INTERNATIONAL INSTITUTE *of* GOVERNANCE & LEADERSHIP

Global Governance & Leadership Roundtable

Rethinking Governance & Leadership

September 22, 2014, Hotel Amstel, Amsterdam

Proceedings of

Global Governance & Leadership Roundtable

www.iigl.nl

Foreword

The International Institute of Governance & Leadership decided to convene first 'Global Governance & Leadership Roundtable (GGL-RT-2014), because as Mr. Kofi Annan - former UN Secretary-General once said 'Good Governance is perhaps the single most important factor in eradicating poverty and promoting development.'

In recent past, world has been witnessing a convergence in the interests of government, business and civil society. This convergence has brought a shift in the thinking of people. As a result, the civil societies all over the world expect a certain responsible behavior from business leaders as well as political leaders ie ministers, members of parliament and various other government officers. It has been well established through several studies and research findings that 'Growth & Sustainable Development' of societies cannot be attained by weak governance in any country. This has catapulted the issue of "Good Governance" to the 'Centre Stage', globally.

Governance includes Public Governance (PG) as well as Corporate Governance (CG).

International Institute for Governance & Leadership (IIGL) believes that Public Governance and Corporate Governance are like the two faces of the same coin, they are so inextricably intertwined that one cannot be improved without the other; hence both need to be dealt with,simultaneously.

Today the world is witnessing 'Governance deficit' all over, and governance is all about leadership. But if you have leadership without governance you risk tyranny, fraud and personal fiefdoms, if you have governance without leadership you risk atrophy, bureaucracy and indifference, as said by Mark Goyder -Director of Tomorrow's Company.

To improve 'Corporate Governance' of companies, effective oversight by the board is critical. Board needs to ensure that CEO and his senior management team manages the company in a transparent and accountable manner through a principle of equanimity and report in an integrated manner capturing Financial & Non financial impacts of the company.

When it comes to 'Public Governance', World Bank and other multilateral development banks,refer to public sector management, including transparency and accountability, regulatory reform, public sector skills and leadership. Other organizations, like the United Nations, European Commission and OECD, highlight democratic governance and human rights aspects of political governance more. Some of the issues that are treated under the governance programmes of various donors include election monitoring, political party support, combating corruption, building independent judiciaries, security sector reform, improved service delivery, transparency of government accounts, decentralization, civil and political rights, government responsiveness 'forward vision', and the stability of the regulatory environment for private sector activities.The objective of this Global Governance &Leadership Roundtable -2014 is to provide experience sharing platform for exchange of innovative ideas to political leaders, Corporate leaders, practitioners, Academicians, researchers and civil society leaders, who formed the core of participants. These leaders discussed and debated major theme of the roundtable 'Rethinking Governance & Leadership'.

We are happy to present the proceedings of the Global Governance & Leadership Roundtable -2014.

Prof. Mahendra Chouhan
Chairman Mahendra & Young
Knowledge Foundation, India,
Moderator

Mr. Herman Mulder
Former Chairman, GRI
Moderator

Welcome and theme address by

Prof. Mahendra Chouhan:

Good Merakh

Ik wens u van hartewelkom

(Good afternoon. Welcome from the bottom of my heart -in Dutch)

Good afternoon ladies and gentlemen, it gives me immense pleasure to welcome you all to this Global Governance & Leadership Roundtable.

Its like moment of truth for us, Mervyn, Herman, Mr.Voorhoeve & myself, I say this because last few years of envisioning, has come to fruition. Mervyn and I discussed the idea of IIGL in Johannesburg for the first time in January 2009 immediately after the global financial crisis of 2008. The crisis was so severe that people compared it with the depression of 1930.

I reminded Mervyn that during the wave of financial crises in 1998 in Russia, Asia, and Brazil, the behaviour of the corporate sector affected entire economies, and deficiencies in corporate governance endangered the stability of the global financial system. Just three years later, confidence in the corporate sector was sapped by corporate governance scandals in the United States and Europe that triggered some of the largest insolvencies in history. And, the financial crisis of 2008 has seen its share of corporate governance failures in financial institutions and corporations, leading to serious harm for the global economy, among other systemic consequences.

Mervyn said despite successive economic, social and political cycles, we have not learnt how to avert these crises that push the world economy several years back. The use of new and exotic financial instruments & channels for the movement of capital led to financial crisis. The world cried foul! And said it was failure of CG...but was it the failure of only corporate governance?

Do we need to focus only on Corporate Governance?

Mervyn and I thought that we need to focus on Corporate Governance as well as Public Governance, because there is a strong correlation between these two. They are like the two faces of the same coin, so inextricably intertwined that one cannot be improved without the other; hence both need to be dealt with simultaneously.

There is a strong correlation between Public Governance and Corporate Governance and they are like the two faces of the same coin. They are so inextricably intertwined that one cannot be improved without the other; hence both need to be dealt with simultaneously.
Prof. Mahendra Chouhan

Amsterdam RAI, about the developmental issues world is facing and how we need collective efforts to tackle these issues.

Several other discussions with quite a few eminent people like Mr. Roberto De Ocampo & Mr.Joris Voorhoeve convinced us about the need for an institution like International Institute for Governance & Leadership (IIGL). And the result is in front of you. We finally translated our collective

Prof. Mahendra Chouhan delivering his theme speech. Seen in the picture (Left to Right) Prof. Chouhan Herman Mulder, Mervyn King, Jan Peter Balkenend and Joris Voorhoeve

Herman shared with me his vision of how PPP can be an effective tool to bring about Sustainable development. I remember Herman talking to me in May 2013 at

vision into the vision of IIGL.

Next thing was to take the first humble step. We asked ourselves, what is the

The vision of (IIGL) is to develop extraordinarily passionate, principled & innovative political leaders & policy makers, corporate leaders as well as civil society leaders and become a global institute of choice in governance & leadership space to make a lasting impact on the governance of countries and corporate governance of companies, which will eventually catalyze sustainable development of the communities around the world.

single most critical thing that is bothering most people in most countries?...and it did not take us much time to identify that it is 'the Governance deficit'. So we decided that the first step of IIGL should be in the direction of thinking through how can this Governance deficit be bridged? We had some thoughts but did not have all the answers, so we thought of involving diverse group such as you all present in this lovely Mirror room of Amstel hotel.

So, the objective of this Global Governance & Leadership Roundtable (GGL-RT 2014) is to 'Fine-Tune' the Global governance & leadership agenda and Strategic direction of IIGL. We purposely kept participation by invitation only, as a result we could maintain focus on 'quality' rather than 'quantity'. Thank you for responding to our invitation.

If I am asked to articulate the objective of this roundtable in one sentence, I would say 'We want to be this world a better liveable world'
Prof. Mahendra Chouhan

We have a select group of participants from a variety of streams like Academia, Business, Mediating organizations, Civil Society & Public leaders. The theme of this roundtable is Rethinking Governance & Leadership. We will have discussions around FOUR sub themes viz;

I. Rethinking Corporate Governance
I. Rethinking Public Governance
III. Rethinking Leadership:
IV. Rethinking Sustainable Development

Outcomes & Recommendations of Global Governance & Leadership Roundtable

The deliberations and the outcome of this roundtable are captured in the following executive summary, which will be shared with several International Institutions and the Policy think tanks around the world.

The power distortion & accountability vacuum:

The world that we live in today is characterised with scarcities, pollution and injustice. The kind of globalisation that we are witnessing is indeed bringing a fundamental transformation but there does not seem to be international consensus around this globalisation. In order to achieve an effective consensus towards a 'Global Purpose' towards making this world a better liveable place, the Nation States and International Institutions will have to Rethink the governance & the redefine the leadership not only at Political level but also at the Corporate level and Civil Society level.

Thus the 'Public Governance' as well as Corporate Governance both, needs to undergo a change in SPIRIT rather than in 'FORM'. Thus International organisations cannot continue to be the platforms of conflicting national interest.

In the Corporate world, we see a major power-shift towards businesses due to globalisation & liberalisation. Some Multinational Enterprises today have gross revenues greater than the GDP of some countries. Thus their impact on society is increasingly becoming serious for example when Lehmann Brothers collapsed it adversely impacted approximately 2bn people, Microsoft today will positively impact 2-3bn people.

There is enough empirical evidence around the world to prove that Social and Environmental footprints of businesses are enlarging without producing corresponding benefits of economic and social development.

The Market economy is becoming dominant but the valuations seem to be defying logic. With the power comes responsibility but businesses do not seem to be owning up enough responsibility and accountability.

Key Considerations:

Leaders around the world the world seem to share a global interest to achieve Peace, Stability, Sustainability and Justice but there are wide differences of opinion on how to achieve the "the future we want". Therefore, there is an urgent need to create a "coalitions of the willing" between all the relevant players on a priority basis. Creating shared value and striking effective 'Public Private Partnership' seems like a promising solution - though this may be difficult and complicated because of the diversity of views, roles and interests. However, the Post-2015 Agenda offers an opportunity for enhanced cooperation. Integrated long term thinking and joint action with the active engagement and inclusion of all the interest holders is of the essence. All these, coupled with good governance which is characterised by enhanced transparency will be the key driver for change.

Role of Business:

Today the businesses are at the junction of People, Planet & Profit and they have huge resources at their command. However, their public accountability will have to increase because society is the ultimate, true licensor for business. It is in the self enlightened interest of businesses that they sustainabilise and stabilise their value chains, by sharpening the due diligence on their impacts on society.

It is essential that companies integrate sustainability into their business models and it is not a matter of giving back, it is a matter of how you define your business strategy, like The Dutch Sustainable Growth Coalition (DSGC).

Towards the end of the 20th century experts have realised that out of the total market capitalisation of companies at stock exchanges, only 20% is as a result of management initiatives, which is captured in the balance sheet, according to financial reporting standards. The balance 80% of market capitalization is due to 'intangibles and these intangibles are hardly captured in balance sheet. Similarly, the cost of 'externalities' are not yet accounted for in the decision making. There is a strong case for efficient resourcing and true pricing for social & environmental externalities. Thus, business needs to redefine its key value drivers, its key interest-holders, including society, in the emerged context. Business has to come to the public-domain table, with rights and obligations. Going forward, impact investing must become the norm, because it is about 'input' and not about 'giving back'. The Sustainability Reporting and the Integrated Reporting are frameworks that attempt to capture all these.

Governance & Leadership:

Sustainability and Stability are the two great challenges of the 21st century, which are equally applicable to the governance of governments as well as Governance of companies. Thus it is critical that leadership at national and corporate level should be willing to work towards the transformation and systemic change by design else we are in for more pain.

Governments will continue to focus on national interests. But what needs to be improved is their view of what the real interests are in the long run, and pursue enlightened views of national interest. These include peaceful conflict settlement, stronger international organizations, better monitoring of treaty implementation, pro-poor growth in gainful employment. Governments have to govern by the rule of law, and put themselves also under that rule, with the ultimate purpose of achieving the Millennium Development Goals and other human rights as enshrined in international treaties. Conducive to this is advancing democracy with strong civil society, strong institutions and an effective state.

Most of what is wrong with the world is caused by abuse of power. Crucial is power equilibrium and other controls in the international political system. The world power system develops into a tripolar direction: the US, China and India. If the EU would get its act together in foreign affairs it could be a fourth pole. The US and Europe have a number of coordinating mechanisms, among politicians and corporate leaders, both official and informal. Informal coordination is pursued in the Bilderberg and Trilateral Commission, which includes Japan and South Korea. Efforts should be made to involve China and India also as a part of this coordination for better Global Governance.

Finally, there is a strong case for adopting the 'triple helix' concept, and a strong need to bring in a shift from a dominating industry-government 'dyad' (like in the Industrial Society), to a growing 'triadic' relationship between university-industry-government in the Knowledge Society. Simply put, the combination of 'Governments, Businesses and

Knowledge Centres like Universities and Institutions like IIGL. Its not going to be easy because it will be a challenge to define joint objectives and complementary interests. But it is a journey and no silver bullet for effective, lasting change for good. Global Governance needs a global approach, a combination of policies, regulations, codes, behavioural change Needless to say that India, China and Brazil will play a key role in this Global Governance.

Audience in rapt attention at the GlobalGovernance & Leadership Roundtable

The IIGL Vision & Mission:

The vision of International Institute for Governance & Leadership (IIGL),is to develop extraordinarily passionate, principled & innovative political leaders & policy makers, Corporate leaders as well as civil society leaders. Also to become a global Institute of choice in governance & leadership space, to make a lasting impact on the governance of countries and corporate governance of companies, this will eventually catalyse sustainable development of the communities around the world. IIGL is committed to spread the principles of 'good public governance', 'innovative leadership' and effective corporate governance, concept of public private partnership for sustainable development, across the boundaries of nations.

The mission of IIGL is to work towards 'capacity building' in companies and countries across the world, to solve complex & critical governance problems facing leaders of today. IIGL will achieve this by catalysing cross fertilisation of ideas and practices from across the countries, through its Global Governance & Leadership Forums, conferences, seminars, roundtables and international orientation programmes. IIGL aims to adopt collaborative approach to co-create the knowledge and disseminate it across the world and undertake capacity building in governance space by joining hands with other global institutes & Leaders around the world.

SPEAKERS

Prof Jan Peter Balkenende

Judge Mervyn King

Mr. Herman Mulder

Prof. Mahendra Chouhan

Mr. Joris Voorhoeve

Proceedings of the roundtable
Prof. Mahendra Chouhan

Now let me share the brief profiles of the speakers. The Global Governance & Leadership Roundtable -2014 will be addressed by the following eminent speakers;

Chief Guest:
Prof. Jan Peter Balkenende

Former Prime Minister of The Netherlands, Partner Corporate Responsibility at EY and Professor of Governance at Erasmus University Rotterdam

Speakers:
Judge Mervyn King

Chairman, The IIRC, UK.

Prof. Mahendra Chouhan

Chairman – Mahendra & Young Knowledge Foundation, India

Mr. Herman Mulder

Former Chairman – GRI,

Mr. Joris Voorhoeve

Former Defence Minister of The Netherlands

The brief profiles of each one of them is given in the background papers provided in your folders, thus, I will not take time to introduce them separately.

Let me now invite Mr. Joris Voorhoeve-Former Defence Minister of The Netherlands to share his thoughts with us.

Speech by Joris Voorhoeve:

Good afternoon. I value the initiative which Prof Mahendra Chouhan, Judge Mervyn King and Mr. Herman Mulder have taken in conceiving the International Institute of Governance & Leadership (IIGL). As much as the Dutch Queen Juliana can be praised for establishing the 'Bilderberg Conference' after the Second World War, which is bilateral among US and European leaders, and David Rockefeller who established in the 1980s the 'Trilateral Commission' of North America, Europe and Japan, now we discuss the IIGL, an initiative which I like to see as a 'quadri-lateral institution' of politicians and corporate leaders, including leaders from at least four centres in the world; not just OECD states but also India and China, and perhaps others. This could be attained in the future in the form of the new International Institute of Global Leadership.

Much will have to be done to build an influential place for such an institution. We witness something very promising this afternoon. Today's newborn will have to be nursed with good ideas and develop step-by-step in the coming years.

Now let me share my thoughts on Governance & leadership.

1. Governments focus on national interests. They will continue to do so. What needs to be improved is their view of what the real

Joris Voorhoeve delivering his speech. Seen in the picture (Left to Right) Herman Mulder, Mervyn King, Mahendra Chouhan and Joris Voorhoeve.

interests are of their state and population, not just now, but in the long run, and pursue enlightened views of national interest. These include peaceful conflict settlement, stronger international organizations, better monitoring of treaty implementation, pro-poor growth in gainful employment rather than macro-economic growth for the middle and higher classes, and sustainable, circular economics, in equilibrium with natural resources also for future generations.

2. To achieve this objective governments have to govern by the rule of law, and put themselves also under that rule, with the ultimate purpose of achieving the Millennium Development Goals and other human rights as enshrined in international treaties. Conducive to this is advancing

democracy. Democracy is much more than elections; it requires strong civil society, strong institutions and an effective state, based on educated democratic citizens who want to advance the rule of law.

3. Most of what is wrong with the world is caused by abuse of power. Crucial is power equilibrium and other controls, also in the international political system. The world power system develops into a tripolar direction: the US, China and India. If the EU would get its act together in foreign affairs it could be a fourth pole. The US and Europe have a number of coordinating mechanisms, among politicians and corporate leaders, both official and informal. Informal coordination is pursued in the Bilderberg and Trilateral Commission, which includes Japan and South Korea. China and India are not yet a part of this.

4. China is on everybody's mind in the West as a new important player. India deserves similar attention. It will become the most populous state with 1.6 billion people by 2050 and a democratic constitution.

Thank you.

IV. Rethinking Sustainable Development

Prof. Mahendra Chouhan:

MDGs are coming to an end in 2015, SDGs are already being discussed. Mr. Herman Mulder will share with us his wisdom on 'Rethinking Sustainable Development'. He will cover Issues of scarcities, depletion, climate change, exclusion, injustice, lack of perspective. Shared value creation, which includes redefining the role and responsibilities of public and private business. Looking beyond shareholder- and even beyond direct stakeholder-interests, how should corporations create societal value by adhering to baseline operating standards (like the OECD Guidelines for MNE's, Guiding Principles for Business & Human Rights),

Ladies & gentlemen, may I present to you Mr. Herman Mulder

Keynote by Mr. Herman Mulder

Theme of the keynote: “Nothing is impossible, particularly when it is inevitable: the case for leadership on a new vision of value creation”

The essence of his keynote is captured in the following points.

1. Our collective wisdom to predict the past with the benefit of hindsight is a brilliant failure of our talent.

2. Creeping insolvency: the emerging global social crisis in a world of scarcities and disparities.

3. But, as often: from accidental pain to systemic gain.

4. The post-2015 SDG's: important, collective, universal targets for a diverse and divided world.

5. Committing to long term objectives in a world like a Dutch landscape: flat, stormy, clouds, 50% under water, in need of collective action to survive.

6. "We cannot walk alone": social inclusion and complementary public-private sector cooperation is of the essence.

7. Value creation for whom? The business case to create societal value, next to corporate and direct stakeholders' value.

8. Markets are not perfect, prices are not right, neither are our clients, political leaders.

9. Social and environmental externalities matter and are of prime business interest: the case for true price, true value.

10. Your full value chain is your responsibility, chain of custody; materiality is subjective in the eye of the beholder.

11. Your linkage to actual and potential impacts on society is your responsibility and you must build leverage to effect this.

12. Sustainabilizing and stabilizing your value chain is an urgent and high priority challenge.

13. The financial sector has a special responsibility as an important enabler of the private and public sectors agendas.

14. Impact investing emerging: from oxymoron to tautology.

15. Accountability mechanisms must be strengthened.

16. The public sector itself must set an example of addressing the fundamental issues in their procurement, contracting, investment policies and practices; the SDG's would be an opportunity for this.

17. Governance as a means to an end: Are current governance concepts fit for this forward looking purpose?

Prof. Mahendra Chouhan:

Thank you Herman for raising those extremely important issues pertaining to the Sustainable development and also unfolding your vision of the world that we want.

Before I invite Judge Mervyn King to deliver his keynote on 'Global trends in Corporate Governance and Sustainable Capitalism, I would like to share two slides;

Prof. Mahendra Chouhan making a point. Seen in the picture (Left to Right) Herman Mulder, Mervyn King, Jan Peter Balkenende and Joris Voorhoeve.

The revenues of some companies are even larger than the GDP of a few countries put together. For example, top three companies in the world are Chinese companies and look at their sales and profit figures below, as per list of 2014;

ICBC: Sales USD 148.7 bn and Profit USD 42.7bn

China Construction Bank: Sales USD 121.3bn and Profit USD 34.2bn

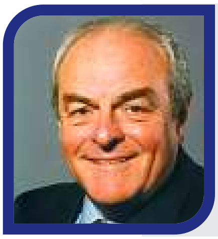
Agriculture Bank of China: Sales USD 136.4bn and Profit USD 27.0bn

Ladies and gentlemen, now we come to yet another important aspect of this roundtable which is;

I. Rethinking Corporate Governance

The recent financial crisis has been a severe wake-up call. Weaknesses in corporate governance structures within companies and banks were cited as reasons for excessive risk taking, skewed incentive compensation for senior managers, and the predominance of a board culture that values short-term gains over sustained, long term performance. May I invite Judge Mervyn King to present his keynote address.

Keynote by Prof. Mervyn King:



Judge Mervyn King
Chairman The IIRC, UK

Thank you Mahendra and good afternoon. I just want to make sure that you all understand the difference between the governance of governments and the governance of companies. The purpose of Public governance and the purpose of corporate Governance, (Governance of entities in the private sector, multinational enterprises, even SME's in the society.)

Governments set the social and legal framework in which the private sector operates. They will develop the country's currency, collect taxes, and redistribute the taxes. They will invest in public good, such as the defence of a country, the army, the navy. Public good in which the private sector really would not invest because it is not on their priority list. But every citizen of a country would be interested in such kind of investments and has an interest through the payment of taxes. So although the government does this through the control of money supply and try to control inflation through the governance of money and the currency of the country, one thing is clear about the governance of governments, certainly in the 21st century, that there are concerns with 'Stability and Sustainability' of the economy and the government itself.

And similarly there are concerns regarding the 'Sustainability and Stability' of businesses, be they great multinational enterprises of the world or the SME's. These are the two great challenges of the 21st century and it is common to the private sector and to the public sector. One of the core dominators of governance is 'incapacity'. Going back to 1860, when the concept of limited liability started, industrial revolution was completed in modern economies, as we see them today. In those days, it was wealthy families who provided capital and it was members of wealthy families who became directors. This lead to a natural consequence, the other stakeholders saw these providers of capital and directors as the owners of the company. And right up until the beginning of the 21st century investors, generally and especially the great multinational investors saw themselves as the owners of companies.

Now, slavery was abolished about 150 years ago. You cannot own a person. That is a myth. Shareholders have a conglomeration of very important incorporeal rights against the company, they have the right to appoint the directors, they have the right to stake the real purpose of the business of the company, they have the right to remove directors, they have the right to receive a dividend, that is if the board declares a dividend. This concept leads to the concept of 'shareholder primacy', which the state reinforced through legislation. Our corporate law around the world requires that the directors must act in the 'best interest of the general body' of shareholders. Business is in fact at the junction of the economy, society and the environment. It has always been so. It was Milton Friedman in the late 1970's who

> Sustainability and Stability are the two great challenges of the 21st century, which are equally applicable to the governance of governments as well as governance of companies.
> **Mervyn King**

said that the corporation has nothing to do with social responsibility. Its sole purpose is to make profit without deception or fraud. Now it might be doing injustice to the deceased, but what does he say? He was saying that the company is 'apart' from society. It is not a part of society. Nothing can be further from reality!

The company is very integral to the society. The best evidence of that is in the recent past, when Lehmann Brothers collapsed it adversely impacted approximately 2bn people. Microsoft today positively impacts 2-3bn people. Multinational enterprises today have gross revenues greater than the GDP of a few countries put together. When a company is formed and you get that certificate of registration it is an 'incapacitated entity' until an individual is appointed its director. If the brain of a young person of 18 years of age was injured in an accident today in Amsterdam, and doctors told you and members of your family that physically he is wonderful, he will look 18 years of age, but I am afraid that he is incapacitated in mind. If you are asked to take care of him for the rest of his life, none of you in this room would contemplate or would try to take advantage of this incapacitated person. Whatever skills you have you would naturally use in his interest, you would take care of his assets, use your decision making skills in his favour and you would, do your homework, with the diligence and understanding for his needs and plan for his short, medium and long term. That exactly is your duty as a director of a company.

And what are the duties of political leaders? Well their duties are to act in the best interests of the citizens of a country. We know that there are political leaders who will make decisions coloured by self interest the same as directors sometime make decisions coloured by self-interest. Or in the best interest of political party that put them in power rather than the interest of a country.

The 80:20 principle that Professor Chouhan referred to, is so very true. Towards the end of the 20th century experts have realised that out of the total market capitalisation of

Audience listening to Judge Mervin King, in rapt attention.

companies at stock exchanges, only 20% is as a result of management initiatives, which is captured in the balance sheet, according to financial reporting standards. The balance 80% of market capitalisation is due to 'intangibles'! What makes up these intangibles? Well, some thought leaders towards the end of the 20th century developed, what we now know as sustainability issues and sustainability reporting and the GRI now has a framework, which has become global.

But the most important intangible for both governments and private sector is 'intellectual honesty'. Now that is a mercurial aspect, very difficult to grasp. Perhaps the best way to try and define it is with the example of Enron. The company's top management and directors misused the accounting skills with complete focus on self interest, made decisions to ensure that the price of the equity of the company increased 'in value' over a period of 3 years, they conducted structural financial transactions, which permitted them from accounting and corporate legal view point, to keep around US$ 4bn dollars off balance sheet, so that stakeholders were completely unaware of this liability, after putting them in Special Purpose Vehicles (SPV's) and selling one to the other and taking it up to the bottom line. Created smoke-screen of profits by selling the bulk of the share options to the Enron pension fund, of which they were trustees. And when the bubble burst about 77 million people were adversely impacted.

Would Mr Jeffery Skilling who it is said, was a very religious man and he was a regular church goer. Would he have done what he did as a curator of an incapacitated human being? Thus, when the government fails or a large corporation fails, it impacts tens of millions of people if not billions of people.

Herman Mulder referred to society. What is society? We can very easily define what are adverse impacts on the environment? But what is society? Well, let's just look at the corporate world for a moment. When you look at the great companies in the world you will find the providers of capital today are pension funds, superannuation funds, insurance companies and whose money is that? It is the money of individuals, walking in the streets of the great cities of the world. The banks will lend money to the company, where did the banks get their money from? They got it from deposits. The company produces products & services. Who buys these products or the service? Mainly the individuals. Who are the employees? Individuals. One can carry on with this analysis. But the bottom line is that the society is made up of a tapestry of individuals. Which are connected somehow to an entity. Consequently, society is absolutely critical in decision making today, for governments and of course for corporations.

People talk of the global environmental crunch. And there will be a crunch. But this energised activism amongst these individuals I refer to. These individuals, these stakeholders will no longer accept a government or a corporation that makes decisions or acts in a manner that breaches human rights. Makes a profit- be it social or monetary at the expense of society or the environment. We used to ask the question; How much money has an entity made and then we started asking a question towards the end of the 21th century, how is an entity spending its money?

Professor Chouhan referred to the government of India legislating that 2% of net profit must be spent on CSR. One can ask, is that necessary? Because what you can get as a consequence of legislation of that nature is a mindless “tick box” that I have spent 2% of my profit on building a school, might comply. The critical issue therefore, facing all of us today is:

- How has the company made its money?
- What are the impacts of how it has made its money?
- What are the impacts of how a government has made decisions?
- What are the impacts of the company's product or service when it goes out into society on the society and environment?

I think one of the best international examples is the Coca Cola company. 7-8 years ago, in the state of Kerala in India, water ran dry where the Coca Cola bottles were bottled. And the board of Coca Cola wisely developed a long term strategy to conserve water, reuse, recycle, because without water you cannot have Coca Cola. A hundred years old company, the Coca Cola had spent over a 100 years developing the best brand in the world, until Apple arrived and became best brand. And right in the last quarter of the 20th century only about 17% of its market cap were added in the balance sheets.

The last two years civil society in America, in Mexico and other jurisdictions have alleged that Coca Cola is one of the reasons for the obesity of modern society, especially children. And Mexico for example has introduced a tax on Coca Cola. Well, Coca Cola, applied its mind to this issue. Its board collectively applied its mind to this issue, and in May 2013 they came up with the new strategy that they will not direct Coke's advertising to children under the age of 12. And at all the locations of bottling plants they decided to encourage activities for children. Coca Cola decided that they will make all their products with as much low calorie as possible and will have nutritional labelling on all their containers.

You see after about 120 years this great multinational company, for the first time started realising that its products when they go out to the society has an impact, both financially, socially and environmentally. And consequently its strategy has changed. Quite an extraordinary story of focussing, for around a hundred years, only on the output and the profit. A complete change in thinking, which leads me finally to the thought that there is a general consensus in the world, the international federation of accountants and other global bodies, that financial reporting is critical. But just accounting by itself is not sufficient, because, accounting tells you only 20% of the story.

Let's think beyond that mandatory nature of financial reporting and assume that, there was only sustainability report and reports on other so called non-financial aspects, to be critical, but not sufficient. Now let's think of a company reporting financial report according to International Financial Reporting Standards (IFRS) which 999 out of 1000 people do not understand. And then do a sustainability report in GRI framework as well. Well you know Winston Churchill in the last two weeks of the war wrote a three page letter to his wife and in the last few lines he said, if I had more time I would have written you a shorter letter. And that is what boards have to do today. They have to spend more time understanding the financial report.

It is alarming to find that some directors do not understand the financial report. It is more alarming that some directors do not even read a sustainability report. And yet companies churn out the annual report with both these aspects. That the directors do not understand the financial & sustainability report is a very profound statement. For governments and corporations to be accountable they have to be understandable. And I am afraid, governments talk in GDP, current account deficits and other language which the individuals making up this tapestry of society do not understand. We in the corporate world have since the 1930's of the great depression, when financial reporting became mandatory, have spoken in a language, which the society being the ultimate providers of capital, has not understood.

So that is the 'what' part, but the 'how' is what we look at the International Integrated Reporting Council (IIRC) of which I am the chairman. The IIRC is developing and taking around the world this huge concept of integrated thinking. The reality is that these 'financial' and so called 'non financial' aspects are interconnected and interrelated. A recent study in the United Kingdom suggests that we should no longer call these non-financial aspects, 'non-financial'. Because some of them have huge impact financially, they are the aspects, which a business and government should think about. So, that is integrated thinking, looking at the resources used by an entity, the relationships with the stakeholders, understanding their needs, interests and expectations.

Once management knows that these non financial issues are more important than developing strategy, they will do proper justice to the society. A responsible board says that every board meeting should have an agenda item on 'stakeholder relationships'. And government should understand what is it that the citizens require. And for whose interests they should be acting. Well that leads me ultimately to an Integrated Report (IR), in a clear, concise and understandable language, so that the individuals can read it and make an assessment whether a company will sustain value creation in the longer term.

So let me conclude by leaving you with an acronym “RAFT”. The foundation of RAFT is intellectual honesty, the honest application of mind leaving aside the past and think of present needs, self interest, self concern, knowing and understanding the needs, interest and expectations of all stakeholders. Making a decision in the best interest of this 'incapacitated entity' that is animated by the individual. And the individual becomes the hard minded soul of that incapacitated entity. That is the foundation: Intellectual honesty.

R = Responsibility: Acting in a responsible manner, ensuring that the corporation is and will be seen to be a responsible corporate citizen. We have to do it today because of stakeholder expectations.

A = Accountability: We have to comply with the law. We have to report. Governments have to report. They have to know what their GDP is. But governments today no longer look at just GDP to assess whether the country is successful or not. The same as companies do not look at the financial aspects. To be accountable you have to explain in a clear and understandable language.

F = Fairness: Is understanding the needs, interests and expectations of all stakeholders. And once you know them, making decision in the best interest of this incapacitated entity called company. You will favour one stakeholder more than another. But you very well explain it as being in the best interest of the entity and ultimately in the best interest of all stakeholders.

T = Transparency: Transparency will not mean nakedness. I do not mean that an entity must disclose its confidential information. What I do mean is balanced reporting, telling the positives as well as the negatives. Both politicians and corporate leaders have a natural inclination to highlight positives and downplay the negatives. That permits stakeholder to make misinformed assessments. We need to report in a manner that we can make informed assessments. That an entity has sustained value creation. So there are all commonalities between the governance of governments and the governance of private sector entities.

Prof. Mahendra Kumar Chouhan

Thank you Mervyn for those pearls of wisdom, truly inspiring thoughts on the governance, encompassing Public Governance as well as Corporate Governance.

Now ladies and gentlemen, we have come to the most important part of this roundtable.

Mr. Balkenende, this is like a moment of truth for us, Mervyn, Herman, Mr.Voorhoeve & myself, I say this because our last few years of envisioning has come to fruition. It is a moment of truth also because the inauguration of IIGL is happening at your hands, sir.

May I now invite Mr. Jan Pieter Balkenende, Former Prime Minister of the Netherlands to please come forward and formally inaugurate the International Institute of Governance & Leadership and release the logo of IIGL. May I also request Judge Mervyn King, Mr. Herman Mulder and Mr.Voorhoeve to join Mr. Balkenende in releasing the IIGL Logo.

Prof. Mahendra Chouhan

Thank you Mr. Balkenende for doing us this honour. It's a matter of great pleasure for all of us…the members of global advisory Board of IIGL and personally for me it is a moment of truth because the idea that Mervyn and I conceived in Johannesburg 5 years ago…the idea that Herman, Joris and I fine-tuned for so long has come into being today as a unique Institute IIGL, and inaugurated at the hands of none other than the former Prime Minister of the Netherlands Mr. Balkenende. Thank you sir.

Before I invite you to deliver your keynote address let me share with you Worldwide Governance Indicators (WGI). These WGI are produced by;

Daniel Kaufmann, Revenue Watch and Brookings Institution

Mr. Jan Pieter Balkenende released the logo of IIGL.Seen in the picture (Left to Right) Herman Mulder, Mervyn King, Mahendra Chouhan, Jan Pieter Balkenende and Joris Voorhoeve.

AartKraay, World Bank Development Research Group
Massimo Mastruzzi, World Bank Institute

The Worldwide Governance Indicators (WGI), show that there is a convincing empirical evidence of 'a strong causal relationship from better governance to better development outcomes'. This is based on a cross-section of more than 150 countries, analysis on a new database containing more than 300 governance indicators compiled from a variety of sources by Kaufmann, Kraay, and Zoido-Lobatón. They construct six aggregate indicators corresponding to six basic governance concepts:

1. Voice and accountability
2. Political stability and absence of violence
3. Government effectiveness
4. Regulatory quality
5. Rule of law
6. Control of corruption

Prof. Mahendra Chouhan sharing 6 global governance indicators. Seen in the picture Michal Hardon and others.

Source: http://info.worldbank.org/governance/wgi/index.aspx#home

I now invite Prof. Jan Pieter Balkenende, Former Prime Minister of the Netherlands, Partner Corporate Responsibility at EY and Professor of Governance at Erasmus University Rotterdam. Correct Jan Peter and not Jan Pieter. After the sentence '...now I am happy to be active in the business sector': as Partner Corporate Responsibility at EY.;

Prof. Jan Pieter Balkenende

Good afternoon, thank you Prof. Chouhan and Herman for inviting me for this important occasion. It is my privilege to inaugurate such a unique institution like IIGL.

I agree with the statement made by Professor Chouhan, that today there is a pressing need for rethinking the leadership. And therefore, I compliment IIGL for organising this Global Governance & Leadership Roundtable on the theme 'Rethinking Governance & Leadership'.

Let me first convey that I really enjoyed the remarks of Professor Mervyn King. He is globally recognised as a leader in the field of Corporate Governance and Integrated Reporting (IR).

At the launch of International Institute of Governance & Leadership, I am reminded of 'triple helix'# concept that is the combination of 'Governments, Businesses and Knowledge Centres like Universities. And IIGL, I believe is promoting the same concept of triple helix. (# The concept of the Triple Helix of university-industry-government relationships initiated in the 1990s by Etzkowitz (1993) and Etzkowitz and Leydesdorff (1995), encompassing elements of precursor works by Lowe (1982) and Sábato and Mackenzi (1982), interprets the shift from a dominating industry-government dyad in the Industrial Society to a growing triadic relationship between university-industry-government in the Knowledge Society. http://triplehelix.stanford.edu/3helix_concept)

In fact my own life consists of these three pillars. I have an academic background; I studied history and law and did my PhD in law. Became professor of VU University Amsterdam and today I am professor of governance at Erasmus University. So that is the first pillar.

The second has to do with politics. I was active in the think-tank of my party, member of the city council, Member of Parliament and was Prime Minister and now I am happy to be active in the business sector. So it is a combination of the three components.

And let me start by telling you a story that is in fact in line with what Professor King said. When I started working at Ernst & Young in April 2011, I met an American who was with an organization that gives money for charity. And I thought that is really interesting because 2% of profit towards

CSR, as eluded by Prof. Mahendra Chouhan, is now mandated in India to be spent by a certain category of public listed companies. Giving money to cancer research, to museums, to hospitals, is not the point. The question is how have you made your profit? I attended the 'World Entrepreneur of the year' program of my

Mr. Jan Pieter Balkenende delivered his keynote speech. Seen in the picture (Left to Right) Mahendra Chouhan, Herman Mulder, Mervyn King, Jan Pieter Balkenende , Joris Voorhoeve and the audience

company that met in Monaco. The issue of 'Sustainability' was on the agenda and we had a workshop on "giving back" and when asked, I said, it has not to do so much with "giving back", as it is about the 'Business Models'.

And that brings me to your point Mr. King, you referred to Milton Friedman, I remember his remark,' The business of business is business.' Now we hear from the famous management guru Michael Porter, who says 'It is about creating shared value.' Today it is about creating economic value and social value and you have to integrate them, today companies are not acting alone. The world is talking about new alliances between businesses, governments and NGO's. We need long term thinking and holistic approach; the global issues are also your responsibility as a company, therefore, 'Integrated

Thinking'.

So is CSR new? No, it has already been there for decades. When I studied here in Amsterdam at the VU University Amsterdam, I had to read books with titles like: 'Management & the social responsibility of the entrepreneur'. As a professor at VU University Amsterdam, I see American books with catchy titles like: 'Third wave', 'Power shift', 'Megatrends' and then I read 'The Fourth Dimension- doing business in the 21st century'. Everything that we are discussing now was already in that book. Today you are talking about sustainability and the integration of sustainability in your business model. I am convinced that there is no alternative to this.

At the time when I was prime minister of the Netherlands, we launched an organisation that was called 'CSR Netherlands'. It had to do with SME's, how can SME's do more in the sphere of corporate responsibility?. We also started the 'Transparency Benchmark' to impress upon the people of Netherlands the importance of transparency in delivering social responsibility and the need for companies to report about how can they contribute to make the world better?

To be honest, today I am more positive about businesses than a lot of governments. I have been in government for a long time. Too many times it is about the next elections, the polls, the coalition etc. And I think it is true for western democracies also. But the Governments have to talk more about the quality of democracy and decision-making.

Prof. Chouhan and Herman talked about the Millennium development goals, the Sustainable development goals. Banki Moon is very clear. He said you will never reach those goals without the support of the private sector. And that is right but I think we have to change our business models. When we talk about the definition of the Gross Domestic product- you are right, we have to redefine GDP. If you do not take into account the sustainability issues, you are not measuring it the right way. Let me share with you that I am involved in an initiative called 'True Price'. What is the true price of a product? If you do not take into account all the costs it means, you are transferring costs on the next generation or other people in the world. So you need to be honest about the quantitative elements in arriving at the true Price.

In The Netherlands we started an initiative called The Dutch Sustainable Growth Coalition (DSGC). That is a coalition of 8 multinationals. Several of them are number one on the Dow Jones Sustainability Index. And we are working with the CEO's of these companies to integrate sustainability into business models and it is not a matter of, let us say giving back, no it is a matter of how you define your business strategy.

Let me give some examples. When you are in Amsterdam it is always nice to talk about beer and Heineken. Heineken is a great company, it knows that if you want to be successful, you can not stick to let's say only Europe, you must grow customers globally. They also said in Africa 60% etc of the grains needed for the production of beer must be produced locally. Why? Less transport, less environmental pressure, on one hand and on the other hand more economic opportunities for the local farmers.

Akzo Nobel, number one on the Dow Jones sustainability index is producing coatings that keep out the heat of the sun substantially and the consequence is that you need less energy for aircon systems. So it is a matter of integration of sustainability issues in your product delivery.

DSM another chemical company received recognition and a prize from the United Nations because they contributed to the World Food Program.

Philips, traditionally well known for the production of televisions, radios, bulbs and today it is a company transforming to close the resources & energy loop. That means they are selling light as a service. They stay the owner of the equipment, and the equipment material at the end of the life cycle is reused and recycled. That is circular thinking! As Prof. King said, companies need to think in terms of strategic sustainable value creation in the new business model.

The Dutch Sustainable Growth Coalition (DSGC) came up with the second report about the implementation of value based governance in the organisation and leadership, with issues around the tone at the top. Our third report will be published in December, our third report is about sustainable innovation. How can companies contribute to issues about climate change and the sustainable development goals and we will include concrete examples garnered through stakeholder dialogue. If you look in the eyes of the young generation you realize, we cannot stick to the old ways of thinking, we have to change and that is the responsibility of governments, of businesses, but also people from knowledge centres like IIGL. And I am glad that IIGL will take initiative to talk about what is the role of business today and how you can change governance structures. Therefore, we need transparency and accountability as professor King talked about intellectual honesty which is so relevant, I believe not just relevant but absolutely necessary.

Today and tomorrow in New York, there will be people talking at the 'Climate Summit', in preparation for COP 21, taking place in Paris next year. The DSGC headed by Paul Polman of Unilever and other business leaders will address the various government representatives during the morning session tomorrow. People in the world of politics should also have long term thinking, work together with businesses, knowledge centres and NGO's. I think that it is vital to have a dialogue among all these stakeholders, between traditional businesses and start-ups, to explore newer partnerships and innovations for addressing SDG challenges.

Therefore it is good to have meetings like this as a source of inspiration. I wish IIGL great success with your activities. If we just follow the principles of good governance and Integrated Thinking as advocated by Prof King we will go a long way in achieving our common objectives. I think the human mind has enough possibilities to do the right things, it is all about intellectual honesty. Once again thank you very much for organising this event and listening to me so patiently.

Prof. Mahendra Chouhan

Multi-party coalition government is becoming the order of the day. We at IIGL are focussing on improving public governance; so I have a question for you Mr. Balkenende; What are your views on managing differing interests of several parties in a coalition government and working together with 'Common Minimum Program (CMP)?

Mr. Balkenende: In the Netherlands we are used to working together in a coalition government (part of Dutch culture): The

Polder model.

Prof. Mahendra Chouhan: Let me share an interesting slide with you all, this talks about the Government Leaders from around the world, who impacted governance of this world?

World Bank did a study, which says the stability of government, is extremely important to have the quality of economic development and sustainable development. There is a strong causal relationship from better governance to better development outcomes

Unless business and government work together for sustainability and stability of the government and the company management the sustainable developments (MDG's and SDG's) will not succeed.

Public Leaders who have influenced the world in last 20 years

USA	UK-PM	PRC-PRES	BRAZIL-PRES
Bill Clinton	Sir John Major	Jiang Zemin	Itamar Franco
George W Bush	Tony Blair	Hu Jintao	Fernando Cardoso
Barrack Obama	Gordon Brown	Xi Jinping	Luiz da Silva
	David Cameron		Dilma Rouseff

INDIA-PM	RUSSIA-PRES	JAPAN-PM	
Deve Gowda	Boris Yeltsin	Morihiri Hosokawa	Shinzo Abe
I.K. Gujral	Vladimir Putin	Tsutumo Hata	Yashno Fukuda
Atal Vajpayee	Dimitri Medvedev	Tomiichi Murayama	Taro Aso
Manmohan Singh	Vladimir Putin	Ryutaro Hashimoto	Yukio Hatayama
Narendra Modi		Keizo Obuchi	Naoto Kan
		Yoshiro Mori	Yohihiko Noda
		Junichiro Koizumi	Shinzo Abe

Mr. Roberto De Ocampo is member of the Global Board of International Institute of Governance & Leadership (IIGL). He was also invited to speak at this roundtable but due to certain unavoidable reasons, he could not attend. However, he has been kind enough to send his quote which we reproduce here below.

'Neither strong leadership bereft of good governance nor weak leadership albeit disguised with the external trappings of good governance structures are acceptable alternatives for what must be the principal objective of both private and public entities towards the attainment of universal sustainability- that of making a difference beyond material gain. The next generation leaders must internalize the principles that good governance is good leadership and vice-versa and that sustainability is a matter of survival.

Thank you ladies and gentlemen. Now I am happy to throw open the roundtable for free flow of comments and exchange of ideas. Please announce your name and the organization and then share your thoughts.

Comment by Dr. Ms. Tineke Lambooy:

Ms. Tineke Lambooy offering her comments at the roundtable

I work at Nyenrode University and Utrecht University Law School. Before this I was with a corporate law firm.

One of my thoughts was a contribution to a book: Future of law and law of the future (published by Hail). It comprises of a lot of articles from lawyers addressing the question, 'How do think the field of law will develop in the next 25 years.'

Multinationals are so big that it is difficult to control the acts and the organisation of the multinational. They are free flowing, they are present around the world and are powerful.

I can see that multinationals have a lot of power. I can also see that they take responsibility for transparency, integrated reporting (Unilever, TNT, & other companies) seriously.

Each multinational should adopt a constitution for itself to explain what is the purpose of that company, how it can contribute to the society. As all of the multinational companies are listed companies so the shareholders are ultimately pension funds and all of us are beneficiaries of that.

Shouldn't there be a constitution in which they can state how they create value for society and what the strategy is and what the goals are. What they do about stakeholder involvement indeed.

Intervention by Prof. Mervyn King:

You are correct that corporations act in many jurisdictions. They have many mandatory reporting for example financial reporting. If they are listed on the NYSE it is not IFRS but US GAAP for example. They have to show that they are a good corporate citizen to the society. There has to be a change in reporting and corporate behaviour. Integrated thinking involves companies analysing what are the impacts of our business model, how do we make money? We might talk about balanced reporting: tell the negative impacts how you make the money and the negative impacts of your product: financially, socially and environmentally. What are the positive impacts? What is happening with the remuneration committees around the world. The committees are starting to think about three hurdles on remuneration: What are you going to achieve financially in the year ahead. What are the positive impacts on society? What are the negative impacts? Same applies to the environment.

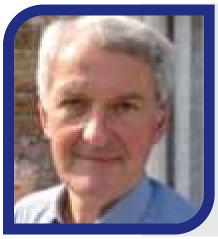
Responsible investment is, where the owners of capital are asking themselves to take account of the investment analysis - ESG factors, and they ask: Have you done an integrated report? Have you done a sustainability report, Have you got a supply chain code of conduct, What is happening in your supply chain. What happens in the supply chain can have an impact on the value of the company.

Much more effective than a code is market forces. It is more effective that a company knows, in order to raise capital it has to make sure how it complies with ESG factors. Look at Japanese institutions.

Comments by Michiel Hardon:

Worked in the 80's for Rotterdam Rijnmond. Private and Public partnerships were very popular. Worked for the IMF in Washington DC, where he noticed what bad governance was. Certainly governments in Africa.

We must have dreams, they are important as they guide us in a particular direction. Peter Eigen, (My hockey friend in Washington) became president of the World Bank in Africa (East Africa).He had a dream to fight against corruption in Africa and started Advisory Council of Transparency International. It works all over the world.



Michiel Hardon

We must bring young people to negotiate peace and future for the countries, for example between Palestine and Israel. We need to talk less and act more.

Intervention by Mahendra Chouhan:

Current dean of Harvard business school is an Indian who has written a book: The Arc of Ambition. He went around the world and asked business people how they deal with corruption. The answer he got was, you have to be consistent with government officers and inspectors. How to be consistent with corruption was also addressed.

Comment by Ralph Thurm:

Why are we here? We all share a certain dream. I have 30 years of experience. I was first head of Sustainability at Siemens at an early stage, worked for GRI, on all 4 generations of the GRI guidelines, worked for Deloitte Netherlands and am now senior advisor to various companies – What is the next thing companies have to think about?

To be successful in sustainable develo pment, business needs to pay attention to:

Ralph Thurm

1) Leadership
2) Product and services you produce
3) Education / Awareness / Skill set development
4) Measurement (Multi Capital Measurement - IRC) – Must be on IRC agenda
5) Incentives
6) Development of corporate culture &
7) Governance

These 7 factors are related to the micro side.

8) Create a green and inclusive economy - Transformation and Change

True pricing, true costs but also True Taxation is necessary. Be concerned about the development of the Sustainable Development Goals (SDG's) – Creating shared value is not enough.

IIGL must make connections that governance & leadership needs ingredients on micro side and macro side. Not only company's ability to sustain, but ability to thrive for eg. Kingfisher – We want to be net / gross positive.

Comment by Koos ten Bras:

Organisation Hope XXL. has big ambition: They are asking young people what we have to do for the world in the coming 50 years? Hope XXL will make a list of 100 bullet points to present to the United Nations (UN). The focus is on economy, Sustainability, Development, War & Peace. Having started 5 years ago, at the moment they have created 68 bullet points on the 5 subjects.

Goal Hope XXL: Make people as happy as possible (for everybody in the world).Quoting Martin Luther King: Creating a new world's perspective.

Comment by Erik Van de Loo:

My background is psychologist and psychoanalyst. I am interested in the behaviour, how to make change happen. To go beyond the rules and regulations and how can we collectively become more effective.

IIGL Platform should be, not only for integrated thinking but also for integrating action and integrated influence impacting the field in order to be effective and

Prof. Dr. Erik van de Loo

impactf
ul and to change behaviours.

Look at longer perspective (3000 years).What can we learn from collective, communities, societies over the last 1000 years, what kind of societies have brought fundamental change.

Tabled an interesting concept called Parressia (old greek concept) which is highlighted by Michel Foucault. It is about the courage to speak the truth.

Courage was one of the three elements mentioned in the positioning paper. But I would like to suggest looking at the old Greeks, the courage to speak the truth. And what is that truth? The truth in essence is about ethical truth. If you do not want to do it only in the legal way or being enforced but if you could hope that the change would also come from within then you need to speak to the ethical dimension of people.

Where is the ethical dimension located? It is in people. The old Greeks were smart and pragmatic. It is not enough to just impact the ethical thinking of people, although it is good to do it, but in particular of those in power. If you are able to talk to kings or the CEO and leaders of organisations than you make the jump from leadership to leaders. Eventually leaders need to display the leadership.

If you are able to be more effective and can access the key people in power in the system that would be great and I would be very happy to join the forces, to think through to how can we bring more effective influence, not just by courts. That is in a way poor and perhaps required but not a sufficient way to do it. But how could we speak to the ethics of those in power.

Three years ago we had a conference at INSEAD on Corporate Governance. Throughout the day people became a bit pessimistic when they were looking at what was going on in the world and the gap between, where we would like to see it go and where it is actually now. Somebody made a very pragmatic remark: The way we change is board by board. Of course you need to have this integrated thinking but in the end it is about you changing board by board. How can we impact board by board. I would predict that it is a strategic option to seriously consider Parressia.

Intervention by Mahendra Chouhan:

Explains that Asian Centre for Corporate Governance and Sustainability is doing just that. He believes that what you do when nobody is observing, is the true test of your ethics.

Comment by Erik Van de Loo:

One of my recent projects has been in Malaysia over the last years and if you look how Corporate Governance functions in Malaysia actually, they have great technical systems in place but if you look how independently do people speak their mind and practice independent thinking then the conclusion is that there is a long way to go yet, in Malaysia as well as in other countries. But is Malaysia as an extreme example where people are scared to death and where it is almost taboo to speak your mind and even more, in such an environment my experience is that, it is possible, in Malaysian society and Malaysian boards, to create an atmosphere of openness but it starts in particular with the chairman who creates a different climate and actively invites people to speak up. I am not naïve I hope by proclaiming, just do it board by board and practice. But you will hit strong local cultural & natural constraints, which might block you again and again to change it. You need somebody who has the power who has the capacity and courage to change them.

Comment by Marius Frank

Advisor to board, coach for leadership and was on two sustainability boards. Three words are key in my personal practice. Governance, Leadership and Sustainability. Erik Van De Loo is one of my inspiration. I wrote down two words: Which is speak out as one of the key words of what we are talking about, to speak out is essential to a successful board. The second one is Sustainable Leadership. I was trained 30 years ago at INSEAD about shareholder value, market share, etc. What is leadership and sustainable leadership has very much to do with the impact of the company on the environment. It is also fully understandable who is a leader, what is their focus and purpose in life.

Comment by Mahendra Chouhan:

Sir Adrian Cadbury inspired me. I interacted with him very closely for several years and he used to say that leadership should have vision, integrity and courage. And if they don't have courage the other two qualities have no meaning. Unless you open your mouth when something unfair is happening, you may have integrity and vision but if not the courage to speak up, then the other two qualities are wasted. All the three qualities together impact leadership.

It is lonely at the top and that is where coaches are coming into play and how do you really involve the leadership or the CEO. How would you tackle the element of ethics with the CEO of a well-managed company?

Intervention by Mervyn King:

Marius Frank making a comment

If you have a situation of a lack of confidence and trust between CEO and Chairman you are going to have a dysfunctional board. Particularly in listed companies the CEO because of security minded corporations around the world, security legislation around the world. You cannot talk to someone outside the company, about anything that is not in the public domain, you will encourage insider trading, which is a criminal activity and has severe consequences. So in a situation of lack of confidence between the chairman and director or there is a lack of ethics between the chairman and the CEO the whole board is going to become dysfunctional. The chairman is actually the confidante of the CEO and if that breaks down as well you get dys-functionality. So it is a very important aspect of governance that you have this confidence between Chairman and CEO and they have the ability to talk openly to each other. If one of them is lacking ethics – say if it was the CEO and I was the chairman, I would know what to do. One thing I have learned as the chairman of various companies is that you have to be both, become collective mind of board at the same time keep arms length. One day you will arrive at the board sort of at arms length and to me it is one of the most difficult thing being a chairman. So the question of confidence between Chairman and CEO is critical if one or the other is lacking ethics.

Comment by Balkenende:

I will give some general observations.

Michiel you talked about dreams. I would like to underline what you have said, because if you don't have dreams you can forget it. I think that we must have dreams for a nation, people individually and society at large. I have always dreamed about a responsible society and that helped me in my professional work, my academic work, in my life as a prime minister.

Tineke spoke about the idea of a constitution and I understand what you mean. It will address issues around the goals and the values of our company. In one of the company in the Netherlands, the statute started with a chapter title, 'First the value and then the vision'. Because the values are why your clients choose you? Why people want to work for you? What is essential to your company. In a way that is connected to your dreams.

Mr. Jan Pieter Balkenende responding to the questions of curious audience. Seen in the picture (Left to Right) Mahendra Chouhan, Herman Mulder, Mervyn King, Jan Pieter Balkenende and Joris Voorhoeve

Professor King spoke about the legal aspects of governance. A few years ago I read a book that was called “A Life without Lawyers” after all I am a lawyer so I had to read that book! It states the fact that so many people in the US live in fear. They fear to be sued; they fear the legal actions. This makes them wary of adopting the idea of integrated reporting, because they fear the risk of being sued. You can never deny that there are legal elements, but that does not mean we stop embracing the change specially the critical and valuable and sustainable kind of change!

What Koos ten Bras shared about Hope XXL, I really like that, I attended one of your meetings, it was great, being with young people. I think there should be better communication between the boards of organisations and the representatives of young people. I notice that these young people talk about doing business in another way- by starting business with sustainable strategies inbuilt in the business model and that is so good!

Erik van de Loo spoke about Malaysia, a good example of a man busy with sustainable strategy mission. He also touched upon the ratio between the micro efforts and the macro efforts, how can you connect them. In this regard I would like to refer to the book of Ocemoglu and Robinson 'Why Nations Fail'. This book is about the question under which conditions can countries be successful or not. On fact they measured three etc. After: 'there must be room for innovation' please add 'and creative destruction. I read this book by van Robinson and he wrote about, when are companies successful and when not. In fact they measured three key issues/points, the first being, there must be room for innovation..., if there is no room for innovation then you can forget it. Second is the rule of law, a key element. And the third is you must have institutions to see that benefit reaches people and that is indeed a connection between micro and macro. You can have companies with the best ideas, the best strategies, but it is not enough, because you must scale up its activities and therefore it is necessary that when you have a climate summit in Paris or now in New York, there must be connection between governments and the business sector.

Tineke also mentioned about the role of multinationals. I think that we live in a time where the role of multinationals has increased hugely. That is good. But then it is a matter of how do these companies act. Talking about the government sphere, today I am rather an optimist about decentralization. In Amsterdam, Rotterdam or in Eindhoven you see so much dynamism and why, because of the linkages/partnerships of the governments, the business sector, the knowledge centres and the NGO's. The connection between the big companies and start-ups, this is a kind of new model of organising new connections that can be helpful. I think Tineke Lambooye is right. We must find ways to reach our goals honestly.

Comment by Herman Mulder

I have seen quite a number of active listeners around the table. We all agree on the same sense of priority. We also recognise a challenge, it is not simple, but complicated. So the question in the world of a lot of noise and sound is 'how will you get heard?' We have people, planet and profit according to John Elkington. What we intend do as an International Institute is learn from the brilliant failures of the past. And all of those who speak about their brilliant failures in their past are the best witness of that. But also the bright dreams we had. A good example, Michiel Hardon's comment was quite inspirational - looking back to the failures, but also looking forward. What are those potentially brilliant dreams on our list, but at the same time keep our feet on the ground. What we will try to do at the Institute is to be first of all a learning platform to understand where we are all coming from and we have a diversity of interest and diversity of backgrounds and a diversity of future, both geographically and functionally.

Even more important is to find what we have in common to be a movement to drive the agenda and preferably without pain. But it is possible by exposing pain we can learn and show it to other people. So, what we hope is that based on the paper which we will present to you and to those who are not present, we would like to have not only your commentary on the paper itself, but share your thoughts and ideas with us. As Erik Van der Loo said, it is also about straight talk. So if you can share three lessons which you have learned in the past on changing pace, changing direction, share them with us and of course they will be anonymous contribution to the input paper. We have another request because we cannot walk alone as Martin Luther King said, We would like you to suggest other colleagues, peers, friends of yours we might consult. This is a journey and this was just the first step. We would like to share this paper with you and have your written comments or if there is an opportunity for some of you to associate closely with some of those ideas somewhere. Apart from a learning platform and movement we consider this also a community, light on its feet, but nevertheless we would like to pick your brains and your ideas in the years to come. I would say 2015 and 2016 will be crucial years for many different reasons; to realise in practice, in action with a sense of urgency.

On behalf of all of us at this side of the table, thank you very much for having been here. You will hear from us and we hope that we will hear from you as well. Thank you very much.

First meeting of the Global Advisory Board of IIGL

The Global Advisory Board members of IIGLimmediately after the meeting. (L to R) Mahendra Chouhan, Mervyn King, Joris Voorhoeve & Herman Mulder.

Snippets of the roundtable

Governance experts engaged in animated discussion. Seen in the picture (Left to Right) Judge Mervyn King,Mr. Jan Peter Balkenende and Prof. Mahendra Chouhan

Mr. Michiel Hardon and Ms. Tineke Lambooy interacting with a young participant

Snippets of the roundtable

Herman Mulder engaging with young students of Tillburg University, who volunteered at the roundtable.

Prof. Mahendra Chouhan in informal discussion with Jan Siemons & Eduard.

Snippets of the roundtable

Joris Voorhoeve interacting with the young participants of the roundtable

Dr. Tineke Lambooy and Prof. Andre Nijhoff of Neynerode University with Mr. Jan Peter Blaknende, Judge Mervyn King and Prof. Mahendra Chouhan

Snippets of the roundtable

Informal discussions after the roundtable.

For further details please contact;

International Institute of Governance & Leadership

Herengracht 282, 1016 BX, Amsterdam

The Netherlands

amsterdam.office@iigl.nl