

Crown Plaza, Paris, February 2012

The conference was held under the Chatham House Rule which means that participants may use and repeat what was said but they may not attribute anything by name or company. For this reason, a full report will not be publically available, but this summary is on the EBEF website: www.ebef.eu.

This report has been prepared by Nicole Dando, Head of Projects, IBE, with thanks to Judith Irwin and Sabrina Basran, IBE, as well as all the rapporteurs who provided their notes. Comments or corrections may be sent to: n.dando@ibe.org.uk. There are four plenaries and 3 breakout sessions over 2 days.

Thursday 23rd February

1. Welcome and introductions

The conference was opened by introductions from the four organising groups:

Yves Medina, President, CEA
Yvan Biefnot, International Relations, CEA
Luc Van Liedekerke, ex-President, EBEN
Keith Darcy, Executive Director, ECOA
Philippa Foster Back, Director, IBE

Yves Medina thanked the CEA corporate members for their support and EBEF's organising committee. He suggested that this year's delegates from seventeen countries (including Romania, India and China) consider developments in market integrity given the recent crisis in economic and political arenas. What is going to change and what are the expectations of stakeholders? Business ethics is a never-ending battle and it is hoped that EBEF makes everyone feel armed and motivated to make improvements. **Yvan Biefnot** of CEA then welcomed the 120 participants, which included for the first time, participants from China; newcomers to EBEF; and the many returning loyal attendees; and thanked the sponsors, EDF, GDF SUEZ, L'ORÉAL, and the speakers. He explained that the format of the Forum was four plenaries and three sets of five breakout sessions, and the balance between subjects discussed at plenary and breakout sessions.

Luc Van Liedekerke said that at EBEF it is possible to pick up valuable information and learning just by chatting with other participants in the corridors. He felt that one trend in Europe is for business ethics to evolve from a soft subject to a hard non-voluntary topic. Luc felt this was a positive change as the soft part is already under powered and that culture is more significant than regulation.

Keith Darcy expressed delight that so many could attend given the austerity measures being felt. New issues have been emerging around transparency and social media

technology and hacking. Competition law in Europe is also developing. The Securities & Exchange Commission is getting seven referrals a day following the US Dodd Frank Act! Anti bribery developments have also been significant - global initiatives are pushing governments to take it seriously, as well as the UK Bribery Act.

Philippa Foster Back made the point that ethics, corporate behaviour and culture are now very much in the public domain. In particular the media has upped its pressure on business and other organisations in society to act responsibly.

Philippa explained that open learning sessions would follow the series of breakout sessions on Thursday, to provide an opportunity for discussions to continue "in the corridors".

2. Plenary 1: Ethics as a common language for G20 and B20

Please note: this section of the report is made up of notes taken during the Forum and is published under the responsibility of the CEA.

Introduced and moderated by: **Yves Medina**, President, CEA

Speakers: **Michel Guilbaud**, Director General, French Business Confederation (MEDEF)
Paul Hunsinger, Special Representative of the Director General of the Treasury for International Affairs, French Ministry of Economy, Finance and Industry
Patrick Kron, Chairman and Chief Executive Officer, Alstom

The moderator suggested three questions:

- Will the relationship between G20 and B20 grow and prosper?
- What impact does this context have on business ethics topics?
- Is there a difference for public and private sectors?

Main points made during the presentations:

M. Guilbaud: It is a sign of the success of the B20 that it is a topic here at EBEF. The relationship with G20 will help the public and private sector work together on social and economic challenges. G20 is informal but is a key forum for global debate and its scope goes beyond the economy. The B20 mirrors this as the big issues cannot be left to government alone: economic decision makers need to be involved in the objectives of the G20 to bring their visions. The B20 is a new form of public-private relationship and has been a positive force in engaging the public. MEDEF was chair of the B20 and was charged with a summit held to facilitate interaction between the G20 and business. Working groups have been set up on various topics such as development, regulation, investment and trade, green growth etc, i.e. all the global economic challenges. These are connected closely to Corporate Responsibility issues.

P. Hunsinger: The state is the regulator but for the rules to be enforceable requires dialogue with business - particularly in designing global regulation, as reaching consensus can be difficult. One weakness of the G20 is its revolving presidency which brings different styles and agendas. Given the expectations of the public, the B20 may be able to respond more immediately than the G20. The final declaration of the recent G20 achieved a blacklist of tax havens as well as guidelines for the fight against corruption and protecting whistleblowers. Russia had just filed its paper work for the OECD anti-

corruption convention. PH praised MEDEF's efforts in developing the B20 and asked why hadn't thought of it earlier?! The Mexican presidency for G20 is coming up and first on the agenda is a public/private conference alongside the next World Economic Forum.

P. Kron: There is a strong will for PK's company to eliminate corruption as a successful future depends on integrity. It has to come from the top and at Alstom principles have been reinforced through an integrity programme that is highly robust. It is global and communicated to all staff in order to eliminate all types of corruption everywhere. A team monitors ethics and reports to the legal division and they have direct access to PK and the board of directors. There is a board level ethics and compliance committee. When the code of ethics was reviewed in 2010, the use of agents/advisors was identified as a sensitive issue. What is unacceptable behaviour for employees is also unacceptable for them, so Alstom has systems to ensure the standards of what they do including an ethics and necessity pre-appraisal when a new market is proposed by a business function and a post-appraisal to check that the right things have been done. An external audit is conducted to assure that it is meeting international standards. It is extending this to all of its compliance processes, and Alstom is expanding its ethics and compliance function and ethics ambassadors network. 33,000 staff have received training.

PK participated in B20, which is an excellent framework for helping all countries 'walk the talk' - OECD and non-OECD countries - so as to create fair competition for companies globally. An example is transparency in public tenders. Business cannot do it alone. The G20 has a big part to play.

Discussion – a selection of the questions and comments

Q: To Alstom CEO - how can a CEO be motivated to be as dedicated as you?

A: PK - At Alstom there were already strong provisions in place when I arrived. The mindset is important and I worked to consolidate this. We don't wait for problems - we make sure the mindset is already there. We have been investigated for corruption - it took a long time and there are 3 isolated legal cases. It is too risky not to take business ethics seriously. It is not just about a moral commitment - you do not want to be on the World Bank exclusion list. That would not be good for business.

Q: What do you do when working in a country like China where standards are ignored?

A: PK - I would like my vision for global trade to apply globally. We don't want barriers to trade anywhere and we want everyone to play by the same rules.

Q: Governments often react to issues with new regulation. Do you anticipate more of this? How can business give governments the confidence not to have more regulation?

A by panel: Public-private confidence on a broader scale will help. The G20 is in sync with the challenges of globalisation and will help establish more trust. Sector-based initiatives by business will help. The informal nature of the G20 is a problem – there is no secretariat and changing presidencies. A new institution might make sense but is difficult to set up and we should not wait for that to move initiatives forward. Governments and regional coalitions are based on consensus so they cannot act quickly. But the business focus is the next quarter. Both sides think they have invented the topic of ethics - existing international organisations can help bridge that gap.

An example of where clashes occur is when excellent corporate speak up programmes come up against different laws. A speak up procedure would help to guarantee fair

practices from companies participating to international tenders. It would also help denounce protective attitudes from certain countries.

3. Breakout sessions 1

Three sessions of five simultaneous breakout groups followed over the course of the conference. EBEF regulars will know that the idea of these sessions is for participants to share highs, lows, and lessons learnt, rather than to give a platform to “experts”. The rapporteur’s notes for each breakout group follow.

1.1 Assurance/Measuring effectiveness of the ethics programme

Introduced by: Philip Jordan, Total & Pedro Montoya, EADS

Moderated by: Yvan Biefnot, CEA

Rapporteur: Vincent Bégé, Norton Rose

1.2 The evolving responsibilities and liabilities of ethics representatives

Introduced by: Kate Brearley, Stephenson Harwood & Murray Grainger, Airbus

Moderated by: Philippa Foster Back, IBE

Rapporteur: Judith Irwin, IBE

1.3 Supply chain/third party issues

Introduced by: David Lawrence, Diageo

Moderated by: S. Maria Sonin, ECOA

Rapporteur: Sylvie Flanagan, Bombardier Inc

1.4 Due diligence on human rights

Introduced by: Olivier Loubière, Areva & Marie Agnès Vieitez, UTC

Moderated by: Patrick du Besset, CEA

Rapporteur: Natacha Lesellier, L’Oréal

1.5 Codes of conduct trends

Introduced by: José Varela, Caixa Geral de Depósitos

Moderated by: Luc Van Liedekerke, EBEN

Rapporteur: Tobias Goessling, University of Tilburg (EBEN)

4. Plenary 2: Is there an expectation gap?

Please note: this section of the report is made up of notes taken during the Forum and is published under the responsibility of the CEA.

Introduced and moderated by: **Luc Van Liedekerke**, Ex-president, EBEN

Speakers: **Beth Colling**, Vice President & Chief Compliance Officer, The Babcock & Wilcox Company
Professor Fenglin Jin, Director of Ethics Studies, China Central Party School
Dominique Moisi, Political Scientist, French Institute of International Affairs (IFRI)
Mireille Virot, Social Psychologist, Université Paris-Est Marne-La-Vallée (UPEMLV)

Main points made during the presentations:

B. Colling: Beth set the scene by providing background information on the international engineering company Babcock and Wilcox (B&W). In August 2010, B&W was spun off from its parent company McDermott International, Inc. (MII), a company that had faced ethical lapses in the 1970s and was the subject of a Securities and Exchange (SEC) Consent Decree as a result of self-reporting. Consequently, employees at MII/B&W often expressed erroneously that the ethics and compliance programme was implemented as a reaction to the SEC Consent Decree. This meant that they were faced with the view that they were only doing ethics as a reaction to their ethical lapse.

Is there a gap emerging between the effectiveness and capabilities of the ethics and compliance function and the demands of the many rules and regulations that companies are subject to (e.g. US Foreign Corrupt Practices Act (FCPA)); have the demands outgrown the capabilities?

In Babcock and Wilcox, Beth has seen gaps between the tone at the top and the ethics and compliance programme provisions. Ethics was seen as a cost burden that had no added value and was taking away from the business of doing business. Some members of management questioned the need to maintain an ethics and compliance department in their efforts to save money. Beth also expressed that gaps exist with regard to the burden of what many regulatory agencies are imposing on publicly-traded companies and being able to conduct business in an economically-challenged environment.

To address the gap, Beth recognized that the barriers needed to be broken down and more visibility created with regard to the benefits of the ethics and compliance programme – without adding costs. B&W has done several things to address this challenge:

- Creation of chief compliance officer (CCO) role on executive staff, reporting directly to CEO and board.
- Integration of compliance into the Quarterly business review meetings with operations team and executive staff, including CCO.
- Participation with executive staff in annual strategic planning sessions.
- Ethics and compliance staff dedicated to integrating ethics and compliance activities into the business units.
- Performance appraisal for all upper management is now tied to ethics and compliance practice.
- Integrity forum (pulls in key stakeholders who are expected to execute an initiative to support the laws and regulations that govern our business).
- Quarterly Compliance Committee meetings with representatives of the ethics and compliance staff and executive staff
- Quarterly meetings with the Board of Directors.

F. Jin: Professor Fenglin Jin began by describing the key changes that Chinese society has witnessed as it goes through a profound economic transition to open up its markets and embrace capitalism.

In the past, the emphasis in the capitalist market was on profit maximisation, but today customers' needs and promoting social progress are now equally important success factors. There has also been a shift in how capital is interpreted. Less importance is being placed on human and monetary capital and more on intangible capital (intellectual and moral). Corporate strategy has also shifted from focusing on conformance to laws and regulations to a broader view including company reputation and public perceptions.

In China, there has been constant improvement of institutional business ethics. At the national level: institutional ethics governing international trade, the national economy and industries. At the business level: open and transparent decision making, fair wages, competition to motivate people, feasible product safety standards, fair and effective marketing systems and financial management that effectively prevents fraud.

There has been gradual improvement in the ethical standards of Chinese business culture. Management teams are trying to create a culture that is Chinese in style and embraces the values of the communist party and traditional Confucian values as well as values of the Western business world. Companies are investing a lot in the training of their employees and ethics is one of the subjects covered in this training.

Professor Fenglin Jin suggested that there are still misunderstandings between China and the West and that we need to work together to close this gap.

M. Viro: Mireille discussed the expectation gap between generation X (30-45 year olds) and generation Y (14-29 year olds). The higher expectations of business behaviour of the younger generation has raised the expectation gap.

Generation Y is not a homogenous category. There are two groups – those who have a college degree and can find employment reasonably easy. And a second group that don't have a degree and for whom employment is going to be temporary, precarious and they will oscillate from one job to the other. They have been influenced by globalisation, acute awareness of the world around them and the economic crisis. Generation Y likes to focus on the "human" aspects of business and are attracted to charity work and companies that are heavily involved in it. They are open to being more internationally mobile and money is not the key driver. They have trouble with hierarchy and are often very defiant vis-à-vis authority and institutions. They develop traditional values (family, work, friendship) and new values (free contribution - peer to peer; participatory democracy; transparency).

D. Moisi: Dominique said that there were three terms used to describe today's world:

- Complexity
- Transparency
- Interdependency

Young people today are benchmarking themselves against Western values such as transparency. The events of the Arab Spring were a direct result of this as people

refused to continue to accept corruption. Other gaps are apparent such as the payment gap and the gender gap in business. In some countries there is also a gap between the rule of law and behaviours. It can be difficult in these situations to stick to your values.

Society does not expect business to replace the government or play “Mother Teresa”. The role of business is as a social instrument - to provide jobs and generate growth. Ethical business is another way of saying efficient and legitimate business.

5. Breakout sessions 2

2.1 Ethical leadership: leading from “the middle”

Introduced by: David Harris, BAE Systems

Moderated by: Simon Webley, IBE

Rapporteur: Simon Webley, IBE

2.2 Ethics training: tools, skills and advice, do’s and don’ts

Introduced by: Clemens von Stockert, Fraport AG

Moderated by: Patrick du Besset, CEA

Rapporteur: Maria Abreu, Food & Agriculture Organisation of the UN

2.3 Ethics culture and finance

Introduced by: Philippa Birtwell, Barclays

Moderated by: Keith Darcy, ECOA

Rapporteur: José Varela, Caixa Geral de Depósitos

2.4 Managing conflicts-of-interest in organisations

Introduced by: Anne Marie Taylor, The World Bank

Moderated by: Luc Van Liedekerke, EBEN

Rapporteur: Alex Sulaimani, Euroclear

2.5 Risk assessment and management

Introduced by: Fabienne Cardot, EDF

Moderated by: Nicole Dando, IBE

Rapporteur: Sven Friese, Max Planck Society

6. Plenary 3: From ethics risks to ethics strategy

Please note: this section of the report is made up of notes taken during the Forum and is published under the responsibility of the CEA.

Introduced and moderated by: **Keith Darcy**, Executive Director, ECOA

Speakers: **Daniel Lebègue**, President, French Institute of Directors (IFA)
Georges Lefebvre, Chief Executive Officer & Chair of Ethics Committee, Groupe La Poste

Main points made during the presentations:

D. Lebègue: The French Institute of Directors has been considering the functions of the corporate board in terms of ethics. It has a charter for Directors listing their three core duties: loyalty, transparency and accountability. Many of the 160 codes of governance in the world include monitoring of internal controls, risk management and compliance. But few of these codes talk about the board's responsibility for ethics. Ethics and compliance are a shared responsibility between the board and management, but it is the board that ultimately has oversight. Management share responsibility for reputation, but it is the board that needs to set the tone at the top and ensure that ethics is incorporated into the company's operating strategy.

Other organisations with which Daniel is involved, are addressing different issues. At the French chapter of Transparency International (TI) there has been a concentration recently on conflicts of interest in lobbying and prevention of corruption. At the Observatory of CSR (ORSE) there has been a big focus on how business can promote human rights and how they can defeat social exclusion. In addition, they have been working on stakeholder dialogue.

G. Lefebvre: Our development strategy at Groupe La Poste is based on trust amongst all our stakeholders. Due to the nature of our business, the public have high expectations of the company. We have a strong reputation for being trusted and our challenge is to maintain this.

Ethics is central to maintaining trust internally as well as externally. Having a culture of ethics is also key to developing our business and to mitigating risk. All of our employees take an oath when joining the company to commit to being honest. We have also been working on strengthening the unity of our diverse team of employees. This is done with a values document which has been distributed to 53,000 managers, as well as a document called "Keeping our Values Alive" to share with all staff. An ethics committee formed of representatives from all business units produces an annual report for the board on our performance. Business ethics is essentially the responsibility of all managers but to help embed our values across the organisation we have a network of "ethics officers".

Discussion – a selection of the questions and comments

Q: What are the speaker's views on the "Occupy Wall Street" movement? There seems to be little progress in embedding ethics in the financial sector.

A: DL- Ethics in the financial sector is about transparency. And I would say this has improved especially in terms of pay levels, tax evasion, money laundering etc. The G20 has set high targets for the reform of the financial sector to reinforce transparency and to install a monitoring system that supervises and regulates. Four years later we are probably only 25% there but progress is being made to some extent in the United States and in Europe.

Q: *Can you expand on the Groupe La Poste programme to promote diversity?*

A: GL - We aim to be a mirror image of French society. We have almost as many women as men in middle management. We have a presence (through post offices) in disadvantaged suburbs where even police stations have closed. We are using our apprenticeship schemes to recruit from disadvantaged areas. We believe that diversity is a competitive advantage for us.

Q: *The success of business is based on the quality of individuals and their behaviour. Do you believe that it is necessary to encourage "a duty of obedience"?*

A: DL - Civil servants in France have an explicit duty to refuse to do something that is illegal. Equally, if they witness someone else doing something that contravenes the rules, they are obliged by law to report it. Many boards have an independent director to ensure that there is an independent voice. This individual needs to be able to demonstrate courage to disagree, challenge people and speak up. I also expect my Chief Risk Officer and Audit Committee to speak up.

GL commented that their employees can speak up via an alert system if they feel that they are being treated unfairly or are being placed in a difficult situation. It does not have to lead to disobedience.

7. Breakout sessions 3

3.1 Corruption: What to do when asked for a bribe?

Introduced by: Jean-Daniel Lainé, Alstom

Moderated by: Yvan Biefnot

Rapporteur: Neil Holt, Halcrow

3.2 Assessing business integrity: Exploring a practical model

Introduced by: Ian Isaac, O2 Telefónica & Robert Smith, Serco Group

Moderated by: Nicole Dando, IBE

Rapporteur: Judith Irwin, IBE

3.3 Social media: risks and benefits

Introduced by: Hans van Lent, Siemens

Moderated by: S. Maria Sonin, ECOA

Rapporteur: S. Maria Sonin, ECOA

3.4 Remuneration as an ethical issue

Introduced by: Wendy Harrison, Shell
Moderated by: Philippa Foster Back, IBE
Rapporteur: Ruth Cowley, Norton Rose

3.5 HR and ethics: Working with other functions

Introduced by: Emmanuel Lulin, L'Oréal
Moderated by: Patrick du Besset, CEA
Rapporteur: Corinne Briquet, Airbus

8. Plenary 4: Looking ahead: Key issues for ethics practitioners

Please note: this section of the report is made up of notes taken during the Forum and is published under the responsibility of the CEA.

Introduced and moderated by: **Philippa Foster Back**, Director, Institute of Business Ethics

Speakers: **Robert Smith**, Director Assurance, Serco Group
Courtney Wallize, Corporate Director, Ethics & Business Conduct, Northrop Grumman Corporation
Herve Canneva, Chief Ethics & Compliance Programme Officer, Capgemini

Main points made during the presentations:

R. Smith:

- Moral capital needs to be considered as an intangible asset. Reputation is the biggest risk that an organisation faces. Austerity is putting interesting pressures on business especially in a time when there are high social expectations, increasing the importance of reputation. Our world is becoming more complex and we need to look at how we can drive ethical leadership in business in these times.
- The management of organisational change has interesting ethical dimensions. A lot of organisations that are going through difficult times are going through change. We need to be clear about how we deal with ethical issues at this time. A clear example of the dangers is the Nimrod disaster – the accident report found the organisations involved had moved from a safety focus to one that was focused solely on the “bottom line”. We need to ask ourselves: Are our organisations doing that? Is ethics taking second place? How do we ensure managers incorporate ethics into the everyday workings of the organisation?
- There have been significant developments in the governance landscape recently. Some of these developments support the promotion of an ethical culture. In the US they have Dodd Frank which incentivises employees to speak up about malpractice in their organisations. But this might put in place requirements that might be viewed as restricting business. It is important that business plays its part to ensure that regulation is minimal by demonstrating it acts ethically. Charter marks and other such models can help companies to demonstrate their commitment to integrity.
- Social media is an increasing area of importance in business and one that is raising increasing ethical issues that need to be considered within the ethical agenda.

C. Wallize:

- Social media – it’s a never ending cycle of trying to keep up with developments. The risks are enormous: privacy, information security etc. Do we block it? Or do we manage it and leverage it?
- Employees need to do more with less. Research has shown that there has been an 8% increase in employees feeling pressured (Ethics Resource Centre). Pressure can be good, but also bad. We need to be careful that it doesn’t create an environment where ethical misconduct does not bubble up and employees are more apprehensive to speak out.
- Supply chain: the government is putting pressure on us to ensure that our supply chain has the same ethical standards that we have. We have got lots of suppliers but we are also a supplier. We need to be mindful of the demand we are placing on our suppliers – how would we feel if these demands were placed on us? We also need to maintain our values based approach despite more stringent regulation coming into force.

H. Canneva: Herve stepped in at the last minute to replace one of the speakers who was unwell. Herve talked briefly about what he had learnt at the conference. His key take away was that he was reassured that he was not alone in his job and in the challenges that he faces embedding ethics in Capgemini. He explained how Capgemini is expanding rapidly in the BRIC countries and other emerging markets. This means a lot of new staff and a lot of diversity. The challenge now is to make sure we embed ethics in the organisational ethical culture in these regions. This challenge will continue into the future.

Dinner on Thursday was held at the Jockey Club and was kindly made possible by this year’s EBEF sponsors EDF, GDF Suez and L’Oreal.

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A special thanks to this year’s generous sponsors:



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The 2013 conference will be held in Amsterdam 23rd - 25th January. Please check the EBEF website for details: www.ebef.eu

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