

ICGN Washington DC Conference 2017

Morning Keynote: Douglas Frantz, Deputy Secretary General, OECD, US:

I read the paper that Kerrie was just talking about was very good, really excellent and probably brave for an organisation like this. These are certainly different times and we need more than prayer to support the values that underpin this post-war era and those values are democracy, multilateralism, free trade, the rule of law. And given these uncertain times, you might ask this. It means, what's the future?

The future is changing and it's changing fast. Big multinational corporations enjoyed a 30-year run of rising profits and robust revenue growth. It's been a remarkable era, but the landscape has shifted. It's shifted since Brexit, it's shifted since November 8th here in the US, but this shift was going on well before that. The impact of the financial crisis is still being felt by all of us. Global growth lags, productivity is stagnant, emerging markets are no longer a sure bet. Newcomers are throwing out the old rulebook and people are scared that robots are going to take their jobs. Where there is fear there are scapegoats: the wealthy elite, the political establishment, foreigners, robots, and globalisation.

Let's take the last one, globalisation. Globalisation has been simultaneously empowering and disempowering. We've seen the growth of the middleclass in many countries. We've seen the expansion of technology and the reach of the internet. Those are all wonderful fruits of globalisation. But we've also seen people fall by the wayside, globalisation failed, we failed, not globalisation, we failed to address the inevitable gap between winners and losers and there have been losers. There are a lot of angry people, in many countries around the world, who feel like they have been kicked to the side of the road. One result of this is political upheaval in what we thought were stable systems. One thing is certain in this changing world: global turmoil creates uncertainty. OECD studies show that uncertainty is rising around the world and business and investors hate uncertainty.

So, what's the rational response? How does hope triumph over despair? How do we keep corporate governance alive and progressing in this rather toxic atmosphere? Not with three letters, but I believe with three short sentences. We need to understand. We need to defend and we need to live our values. The OECD is well known as an organisation based on evidence. We rely on facts and evidence to develop international standards and policies on a huge range of issues: investment, taxation, public integrity, agriculture, climate, education, training the workers for the jobs of tomorrow. But we're also a values based organisation. We believe in co-operation, not isolation, integration, not fragmentation, integrity, not corruption, multilateralism, not self-interest, truth, not deception.

The OECD grew out of the Marshall Plan. Our bedrock values are the same ones Secretary of State, George Marshall, used when he transformed post-war Europe from devastation to prosperity, from division to unity. This year marks the 70th anniversary of the Marshall Plan. We must remember those values and the role they played in building the institutions and industries that have brought the world 70 years of unprecedented peace and prosperity. As business people, as investment advisors and as members of international organisations and NGOs, we must all work together to win back the trust and support of our citizens and to maintain those core values. We need to protect our planet. We need to bridge the gaps created by globalisation.

Our ministerial meeting in June at the OECD, where we'll have the Senior Finance Ministers and other Ministers from all of our member countries and many other countries, come together to talk about what we think is the most burning issue of the day. It changes every

year. This year, it is globalisation and how to make it right. I don't think it suggests that it's broken, but it's how to make it right.

But our second chance lies in the digital revolution, which is transforming economies and transcending borders. We need to make sure that we avoid the mistakes of globalisation by making innovation and technology available as widely as possible. That's where globalisation broke down. The benefits were not shared equally. No matter where you live, you deserve to be protected, respected and connected.

At the OECD, we work a lot on corporate governance. We believe that good corporate governance is not an end in itself. It's a means to support economic efficiency, sustainable growth and financial stability. It helps private countries' companies with access to capital for long-term investments. It ensures that shareholders and stakeholders alike are treated fairly, which goes to the point that Kerrie was just talking about with Snapchat. The OECD expertise on responsible business conduct, social enterprises and social impact investing, provides tools to help companies understand and adopt ways to drive positive change. These efforts make good business sense, as well as good public good. The cheapest form of economic stimulus is improving business confidence and the other side of that coin, improving confidence in business and I think that's part of what we've lost with globalisation.

Let me highlight three specific ways that we're translating these concepts into policy at the OECD. Number one: in 1999 the OECD developed the Principles on Corporate Governance to help business and governance address the changes of a rapidly globalising world. Think back nearly two decades and think about the financial and business landscape was then. The investment chain was becoming increasingly complex, new investors were emerging, trading practices and investment strategies were struggling to keep up. It was like that not so long ago. The principles created a benchmark for assessing and improving corporate governance. They provided the foundation for a system based on a high level of transparency, accountability, board oversight and the rights of shareholders and stakeholders. These are the very core values of this network as well. I think there is a tremendous and strong relationship between what the OECD does and what the network does.

Today, these principles help corporations gain access to capital. They can be adapted to country specific circumstances. This is particularly important for smaller companies that are trying to make the most of their growth potential and they stress inclusiveness as an essential part of corporate integrity. The principles were updated in 2004 and again in 2015, the last time with the assistance of the G20. They have been adopted by the Financial Stability Board and as key standards for sound financial systems and used by the World Bank and many other institutions.

Second, 1976, the year Nadia Comăneci scored the first perfect score in Olympic gymnastics, gas in the US was 59 cents a gallon, and these two guys founded Apple. It was also the year, equally important, that the OECD adopted the Guidelines on Multinational Enterprises. They were the first and remain the most comprehensive set of Government backed recommendations on responsible business conduct. Today, all 35 OECD members and 11 other Governments adhere to those guidelines. They provide standards for Governments and they encourage sustainable development and social progress through voluntary adherence by multinationals, operating in countries that have adopted the guidelines. They cover employment and labour relations, human rights, environment, privacy, combating bribery, science, technology, competition and taxation. These guidelines helped spark innovative efforts by Governments and business to promote responsible business conduct. A year ago, the G7 pledged to support the very highest standards of four policies, covering labour in the environment, based on the OECD's MNE Guidelines.

Some countries are moving from this MNE soft law to hard law. This is a recognition that corporate economic crime undermines confidence in business, distorts markets and erodes trust. Canada adopted a process that allows the withdrawal of Government support in foreign markets for companies that are found to have failed to follow MNE practices. UK businesses are required to report annually on steps they are taking to combat slavery and human trafficking in the global supply chain. That means exercising due diligence up and down your network. Those that fail to file their reports, face contempt of court citations and financial penalties.

The SDGs are also a tremendous opportunity for investors and business. The Business and Sustainable Development Commission, which was launched in Davos in 2016, brings together leaders from business, finance, labour and civil society. The goal of the Commission is to demonstrate how business can contribute and play a very active role in delivering on the sustainable development goals.

The group released its flagship report at Davos in January. The big message is that putting sustainable development goals at the heart of the world's economic strategy could unleash dramatic growth and dramatic improvements in productivity. The results could open economic opportunities worth up to 12 trillion US dollars and add up to 380 million jobs by 2030, mostly in developing countries. However, this will not happen without radical change in the business and investment community, real leadership from the CEOs and from the C-Suite is needed for the private sector to become a trusted partner in working with Government and civil society to fulfil this agenda. As you advise your clients, you recognise the need to stress the ways in which sustainable jobs, treating people fairly, minimising environmental impact, will help open markets, improve equality and along the way, help save our planet. Change cannot come from the private sector alone. Governments need a better understanding of the role private investment plays in sustainable development. Business is not a pocket to be picked. Business should be a trusted partner. The interests of Government and business and civil society should be aligned.

At the OECD, we have implemented an action plan to work with our 35 member countries and dozens of partner countries, under the leadership of the United Nations, to use our unique strength to help implement the SDGs. As part of that effort, we have identified five pathways to the SDGs through private sector involvement. The first is foreign direct investment. Second is blended finance, which involves using public funds to de-risk investment. This is a critical issue. It's an emerging issue. The EU has actually launched some very innovative projects this way, using public funds to underwrite that risk and persuade and help businesses to invest in areas that might have been a little too risky.

Third one is measuring private finance that is mobilised for sustainable development. We believe that if you can't measure something, you can't monitor it. If you can't monitor it, you cannot insist on transparency and accountability. Fourth is responsible business conduct. And fifth is social impact investment. All five of these paths require us to change the way we do business, to develop ways to reduce inequality, to weigh our goals against the greater good and to make sure sustainability and protecting the environment are at the centre of every business decision we make.

Talking about change is easy. It's a lot harder to do it. But just as talking about it makes us feel good, imagine how good we can feel if we actually do it. Thank you very much