Golden Peacock Awards were the holy grail of corporate excellence because of the independent, impartial and transparent manner in which assessments are carried out. The awards were presented by the Chairman World Council for Corporate Governance, Dr Ola Ullsten the former Prime Minister of Sweden. Following were the recipients of the awards:

Golden Peacock Global Awards for Excellence in Corporate Governance

Golden Peacock Global Award for Excellence in Corporate Governance in Emerging Economies

Public Sector

- Oil and Natural Gas Corporation Ltd
- NTPC Limited

Private Sector

- Jubilant Organosys Ltd
- GTL Limited

Global Peacock Global Awards for Corporate Governance for Asia Pacific Region:

Testra

Golden Peacock Global Award for Excellence in Corporate Governance (overall)

BHP Billiton

Golden Peacock Global Awards for CSR Reporting

- Coca-Cola Enterprises
- UNION FENOSA
- Vodafone Group Services
- Telefonica
- O2 Europe Plc

Golden Peacock Awards for Excellence in Corporate Governance in India's national category were also presented. The recipients were:

- Life Insurance Corporation of India
- Punjab National Bank
- Hindustan Construction Co Ltd
- International Travel House Limited
- KPIT Cummins Infosystems Ltd, India
- Power Finance Corporation Ltd
- Hindustan Petroleum Corporation Ltd
- Hindustan Zinc Ltd, Vedanta Resources Plc
- Shree Cement Ltd

The evening ended with excellent wines and dinner by 2100 hrs.

Plenary 6 - Keynote Session

Can Corporate Governance result in triple bottomline benefits

0900-1000

Friday 21 September, 2007

The 2nd days keynote session was chaired by Dr Madhav Mehra who as one of the early proponents of 'Triple bottom-line' explained the theme of the session and its background. He highlighted how boards can create wealth by driving Social, Environmental and ethical agenda, and how corporate governance can secure a sustainable world.

Martin Scicluna Chairman Deloitte (1995-2007) as the first keynote speaker of the morning emphasised the downside of hasty regulation and the benefit of giving businesses space to develop their own approaches. The Sarbanes Oxley Act was a response to the failures of Enron and Worldcom. However there was too much focus on internal controls, at too high a cost, and this has helped London replace New York as the world's financial capital. The UK 2006 Companies Act includes mention of the concepts of the triple bottom line and this is being acted on by companies. For example Tesco have a commitment to "measure and reduce greenhouse gas" and to "treat people how we would wish to be treated". Regulating in a rush or in anger is to be avoided.

It was followed by keynote address by Graham Ward CBE President International Federation of Accountants and a Senior Partner in Pricewaterhouse Coopers. He emphasised that ethics is the new competitive environment. Companies need to exert effective "Enterprise Governance" and this is achieved by a combination of Culture and values,

covering both personal and business behaviours, Management Systems, which reinforce the right behaviour, Oversight, to ensure it actually happens and balanced disclosure by public companies helps their share price and lowers the price volatility.

Working Session 1
Market Driven Strategies For Low Carbon World

1030 – 1145 hrs

Nada Kakabadse, Professor of Management at the University of Northampton chaired this session. Emmy Galama- Rommerts from Netherland of the women's Advisory Committee at the National level, highlighted the importance of networks like WAC, ICW and Ituairon commission, for poor women and to have their voices heard. Women's organizations are playing an increasingly important role both in social work and international development. Business should be aware of the work of these organisations and the opportunities that exist for CSR through partnership with them.

Mathew Hibberd Director in MSC in Public Relations emphasised the importance of climate change and role of communication in Climate Change – the communication challenge. He covered the background of the Climate Change debate, and highlighted that we require shared knowledge and the dissemination of research findings internationally. Klaus Radunsky, head of department Registry Federal Environment Agency Ltd, Austria covered European response to climate change. He talked of climate protection and the move of the European Council for an integrated climate and energy policy. Maj J D Sharma, Head of Public Relations of Sant Nirankari Mission, talked of Corporate Governance by self governance. He covered how corporates can thrive and add value in a disparate world. He said good governance inspired workforce, reduced social inequity and improved market capitalization. His talk emphasised the need for alignment between beliefs and actions. Pure thoughts lead to pure actions, so it is important that employees and managers themselves believe in the benefits of good corporate governance and social responsibility in order to carry them out well.

Tom Spencer focused on the reality of the effect of climate change and on the inadequate response from business. Particularly disturbing is the behaviour of the oil and coal industries in the USA who are disputing all the scientific evidence solely to delay any adequate response to global warming. He cited one executive from the energy industry had said "We are going to buy the science, that will give us 15 years, and after that there are only adaptations". Socially responsible businesses should clearly be doing more on climate change and should be countering this kind of behaviour.

Working Session 2
Making Boards Instruments of Change and Innovation

1145-1300 hrs

The session was chaired by Mathew Cadbury. Prof Poonam Kumar, Chairperson Mega Ace Consultancy talked of inclusive growth and how good governance of business can alleviate poverty and make profits. She argued that good corporate governance is essential for ensuring an economic mechanism that is conducive to continuous economic growth and for creation of employment of vibrant, sustainable and responsible international business commerce. Prof Giovanni D'Orio talked of moving

from growth to responsible development. Strong economic growth requires developed financial markets and strong investor protection. He also covered the role of CSR in the evolution from growth to development. The convergence will be on CSR issues. Bosire Ogero, Board Chairman of National Housing Corporation, Kenya gave the CG experience of his own company, and how it managed to unleash power of the board.

Working Session 3

Moving the Corporation to the Next level

1400 – 1530 hrs

This session was chaired by Dr Tagi Sagafi-nejad, Radcliffe Killam distinguished Professor of International Business at Texas A&M International University. Tatyana Boikova, Professor Baltic International Academy, Riga, Latvia covered corporate Governance models and their challenges in emerging economies. No single standard system can be adopted. Lalit Jain, Vice President of Jubilant Organosys Ltd compared listing requirements of Major stock Exchanges at NYSE, London, NASDAQ, and Indian stock exchanges. He also highlighted the emerging trends in Corporate Governance. Sumant Batra, Managing Partner of Kesar Dass B & Associates covered role of private equity investors and CG needs of family business. Abdul Waheb, CEO Minority share holder watchdog group of Malaysia covered CG elements relevant to minority shareholders.

Presentations by select Golden Peacock Award Winners for Excellence in Corporate Governance & CSR Reporting

1530 – 1700 hrs

The presentations of Corporate Governance & CSR initiatives by selected Golden Peacock Global Award winners brought out how these companies had achieved excellence. The session was moderated by Stuart Bennett of London Business School. It was a rich and educative case study session and illuminated how businesses are stretching themselves to drive the social agenda and creating wealth for shareholders.

Closing Remarks

1700 – 1715 hrs

Dr Ola Ullsten, Chairman of WCFCG chaired and his team made a presentation of the summary of recommendations. He thanked Dr Madhav Mehra not only for such a thoughtful and stimulating theme but executing the deliberations so skilfully. The conference has moved corporate governance thinking to the next level. He said this agenda will now be carried forward to the forthcoming 3rd Global Conference on Social Responsibility scheduled from 15-17 Feb in Vilamoura and invited everyone to join.

Summary of Recommendations

The conference had the most stimulating discussions that covered a very vast ground and questioned the current growth model. However most discussions converged to three key themes - Partnership, Leadership and Sustainability. Following is the summary of recommendations:

1. Partnership

Partnership was considered a key step towards achieving the goal of Creating a Better World through Corporate Governance. Central to this are the aspects of:

- stakeholder engagement and empowerment
- gender and women's rights
- inclusion and dialogue with all members of the community
- empowerment of minorities and respect for differences
- identifying how differences can be turned into opportunities
- The importance of including underdogs – especially Africa, women and disadvantaged communities in our deliberations.

2. Leadership

Leadership is essential for converting words into action. This calls into question a number of key issues, including:

- the changing role of the board
- the importance of developing talent
- innovation as the answer
- the role of CSR in promoting staff retention
- the importance of defining more clearly the field of CSR
- the differences in values and ethics between cultures
- Fine balance between self-regulation and over-regulation is the key to unleash the power of markets.
- Ethics and transparency have become competitive differentiators and prerequisites for business success
- Changing culture of the organisation to instil pride in owning mistakes is a prerequisite for ensuring transparency, inspiring trust and sustaining innovation.

3. Sustainability

These steps are focused on the crucial issue of sustainability. This is a question of moving 'beyond responsibility' – which means:

- identifying values for sustainability
- balancing between risks and responsibilities
- noting that the need for change is immediate
- Necessity for greater measurement and reporting tools, and universal acceptance of GRI
- Technology improvement and innovation be used as the key to equitable growth and democratisation of institutions.
- Climate change is the dge of a new frontier and the risk can be turned into a huge opportunity by changing the growth mode.
- PROACTIVATE – an eleven point programme is a powerful tool to regenerate environment, cut emissions and bridge urban rural divide.

Feedback

The Conference feedback showed that the event was a great success. Typical statements were:

"Compliments for a very well organised function with a flawless execution"

(Ravi Pandit, Chairman KPIT Cummins), 'you are doing wonderful work, Madhav' (Prof William Halal, USA), 'great opportunity to meet leaders and engage in stimulating discussion' (Stephen Farrell,UK), 'Many thanks, to you and your team for organizing such a superb event with a most impressive turn out' (Lord Karan Bilimoria, founder and Chairman Cobra Beer Ltd).

"Congratulation! You organised a great event. It is a fitting testimony to your exceptional organizational skills and vision. Great job" (Sagagi-nejad, Tegi, Director, PhD program, Killam Distinguished Professor, College of Business Administration, Texas A& M International University).

Compiled by Caleb Wall and Jaswant Ahluwalia with inputs from session chairmen.