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Introduction

Good morning. Our subject this morning is very, very interesting. It is about corporate social responsibility and global governance.

Global governance is not an easy concept to define. It has a large scope and embraces both the public and private spheres. That is why two members of the private sphere are in this panel today. One talks about local governance, corporate governance or global governance. Historically, the first time governance was mentioned was in 1975 by an economist Williamson, who presented it as part of the theory of the enterprise. It is therefore legitimate to ask whether the governance that companies establish for themselves has a bearing on global governance, notably through their initiatives related to what they perceive as being their corporate social responsibility.

Usually when we think about global governance, we refer to the international institutional architecture that we have had for 60 years, such as the UN, Bretton Woods and so on. However, clearly, new challenges have emerged in the last 20 years. I will not mention all of them, but you have the rise of emerging countries, the demographic transition, the social evolution, huge moves towards cities, the development of slums with 4 billion people at the bottom of the pyramid, large middle classes pretending to adopt Western styles. We also have the awareness of the environment, climate change, terrorism, the emergence of ROK states, nuclear proliferation and many others.

It is a fact that international institutions are not fully able to provide all the solutions at the right time, which is what is required to tackle all of these challenges. At the same time, new actors, mainly non-institutional and non-transnational, have emerged and now compete with state institutions and international institutions. Some of them aim to regulate globalisation, to set up new standards or to provide solutions that neither states nor international institutions are able to continue to provide. It is intuitive that our world could be better off if we could introduce a higher degree of collective management. If such a thing were reachable, it would mean that all stakeholders of a global rank, including companies, governments and NGOs, find ways and means to establish a constructive dialogue on collective global governance.

Will such dialogue ever be possible? I think we can start to talk about what is often called CSR. How can we define CSR? The European Commission defines it as actions voluntarily taken by companies over and above their legal obligations towards society and the environment. The idea is that companies voluntarily engage in activities of great importance for humanity and its ecosystem. This can cover all fields - the wellbeing of humans, food, housing, health, human rights and human dignity, notably for the relation between employers and employees, contractors and subcontractors, health and safety in the workplace, respect for and promotion of diversity of gender, culture and so on.

Governance, in particular in the field of ethics, fights against corruption, respect for legal standards, rules and regulations, the environment, which is very important today, preservation of natural goods and scarce resources, fights against climate change, of course, of diversity, green sourcing and so on. The idea of large private entities dealing with a range of responsibilities, going beyond their fundamental duties in the field of value creation for the shareholders is not a new phenomenon. In the past, it was often done via initiatives of a philanthropic nature.

The novelty of the phenomenon of CSR is that it is moving from a peripheral and sometimes controversial function of the firm towards a more central and well accepted one, increasingly seen not only as a condition of survival for the firm today, the licence to operate, but as a powerful lever to render sustainable value creation in the long run. It is therefore not only a philanthropic idea or approach - it is increasingly directly linked to the core business of companies.



For instance, the concept of bottom of the pyramid is related to tailoring a commercial offer for the low income segment of customers. This is not philanthropy - it is a new business. There are many other examples of this. In the same vein, asking customers to pay a price for reducing negative externalities, such as CO₂ emissions, energy consumption in buildings and so on, is obviously an element in the relation between innovation and pricing.

These two examples show that companies can have a powerful influence on society while making money. That is what Michael Porter captures very well under the concept of shared value creation. Over the long term, there should be a convergence between shareholders' value, employees' pride, customers' loyalty and stakeholders' wellbeing. This is achieved through a corporation's policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in the communities in which it operates.

Fundamental in this new role of corporates is their scale and reach in a globalised world. As they are both global and local, companies have the ability to promote CSR everywhere. Their multi-local nature can indeed be an irritant for states as it limits their autonomy, but it can also be a nice supplement to the role of states in managing public goods and redistributing the value created by globalisation.

For example, when Lefarge sets health and safety as its top priority and as a core value for its employees, subcontractors and customers, and when it promotes these very demanding rules among the cement industry, then Lefarge exerts a role in global governance. In 76 countries, tens of thousands of people will be acting in the same way. There are many examples of situations that multinationals can address successfully and where companies can be a factor of stability. It is no surprise therefore that new global governance institutions centred on companies have emerged.

The WBCSD, World Business Council for Sustainable Development, with the CSI, Cement Sustainability Initiative, is working. The UN Global Compact, the World Economic Forum and so on are new institutions that allow for the development of standards and values, often in fields where governments have not adequately addressed global issues, such as the environment, social standards in Asia and so on.

In turn, this key role in implementing global governance issues has transformed expectations towards multinationals. It is recognised that they can contribute, but it is also expected that they behave as examples of good governance. As the UN Special Representative on Business and Human Rights Professor Ruggie puts it, states have the responsibility to protect human rights, while companies have the responsibility to respect them.

Companies are now asked to reflect on ethical concerns in their internal governance and set up mechanisms to protect their employees and their stakeholders. At the same time, by doing so, the multinationals are raising standards. They contribute to global governance once again, and I fully agree with Mrs Robinson when she says that there is an immense capacity of business to give leadership. She will explain it herself in a few minutes.

To conclude my introduction, let me share a personal story. I believe that a company without underlying value cannot fulfil its responsibility and cannot start to make commitments and will find it very difficult to implement and measure them. We will now start our forum. I will introduce our two partners.

Mary Robinson is a former President of Ireland and has been a very engaged United Nations High Commissioner for Human Rights. Her new project is called Realising Rights: The Ethical Globalisation Initiative, which supports capacity building and good governance in developing countries. All her life has been centred around the promotion of human rights and I guess she has very strong views on CSR and ethics.

Narayana Murthy is an extremely successful Indian entrepreneur. He created Infosys with just \$1,000 in the bank. Not only did he create one of the most successful companies in the world, but also he created a value-based company and a way to manage companies that we all recognise. He now serves on many prestigious boards of companies or universities. He will give us his thoughts about values and leadership.

To start this discussion, I will give the floor to Mrs Mary Robinson.