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**IMPLEMENTATION AND VALUE CREATION
THROUGH THE GLOBAL COMPACT AND ITS PRINCIPLES**

Ladies and Gentlemen,

“Optimism - Not Only Possible, But Also Necessary in the Age of Global War”, is the theme of this year’s Istanbul Biennale.

In my opinion, replacing “Global War” with “Globalization” in this headline would make this theme extremely appropriate for our Conference as well.

Because, I believe optimism in global business is needed today more than ever before. Considering the following set of facts, one may easily challenge my claim that there is a need for optimism:

- Professionals, corporations, and nations are a lot wealthier. Global economy grew by more than 7 fold since 1950.
- We are also a lot healthier; thanks to medical advances many diseases have been cured and people are living much longer.
- Thanks to technological advancements in communication and transportation, the world has never been as transparent and accessible.
- Information exchange bears no borders, spurring innovation and interconnecting lives.
- 2 million emails are sent every second and 171 billion every day. 3 billion people have mobile phones.

In general, the picture looks rosy and there may not be much to complain about; however despite all these improvements there are also the following facts:

- 3.5 billion people live under the poverty threshold (on less than USD 2 per day)
- The gap between the rich and the poor is growing at all levels in both the developed and the developing world,
- Many regional conflicts are continuing,
- Many diseases are still uncontrollable,
- The environment is being depleted at a rate never witnessed before,
- We still have no alternative to oil, soon we may hear about wars over water resources, and

- Corruption is still the rule of competition in some parts of the world.

These are disturbing facts and even worse, business is blamed for most it. Right or wrong, more and more business is blamed for only caring for business.

Yet, business is here today at its largest gathering in history for corporate social responsibility.

Is this a coincidence?

Most recent developments have made us realize that we must give a clear priority to being good corporate citizens in adopting our business approach.

Business, as indicated by the discussions we listened to today among this group of leaders, is moving towards a new phase of globalization that aims to create inclusive and sustainable markets, marking in essence a paradigm shift.

As in other fields of social sciences, there are no straight answers nor is there conclusive evidence that directs to the best business approach.

It is all relative within the surrounding conditions and assumptions.

There are best case examples and these examples may prove not to be so good in a decade or with the advancement of technology even within a year.

Acting responsibly in business is similar. For starters, the definition of corporate social responsibility is beyond regulation. There are approaches; some standards and thousands of initiatives in this area; but no “one case fits all” approach, no prescriptions to make all good. Besides the fact that it is not desirable, a “one case fits all” approach is also not possible.

Therefore we gathered here today to listen to each other, to be inspired and to map out where tomorrow will take us... or to aspire where we will take tomorrow under this new paradigm.

Based on various reports presented today, many more participants are finding many more reasons as to why the Global Compact principles, but in general, good corporate citizenship add value to their business operations. Businesses are recognizing that CSR, or more specifically the business proposition of the Global Compact is adding value.

Specifically, the notion that the ‘GC principles and in general CSR creates value’ is being hammered into our heads. In fact the Goldman Sachs report claimed that ‘if there is no value creation then it will become an interesting academic experience’

First of all where is the evidence?

I have listened to many arguments about value creation but saw no evidence to support it.

Even the Goldman Sachs report says ‘these corporations with the highest returns score highest in the ESG survey’.

I am sure one would prefer to hear something along the lines: ‘The companies that invest most in GC or CSR activity achieved the highest returns.’

But no where do I see a case where a company’s bottom line and share price improved as a result of CSR.

Any act of good citizenship should not be directly related to value creation. Creating business value should be a derivative not the main goal of CSR.

Also don’t forget that you have to invest significant resources for many years before earning any quantifiable financial returns.

While I agree with the business proposition of the Global Compact, I would seriously question the sole motive of business value creation behind any act of good citizenship. Think of it this way: If everyone does it; then it neither differentiates nor creates additional business value.

Will we not do it then?

You must be a believer. Adding business value should be a derivative, not the main goal of CSR.

Once rising up to the challenge, businesses can help to redefine the rules of the game. For the advanced runners, this provides an excellent leap forward and in some cases even a comparative advantage.

Unfortunately, in some cases increased awareness brings more scrutiny and expectations for those frontrunners. However, there is also an opportunity to limit moral hazard by pushing for a level playing field.

Markets have differing levels of maturity in terms of general business infrastructure and environment. In sophisticated markets, it’s easier to identify success stories and best practice benchmarks. Corporate social responsibility is portrayed as a “must have” in these markets, whereas in developing markets it’s a “nice to have”.

Indeed, in developing markets, the situation is somewhat different. It is much harder to exercise self discipline to practice higher standards of doing business, (especially) if you consider that at times,

- minimum legal requirements are not met, not enforced, nor punished;
- there is almost nonexistent public pressure and
- those who practice CSR are not fully recognized.

Therefore, those who practice and advocate good corporate citizenship in less mature, less conducive markets can be deemed as true pioneers.

These pioneers invest short and long term resources AND BIG RESOURCES where returns are not quantifiable and where little or no upside exists for going beyond the call of duty.

To me this indicates a big challenge for Global Compact in that, there could be occasional free riders focusing on the namesake of the Global Compact while continuing with business as usual or in some instances cleansing the acts of “not-so-responsible” business under the shield of Global Compact.

It is therefore more important to ensure accountability. But where there is no monitoring or auditing, it is difficult to ensure accountability.

If the premise that

“If you don’t measure in business, you can not manage” holds;

Then we must at some point in time, streamline this process to ensure the long term integrity of the GC.

The practice of disengaging participants who do not report may be a good starting point, but does not fully address the compliance issue. The dilemma here is that the Global Compact refrains from acting as the police of social responsibility, which is extremely understandable. However, GC must develop a mechanism to be able to identify and distinguish the true practitioners and true believers.

Let’s concentrate more on compliance and less on increasing the number of participants.

Another key factor for GC to be successful is the role of governments. Governments need to be more involved and interactive in this process. There is only so much that businesses can do without the full buy-in and leadership of the government, ensuring efficient enforcement mechanisms under a solid legal framework and judicial infrastructure. This is especially true for addressing corruption and unregistered economy.

It is also important to initiate cross-country and cross functional alliances among business, civil society and the public sector and related international organizations in building capacity. This is as true for Turkey as other countries in the region.

We note the importance of national promoters and are, on our part, actively engaged in mapping the understanding and building a community to set the business-society CSR agenda.

More specifically as the Koc Group, we are looking at ways of

- facilitating peer to peer learning under the umbrella of business associations or through conferences and workshops as well as

- open dialogue with the government agencies as there is a close link between the pace and quality of economic growth and reform
- Encouraging universities to include the issue of CSR and GC in their curricula,

It has been a pleasure and honor for me to follow the discussions today and present my views on the part of Koç Group, which has been the pioneer in corporate social responsibility and has set many benchmarks for more than 80 years in Turkey.

Yet, we still see all this as a great start...as Neville Istelle said in the Opening Plenary: "all around, we need to scale up the effort". We need to see this as a journey, where we must always look ahead.

Once you engage the principles of good corporate citizenship into the core activities of your company, you are faced with the challenge of expanding this culture into your value chain.

The GC Annual Review in many instances refers to the supply chain management, but for companies with also the product distribution chain, the supply chain concept does not cover the entire spectrum. Thus the references to the supply chain should be expanded to the value chain.

One esteemed faculty member Ms. Semra Aşçıgil, here today with us once gave an example from the field of law.

Compare the following two interpretations of "giving the right to live":

You can either frame the notion as a negative right, inferring it "as not being permitted to kill" or

You can formulate a positive right inferring it as "providing a meaningful life"...

Certainly, what makes the difference is your understanding and your general outlook on life.

Similarly, the leader participating in the Global Compact is free to infer the limits of how far his or her business would take the notion of responsibility, remembering it is the route to creating the new paradigm leading to a better future and a better world.

To conclude, I would like to quote Jim Collins who defined the good to great framework for business and social sectors:

"Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice and discipline."

Committing to the Global Compact is just that: making a conscious choice and committing to discipline in building a more sustainable and inclusive global economy.

Thank you.