



DIRECTORS
ROUNDTABLE

WORLD RECOGNITION of DISTINGUISHED GENERAL COUNSEL

GUEST OF HONOR:

Connie Collingsworth

General Counsel
The Bill & Melinda Gates Foundation

THE SPEAKERS



Connie Collingsworth
*General Counsel
The Bill & Melinda Gates
Foundation*



Sir Stephen Bubb
*Chief Executive Officer,
Association of Chief Executives
of Voluntary Organizations
(ACEVO)*



Duncan Learmouth
*Senior Vice President of
Developing Countries and Market
Access, GlaxoSmithKline*



Sam Macdonald
*Partner
Farrer & Co LLP*



Tracey Groves
*Director
Forensic Services, PwC*

TO THE READER:

In the current world economy, non-profit organizations are more important than ever in history. Their Boards and top management are focused carefully on coordination with businesses and governments; effectiveness of their programs; management of endowments and fundraising; and compliance and integrity of their operations. The General Counsel of these groups play a major role in ensuring that goals are met. In recognition of our distinguished Guest of Honor's personal accomplishments in her career and her professional leadership, we are honoring Connie Collingsworth, General Counsel of the Bill & Melinda Gates Foundation. Her address will focus on international cooperation between non-profits, businesses and governments. The panelists' additional topics include grants and funding; government policies; legal issues; and compliance.

The Directors Roundtable is a civic group which organizes the preeminent worldwide programming for Directors and their advisors.

Jack Friedman
Directors Roundtable
Chairman & Moderator



Connie Collingsworth
*General Counsel, Secretary and
member of the Management
Committee of the Bill & Melinda
Gates Foundation*

Connie Collingsworth is the General Counsel, Secretary and a member of the Management Committee of the Bill & Melinda Gates Foundation. She is responsible for managing all of the foundation's legal needs, providing guidance, developing creative solutions to support the achievement of the foundation's programmatic objectives, and helping to ensure the foundation follows its guiding principles.

Prior to joining the foundation in 2002, Ms. Collingsworth was a Partner and member of the Executive Committee of Preston Gates & Ellis, a prominent Northwest law firm (now known as K&L Gates), where her practice focused on corporate securities law and private equity investments.

In addition to serving on the board of Women's World Banking, Collingsworth is currently a member of the Board of Advisors to the New York University School of Law National Center on Philanthropy and the Law. She also previously served as Board Chair of Social Venture Partners, a network of individuals who leverage expertise and resources to strengthen non-profits, and was a founder and Board Chair of the French American School of Puget Sound.

Ms. Collingsworth received an LL.M. in International Business Legal Studies from the University of Exeter, England; a J.D. from the University of Nebraska School of Law; and a B.A. in English from Andrews University.

BILL & MELINDA GATES foundation

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health with vaccines and other life-saving tools and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to significantly improve education so that all young people have the opportunity to reach their full potential.

Together with its partners, the foundation works to tackle problems in three areas: global development, global health, and education in the United States. Each program area has a policy and advocacy team dedicated to raising awareness of problems — and solutions — to motivate change. The work of the foundation's programs includes public affairs, to build interest in the issues they focus on and strengthen the voice of the public; grantmaking to organizations that support the foundation's mission; and public education, to provide policymakers and others relevant information.

The Global Development Program explores the best ways to help the world's poorest people lift themselves out of hunger and extreme poverty. When people in developing countries have opportunities to overcome poverty — to save a little money safely, farm their land more effectively, get valuable information online — they seize them. But far too few actually have these opportunities. To help bridge that gap, the Global Development Program addresses issues in agricultural development; financial services for the poor; water, sanitation, and hygiene; emergency response; and public access to computers and the Internet.

The Global Health Program aims to harness advances in science and technology to save lives in developing countries. Investing in global health saves lives. When people are healthy, they can build better lives for themselves, their families, and their communities. Yet advances in health too often fail to reach those who need them, and research on diseases of the developing world is severely neglected. As a result, millions of people in the developing world die each year from preventable diseases. The Global Health Program works to improve health and save lives by focusing on enteric and diarrheal diseases; family planning; HIV; malaria; maternal, neonatal, and child

health; neglected and other infectious diseases; nutrition; pneumonia; polio; tobacco; tuberculosis; and vaccines.

The United States Program works to ensure that all students graduate from high school prepared to succeed in college and careers and dramatically increase the number of young people who complete a degree beyond high school with real value in the workplace. High school is not enough for our students, or our country, to compete in the global economy. The U.S. Program focuses on fostering effective teaching, encouraging the development of consistent and clear college- and career-ready standards, and supporting policies that help more students complete a postsecondary degree. Its other areas of focus include free access to computers and the Internet in public libraries and family homelessness in the Pacific Northwest.

Based in Seattle, Washington, the foundation is led by CEO Jeff Raikes and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett. It also has offices in Washington, D.C.; Delhi, India; Beijing, China; and London, United Kingdom. The foundation supports grantees in all 50 states and the District of Columbia. Internationally, it supports work in more than 100 countries.

JACK FRIEDMAN: As Chairman of the Directors Roundtable, I would like to welcome the audience. Some of you have been to our programs in the last month and a half. We've had four here in London: on antitrust, on the U.S. patent office, on anti-bribery; and this one presenting a world honor to Connie Collingsworth, the General Counsel of the Bill & Melinda Gates Foundation. One of the inspirations for this program is how the non-profit, public, and private sectors are working together on important projects. We wish to help people learn from each other — not just to hear about the good that's being done, but also to learn practical insights on how to run such operations more effectively.

The format in general this morning will be some opening remarks by the speakers, followed by a Roundtable discussion among the speakers, and then eventually opening it up to the audience.

I'm excited about this program because the Bill & Linda Gates Foundation is inspiring. In the United States there was a feeling at one time that people expressed their community spirit when they left a good part of their wealth to some charitable purpose in their will. It is unbelievably inspiring that Bill and Melinda are committed, well before they get older, to put so many resources, and enormous personal time and effort to the good cause of the Foundation. That has been very inspiring to the younger generation in the United States. Other people — like Warren Buffett, who plays bridge with Bill Gates — have added their interest, too. There is much good that comes from the Foundation.

Connie has a very pragmatic and key role in the organization. She sees what happens and works on a world basis with many other organizations. Her good work is very much appreciated.

Without further ado, I'd like to have our Guest of Honor, Connie Collingsworth, give her opening remarks. Thank you.



CONNIE COLLINGSWORTH: Thank you, Jack. Thank you for the introduction. It's an honor to be here with you today and tell you about my work. I want to also acknowledge that this is really quite a pleasant surprise for me, because I came to England in 1984 to get an LL.M. in International Business Legal Studies at the University of Exeter. Alan Southcombe is one of my fellow classmates in attendance today. We haven't seen each other for 28 years! I also had a nice dinner with another one of our fellow classmates last evening and it was great to catch up. I never envisioned, back then, that I would become the General Counsel of the Bill & Melinda Gates Foundation, and I never thought I'd come back and speak about my work in London. So this is a great honor for me.

I really have had a chance to achieve my dreams by working with the Gates Foundation. I wanted to work on international alliances that were complex, and I get to do that as part of my job. But the job provides something even more than I had hoped for, which is to have social impact as part of the work that I do.

I've been at the Foundation for nine years, as its first General Counsel. Originally, I handled all the legal work — every contract,

every deal, every legal issue that arose. Now the legal group has 25 people, including 16 lawyers. So my job has changed quite a bit over time.

What I really want to say to you today is how the foundation works with businesses and governments to achieve our goals. As part of preparing my thoughts, I went back and I looked at some of the speeches that Bill and Melinda have made over time, and found one that was right on point that Melinda gave in 2008 to the Council on Foreign Relations in Washington, D.C. It was really interesting, but not a surprise to me, when I read the remarks and saw that she confessed to the audience that when the Foundation was first started, Bill and Melinda did not expect to work with governments or business. They thought the Foundation had plenty of money and would fund innovation and those innovations would magically be delivered to where they are needed in the developing world. They now say, "We were wrong, very naïve and have really learned a lot."

As part of the learning, they have stepped back and said, "We should think about what the high-level strengths and weaknesses are of business and government and foundations, and how we should collaborate."

There are really three things I want to emphasize regarding our collaborations. First with governments: It depends on whether we are working with a donor government or a recipient government as there are different roles for each. If you are a recipient government, the resource we really look for is leadership, which is so critical in achieving the things we're trying to accomplish.

With donor governments, we are obviously looking for funding partners, but that's not all. Donor governments have an amazing ability to bring together people with brilliant minds, and also other types of resources, and that is very well shown in situations like the tsunamis in Haiti and Japan. When you need huge amounts of resources brought together, it is governments who really can take the lead and make that happen quickly.

But governments also have two big constraints, and that is that the taxpayers have to be willing to fund those efforts, and taxpayers usually want more immediate results than things that can be shown and accomplished within, say, a ten-year time frame. That is because the election cycle is every two to four years, and the public says, "What have you done for me lately?" It makes it more challenging to prove impact and results when goals take years to accomplish.

By way of contrast, businesses are typically more agile and creative, because they're self-funded. It puts them in a position to supply what we need as a partner, be it funding, manufacturing, or distribution support. But businesses also have a challenge, because their shareholders say, "I made my investment because I want a return, and I want profits," and charitable activities often don't generate those types of results.

Finally, foundations hold a really unique position, because we have a great level of freedom. We don't have any constituents, except for our passionate founders, and we can establish our own strategies, decide

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what our level of risk is, and decide what we want our measure of impact to be. But as I said before, we have found we can't do what we want to alone. That is a constraint for us.

I want to illustrate these three points by some examples of what we've been doing in partnership with business and government to achieve some of our goals. There are three specific examples I am going to talk about. One is an organization called GAVI, or the Global Alliance for Vaccine Initiative. Another is a program called the AMC, or Advance Market Commitment. Finally, I want to spend a few minutes talking about the eradication of polio.

The Foundation has made the development and delivery of vaccines one of our very highest priorities because we have seen firsthand what a major difference it can make on children's lives. Bill and Melinda often cite the Global Alliance Vaccine Initiative, which we call GAVI, as their very best example of how governments, the Foundation and businesses can work together.

In November 1998, shortly after they made their first large financial commitment to vaccines, Bill and Melinda had a dinner party at their house, and they invited 20 scientists from inside and outside the Foundation to talk about the issue of what could be done to help increase vaccine delivery in the developing world. They sat around and they talked for about two and a half hours about immunology — Bill really likes to get into the details of the science and the challenges. Bill came away saying, "Okay, go out and think big, and come back, and come up with some solutions," with a veiled, unstated promise that there would be resources, if there were good ideas.

Approximately 18 months later, key players from the sector got together in Seattle, for two full days and they developed the blueprint of what's called GAVI. The goal of this entity is to radically improve access to established and underused vaccines, as well as accelerate development of other vaccines that are needed in the developing world. By the end of the year, Bill and Melinda pledged \$750 million over five years to create this new entity or fund. The director said, "Well, there's no longer an excuse that can be given that there's not enough money. What we have are other challenges that we have to overcome." It was very clear that they did not want a huge, new, bureaucratic, international organization created; they wanted the entity to stay lean and mean, and use the resources that were already available. So a lean secretariat was created, housed within UNICEF in Geneva, and a twelve-member governing board was developed composed of all the major partners in the Alliance. It included developing world governments, the World Health Organization, UNICEF, the World Bank, pharmaceutical companies, NGOs, research entities, and the Gates Foundation. The strategy was to have an inclusive decision-making body that would bring together disjointed, otherwise-uncoordinated efforts to talk about what really needed to be accomplished in an area where there had, in the last few years, been actual declines in the delivery of the vaccines that were needed in the developing world.

Prior to that time, there was really no mechanism to focus on delivering vaccines in the developing world, and the pharmaceutical companies in particular were saying, "There's no market! Why should we go into those areas where there is no guarantee of money if we develop a vaccine that's needed?" So the goal of GAVI

is to distribute drugs and vaccines that are needed into the 72 poorest countries of the world, and make sure that they are available to the poor nations as quickly as they are available in the developed world.

Basically, by drawing on the strengths of these partners, GAVI has increased immunization rates in the developing world to an unprecedented 80% average. It has incorporated the capabilities of all three sectors of government, business and the Foundation, to create mechanisms to purchase vaccines and make sure they get delivered. It has really done some amazing things.

In addition to the increase in the rates of immunization, it has actually delivered life-saving vaccines to more than 288 million children. It has provided nearly \$3 billion to expand vaccine coverage, and it has created market-based solutions for the sustainable and affordable delivery of vaccines in the developing world. Despite these achievements, however, there is still a sobering fact that there are 1.4 million children every year who die from vaccine-preventable diseases. Obviously the mission has not been accomplished, and success still hinges on continued commitment and funding from donors, both public and private.

The creation of GAVI is one illustration of how foundations can be a catalyst to make things happen. But we believe the foundation is not the only catalyst as governments can be a significant catalyst, and we think that they have been under-appreciated and under-utilized in that role. For example, when a government says it will purchase vaccines, manufacturers say, "There's a buyer, now there's a market, so we'll pay attention." Or if they say, "We will invest R&D in a new vaccine to be developed," innovators will step up and say, "Okay; I'm interested; let's see what we can do."

One example of that is what we call the Advanced Market Commitment. It's a little bit complex, but if you think about it, it makes a lot of sense. AMCs are an innovative collaboration intended to help



children receive vaccines that they otherwise wouldn't receive. In the first round, we focused on the pneumococcal vaccine, which is the largest killer of children worldwide. Basically, what has happened historically is manufacturers would not be willing to invest in a vaccine like that, because it would take 15 to 20 years before the vaccine would be made available in the developing world. What we did with five other national governments: Italy, Canada, Norway, Russia and the U.K., is say to the manufacturers, "If you will make this vaccine, we will guarantee you that it will be purchased." Then we committed \$1.5 billion as a group, together, and said, "Go ahead and make it; there is a buyer at the other end." We bought it in bulk, in effect. That really gave us the potential to say, "Let's price the vaccines so they are available at an affordable price so that developing governments can purchase the vaccine."

This complex transaction took 18 months to negotiate and design, and at the end, we now have an exciting story, because the first pneumococcal vaccine was delivered in January of this year in Kenya, and in other developing countries since then. We're really excited about the results of this work and believe it is an example of how working creatively with governments in collaboration with businesses, we can make

big differences in preventing loss of life and other diseases that needed to be addressed.

I don't want to leave you with the impression that all we do at the Foundation is global health, so I'm going to spend just a few minutes talking about our other programs, because we have 25 strategies. Some of the key strategies have to do with global development, where we work on agricultural issues, helping small farmholders in the developing world be more productive. We also have programs focused on financial services for the poor, where we're trying to come up with innovative tools, like mobile banking and also sanitation to address that big issue in the developing world. We have a major initiative in the U.S. where we work on what we called "College Ready," which is helping U.S. students prepare to go to college by improving the U.S. high school education system. That is quite a challenge in and of itself. Those are just a few examples.

But, nonetheless, we do spend \$1.5 billion, or approximately 50%, of our giving each year in the area of global health. Our number-one priority over the last 18 months has become the eradication of polio. We're doing this in partnership with other major NGOs, like Rotary, who has been taking this challenge on for years and deserves a lot of credit. Even with the endowment we have, which right now is about \$38 billion, plus the gift from Warren Buffett, which is currently valued at around \$30 billion, we can't achieve all our goals by ourselves. We need strong partnerships with both recipient and donor governments, as well as business.

I've already described a lot of the progress we've made in preventing diseases and curing illness, but basically, for all our achievements, over the last 30 years there has only been one disease that's been eradicated in the world, and that was smallpox. Back in 1988, the world said, "Why don't we take on polio? We should be able to get that done by the beginning of the century, don't you think?" Everyone said, "Yes!" Now

we know that was really a much harder goal to accomplish, but we've made a lot of progress. At this stage, we're at about 99% eradication. In 2010, there were four countries left that still were what is called "polio endemic" — they'd never stopped the transmission — Afghanistan, Pakistan, India and Nigeria. There were about 150,000 reported cases of polio in the last year.

A combination of impressive techniques has been employed to get to the reduced numbers. Some are basic, working with local community leaders, trying to get access to the children who need vaccines; some are much more complex, with new technologies being developed, and new distribution systems being put in place. However, what we now know about polio is if there is even one pocket where the virus still survives, all of those major efforts could be lost, because the disease can come rolling back very quickly once again.

Right now, there is a group called the Global Polio Eradication Initiative that is a consortium working on this major challenge. In 2010 and through 2012, their budget of about \$2.8 million, is about \$700 million short to accomplish their goal. I would like to acknowledge that the U.K. has really done its part, because in every single one of these three examples I've talked about this morning, the U.K. has been a major partner and an early supporter from the beginning, and in fact, the British Prime Minister, David Cameron, has announced just recently that they're doubling their commitment to polio, which we're excited about.

But what we need is more than just one country; we need Pakistan; we need all the places, like India, where the disease exists, and that's where, if you see Bill's name in the paper lately here, you'll find he's out there hitting the doorstep, talking to people in France, talking to the German prime minister, trying to drum up more support, to say, "It's time to take this on," and he is also having lots of conversations with GSK and other pharmaceuticals, saying, "You need to get this taken care of." The

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Foundation has come to realize that Bill's voice can be a greater resource than all the money we have.

These are just three examples where we are working closely with government and business to try to achieve our goals. We expect this will be the way of the future for the Foundation and that we'll continue to learn more and more as we work on these kinds of alliances together.

I hope I have given some insight, both about what the Foundation does, as well as the issue of why it is important to be close partners with others as we work on the goals that we've set out for ourselves. We'll have time for more questions, but I'll turn it over to Jack!

JACK FRIEDMAN: Before we go to our next speaker, I have some questions. What are some of your responsibilities? What do you do when you get to the office in the morning?

CONNIE COLLINGSWORTH: I'm never sure what issues are going to arise on any given day. My job has changed quite dramatically since I came to the Foundation many years ago. Originally, I handled all the Foundation's legal issues. Then the Foundation grew from about 150 employees to about 900. We have 16 lawyers on the staff, in addition to myself. The legal staff is divided among the programs. I tend to focus on special deals. For example, we made our first equity investment in a biotech company that has a new nanotechnology for vaccine development. We made an investment in their Series C preferred stock offering, so I was able to draw upon

my background in private practice for 20 years, which was a lot of fun.

I do some work still on some of our new major alliances. For example, we formed the Alliance for Green Revolution in Africa (AGRA). It was a complex transaction where we partnered with the Rockefeller Foundation, DIFD and others. I was the lead lawyer on creating this new public development partnership. I also work with issues like what is our intellectual property policy, thinking about the management of intellectual property so our funds don't go only to the creation of science for the sake of science, but that the actual science turns into products delivered in the developing world.

In other categories, I do a lot of governance work for the Foundation. Right now, I'm working on our Enterprise Risk Management strategy, just like a lot of people in typical companies. My work really covers quite a range of tasks, as well as being a manager, and being part of the Foundation's Management Committee itself.

JACK FRIEDMAN: One other thing: What are some of the things that would bring you to London over a period of time?

CONNIE COLLINGSWORTH: We have a new office in London that just opened last year, and so that will bring me here more, making sure they understand the U.K. bribery statute, for example! It will also be important to make sure that their policies and practices fit with the Foundation itself and its culture.

We have not done as much in Europe, *per se*, as far as giving, but my trip here was

preceded by a few days in Romania. I came from there yesterday, where we have a Global Libraries Initiative, and I spent the day meeting with government officers and talking about how important their commitment is, again, to sustain our library program, so *after* we get the computers and the training done, and leave, that it's not then left to waste, but they continue that commitment.

JACK FRIEDMAN: Thank you. I'd like to move ahead to have Duncan Learmouth from GlaxoSmithKline make a few remarks.

DUNCAN LEARMOUTH: Okay! Thanks, Jack. It's nice to be here. We work very closely, as Connie's alluded to, with The Bill & Melinda Gates Foundation. But I don't think I've ever shared a platform with anyone from the Foundation before, so that's great, and it's great to hear your reflections in terms of the achievements of the Foundation and the focus.

What I was thinking about as you were talking, Connie, was that in a way, we're quite aligned, in the sense that we actually have the same overall objective, so as a pharmaceutical company, our objective is to supply more medicines to the patients that need them. But obviously we're doing that in a very different model. We're doing that in a market-based model. We're doing that with shareholders who require a return and require us to deliver a sustainable business. So the model is different, but actually the goals are the same.

It is an interesting thing, and the discussions maybe reflect on some of the synergies between the two groups and how we can best use our appropriate skills to actually achieve the same objective.

In terms of GSK, we think a lot about access to medicines. It's one of our biggest reputational issues for the company and for the industry. We also think a lot about access to medicines because, in terms of our overall business strategy, our exposure to emerging markets and our growth in emerging markets is one of the key strategic platforms



for our future growth. Last year, we did a recheck on our strategy in both those areas. Were we really paying sufficient attention to all the countries in the world, in terms of access and in terms of supply of medicines? Because when we looked at the overall emerging market space, you have a lot of poor countries in Africa and Asia that really don't get much business attention. We decided to create a new unit to solely focus on the needs of those countries and see what we could do to bring a much stronger focus on the needs of the least-developed countries, so that we can actually increase the supply of medicines in a more affordable way, start to build more of a platform for our business for the longer term, and at the same time, deliver more medicines to the patients that need them.

In August last year, we created a new business unit which really looks after developing countries, and we used the U.N. definition. If you go onto the U.N. website, there's a group of the 50 poorest countries of the world, which the U.N. defines as least-developed countries. And we used that as our base point for creating the group, and that's the group I lead. I've been with GSK about 20 years and done various roles in the business, and this latest role is something I'm incredibly excited about. I think it's a

big challenge, but it's something I'm really keen to take forward.

The new business unit has different rules from the rest of the business. So instead of having a revenue incentive for our management, we have a volume incentive. So we're actually structured to increase the volume of medicines we supply. We look at a longer-term investment horizon, so instead of a one- to two-year payback that we look at in terms of investments, we're looking at three- to four-year paybacks and maybe beyond for the bigger programs. We also have a different pricing policy. We decided that we will cap the prices of our patented medicines and vaccines to no more than 25% of the U.K. price, and in some cases, we'll be below that. We've also – and I think this is probably the most radical thing for the unit – is that we've decided to make a commitment to reinvest 20% of any of the profit that we make in the least-developed countries back into building healthcare infrastructure in those countries. While overall GSK is not the sort of company that can make a difference to healthcare infrastructure in every country, what we can do is make a statement to that intent. We can actually perform a catalytic and leadership role in encouraging other organizations to make similar commitments and start to reinvest the profits that they make. This will actually be good for the country, but also be good for business in the longer term, as you're building a better healthcare infrastructure for patients that need it in the countries where we operate.

Just a quick kind of idea of the strategy that we're putting together for this unit; we focus on four significant areas. The first area is immunization, and that's right in the space that Connie's talking about. We have four new vaccines that are coming through: pneumococcal vaccine, rotavirus, cervical cancer and malaria, and that's a big focus of the unit. What's important is that the vaccines business is actually a low-price, high-volume business. So it's exactly the type of business that we're trying to create in the medicine side of it, and it already exists in

vaccines. The success of immunizations, the success of the GAVI approach and the funding from the Foundation, actually allows a fantastic rate of immunization in very fragile economies. Eighty to 90% of babies can be vaccinated against the major diseases, which is a terrific achievement. What I'm looking to do is to actually reinvest some of the profit that we make, in terms of that GAVI funding, back into infrastructure and back into building stronger businesses in those countries that can actually benefit more patients in terms of medicine supply.

The second area we look at is the structural challenges, and these are very significant, as you can imagine, in least-developed countries. There are structural challenges around the costs in the supply chain. I'm going to give you an example of how those challenges manifest themselves. If I take a very simple product for asthma, a Ventolin inhaler. If you purchase a Ventolin inhaler through the U.K. NHS system, your price will be about \$2.50 equivalent in the U.K. If you go into a pharmacy in Kinshasa in DRC — Democratic Republic of Congo — that exact same product will cost you U.S. \$6; in Angola, it will cost you U.S. \$8; and if you buy it in Zimbabwe, it will cost you an astonishing U.S. \$10. So despite the fact that we actually supply the product at the same price in all those countries, which is about \$2.00, you can see that the structural difficulties and inequalities in the supply chain make the ultimate price to patient massively different, and there are many, many reasons for that happening. You have customs duty, in DRC at 40%, and you don't have customs duty clearly in European countries, for example. You have a very fragmented customer base. The reason that the U.K. price is low for a simple product like that is that you could get patient consolidation and get purchasing power, whereas in a private sector system in Africa, the pharmacists can essentially charge what they like, so there are very high markups in the system. Then thirdly, there are very high costs of doing business, very high transport and infrastructure costs, which all seek to drive up the price to patient of really basic medicines.

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So part of our strategy in the group is how can we start to tackle some of those structural difficulties? We're doing things like piloting different medicines at a lower price to see if we can get that through that lower price by working with distributors and pharmacists through the supply chain. We work with engagement with government to try and reduce duty levels, and we try and work with pharmacy boards to see how we can reduce the pharmacy margins to get cheaper prices to patients.

I'll finish up now, but there are two quick other areas that we work on, which is data and analytics. One of the problems that the market sector has is that it's difficult to invest in data and understanding, if there isn't a profit, to actually invest the money to do that. So one of the things that we're doing in taking this longer-term investment strategy is actually launching ahead and doing more research and more studies in developing countries, so we can understand more about the challenges: cultural challenges and behavioral challenges that impact patients' purchase and prescription of medicines.

The fourth area is around investment and infrastructure, and the three areas that we focus on are training healthcare workers, which is an important sustainable area and an important capacity constraint on the healthcare infrastructure. We also look at investing in private sector healthcare delivery. There's not enough private sector involvement in healthcare delivery in developing countries, and that can be a really powerful incentive for people to produce much better quality healthcare, using things like clinic franchise

models, which we are starting to invest in and starting to do much more work on.

The third area is technology. Again, this is an area which can be hugely valuable in introducing lower-cost healthcare infrastructure in areas like telemedicine and using SMS text technology to guarantee the quality of products; by texting a unique code to a central number, the patient can then be sure that the product is genuine. We're rolling out that technology as we speak in Nigeria in a pilot project.

So just a few quick strategic updates, if you like, that can give you a bit of flavor of what we're doing. So I think it's an exciting model. It does combine business and accessing in quite an exciting way and it's quite innovative for the industry to do that. We are in the early days, but I think we're making good progress. Thank you.

JACK FRIEDMAN: Thank you very much. Our next speaker is Sir Stephen Bubb of ACEVO.

SIR STEPHEN BUBB: Thank you, Jack. I run ACEVO, which is the leading professional body for the U.K.'s charity and social enterprise chief executives, and I guess our two key pieces of work are developing the professionalism of our growing sector and working with government to represent the views of our sector to government. I have a number of other hats that I wear at different times. I'm also the Non-Exec Chair of the Social Investment Business, which is our biggest social investor in the U.K. It's a body that has been funded by the government, a £400 million fund, making loans to non-



profits, because our banking sector ignorantly refuses to make loans to non-profits. I'm also the Secretary General of Euclid, which is a European third-sector leaders' network. As if this isn't enough to keep me busy, this is my last engagement with ACEVO for the next two months, because I've been asked by – it will be announced on Monday – I've been asked by the Prime Minister to chair a panel which is looking at the choice and competition arrangements in the new Health Services Reform Bill. I laughed when I was asked!

JACK FRIEDMAN: This is one of those positions where you're sure to be universally popular among everybody in the country!

SIR STEPHEN BUBB: Absolutely! As I've been working in the third sector, I'm very used to that. Anyway, if anyone has a very bright idea, I'm available!

I'll start off by asking our panel of experts in the room to do something for me. Most of you, I think, have got pieces of paper and pens. But you can do this in your head. I'm going to give you a phrase, and then I'm going to ask for the first thing that comes

into your head when I give you this phrase, and then I want you to shout that out.

Now, the phrase is: "The voluntary sector."

Now, what was the first thing that came into your head when I said, "The voluntary sector?"

[AUDIENCE RESPONSES]

SIR STEPHEN BUBB: Thank you very much, thank you! Did anyone think of raffles? Yes. Marathons? Jam-making, anyone? Shops? Charity shops?

I mean, the reason I ask this is because there are so many stereotypes about what I call our third sector: you know, charity social enterprises, community organizations; and it really gets in the way of our work, and particularly in developing relationships with government and with the private sector. People do *not* think of us as a sector that actually employs 1.5 million people, engages with over 6 million volunteers, and actually has an annual turnover of £157 billion, which is actually making us, as an industry, significantly bigger than some of our manufacturing industries. It's actually we're not

just a key player in terms of social policy in the U.K., but also in terms of economic policy. But it's never thought like that. You know, people think of us as relatively small-scale, quite often amateurish. I mean, we're lovely people. The low pay picture is quite right; lovely people, very, very committed. But, you know, you wouldn't want them running your business, would you?

In a sense, that gets in the way with what *could* be a powerful force. One of my aims in my job is to persuade government and to persuade business to think differently about us, and to think about the partnerships and alliances that can be formed. Our government is very interested in the concept of big society, about empowering communities and people, taking more responsibility, and changing the relationships in public service delivery, and that is a great opportunity. But even governments tend to patronize us. They tend to talk about the importance of volunteering. One of my tasks in the job I'm going to be doing over the next two months is to try and persuade the government to think very differently about *using* our sector to deliver better public services.

I want to see a real revolution in the boundaries between the private sector provision, third sector provision and state public sector provision. That's a huge opportunity for us. We face a huge challenge in our sector at the moment. ACEVO reckons – we've researched this – that this sector will lose £1 billion this year. There will be organizations that will close. There *are* organizations that are going to close. This is not about inefficient charities; it's often extremely good ones.

Longer term reform of public services means we will be a significantly bigger player, and that's my challenge to government: to make that happen.

My challenge to business is corporate social responsibility. I think that it's best if it provides real support for our sector. But at its worst, it's a patronizing power relationship where it's *big* commerce, *big* professional commerce, and pathetically grateful charities.

I think what will happen — I hope — over this next decade, is a real rebalancing in the relationship, where governments and commerce see us as professional players delivering highly effective services. I'm just going to end by giving you an example of what I mean by that.

In this country, 70% of people who have been in prison are back in prison within two years. This is an extraordinarily expensive and harmful statistic. Now, I have members working in that sector, in rehabilitation, who achieve results of something like, getting that figure down to something like 20% or 30%. The savings from that are huge. An economic study of the work of the St. Giles Trust showed that for every person that they prevent from going back into prison, they are saving the state at least £10 for every £1 invested, and possibly up to £38. It depends completely on what you measure. But if you think about the difference between a person who is supported into a job, supported into housing, good relationships, as opposed to someone who is *not* given that support and is back in prison, you can see a huge savings.

Now, the private sector, which is getting involved in running prisons, *can't* deliver better results. We can't deliver better results on our own, but a partnership can. What's interesting about what governments are trying to achieve is growing those relationships. So a number of our third sector organizations are partnered with private sector companies to run prisons. The great thing about that is that the organization — in this case Serco — provides the management of the prison; *our* organizations, Catch 22 and Turning Point, don't want to run the prison but are desperately interested in *how* a person is dealt with in prison and what happens when they come out. That's the brilliance, for me, of how we can turn this around, but it can only happen by that partnership: the state recognizing it's actually not very good at running our system, and using the strength, the appropriate strength of each of those two organizations.

Thank you, Jack.

JACK FRIEDMAN: I am very happy with the presentations of our first speakers because I feel like I've learned so much in the different overlapping sectors in such a short period of time. It's just amazing; thank you. Sam Macdonald of Farrer will now speak.

SAM MACDONALD: Thank you, Jack. I'm a partner at Farrer & Co. in the Charity Team there. I have to confess to being just a little envious, actually, sitting here as a lawyer in private practice, listening to Connie describe her work in house, as we would say here, and the direct contact she has with such a range of inspiring projects.

Having said that, I have had the privilege of working with Connie's team in Seattle on various projects involving collaborations around the world, which has been hugely interesting and exciting work. So I have had a taste of it, at least.

Jack has asked me to make a couple of points, and I will be brief. But I thought I would perhaps make a few observations on the subject of collaboration, and perhaps the role that the U.K. — and the U.K. charity and philanthropy environment — can play in international collaborations. So only two points.

The first has to do with U.K. charities acting as hubs for global philanthropy and charitable work. As Connie has made very clear indeed, charities and foundations long ago broke through national boundaries, and the work of large charities now is truly global. But charity *law* and the regulation that goes with it is *not*. Indeed, the concept of charity in legal terms is starkly different between different countries, even if the concept of charity in real-world terms is broadly universal.

This presents a challenge to those of us structuring international programs, as they seek to engage in foreign regulatory frameworks whilst making sure that they remain firmly within their own regulatory framework, and of course governance structures.



Now, there's a risk here that I start to sound a little jingoistic, but the U.K. does offer some help with some of these challenges. The reason for that is that to the extent that there is any international commonality in charity law, it's often found in a single legal root, and that is the Statute of Elizabeth of 1601. Now, this piece of legislation, believe it or not, still has currency in terms of the legal meaning of charity. And because it predates the American Revolution and the expansion of the British Empire, it was transported around the world, and *still* has currency today in many Commonwealth jurisdictions and, indeed, in the United States.

Now, of course, the laws in these places have developed and have drifted apart. But charity lawyers in these various jurisdictions continue to be able to understand each other. The concepts that surround charity law are familiar, and the checks and balances that are in place in the various local jurisdictions generally have the same underlying purposes. Crucially, for those of us here, it's the charity law of the U.K. where the diverse systems seem to meet.

So combined with its relatively robust — some would say rather intrusive, but in any



event — internationally well-respected regulatory system, and its geographical location in the midst of things, the U.K. makes quite an attractive hub in which global charities and charitable projects can connect. In particular, because their practitioners understand each other, the U.K. can benefit from close associations with the philanthropic powerhouse that is the United States.

My second observation is a little close to home. As part of Europe, and more particularly as a member state of the European Union, the U.K. is, for good or ill, absorbed within the drive towards harmonization and the free movement of trade, people, and capital that is the European project.

For a long time, charity law — which takes widely different forms throughout the EU and is a concept that EU law itself pretty much ignores — was left out of efforts towards European harmonization. But this was never going to last. The European courts have now concluded that a person in one member state who wants to make a gift to a charity in another member state must be able to do so; and, critically, must also benefit from tax relief in his home nation.

Now, there are considerable complications with this new arrangement, which is in development. But I think it's fair to say that

it's with us now and it's here to stay. Before long, it will be possible for U.K. charities to fundraise efficiently throughout the EU. This, perhaps, will bring us close to true harmonization of charity activity throughout Europe.

Inevitably, charities and foundations throughout the EU have had to get to know how their counterparts work and to understand each other. This has not been an entirely straightforward process. The systems of charity law in the rest of Europe have no connection with our Elizabethan roots. However, we in the U.K. have now gained an understanding of things like the French *fondation* and the German *stiftung*, and that knowledge can assist us as we strive to understand their systems. In turn, it helps us help those who understand our arrangements, because they share a common legal root but don't necessarily yet understand how Europe works.

So we can act as a gateway to European philanthropy for those international charities whose legal root is the same as our own.

Now, I really am beginning to sound a little partisan, but that's not my intention. I hope what I have said helps to illustrate the role the U.K. charitable environment can play in international collaborations. Thank you.

JACK FRIEDMAN: I'd like to thank PwC, Farrer & Co., ACEVO, and Business in the Community for helping to create this event. This has certainly been a collaborative effort.

Tracy Groves of PwC will be speaking next.

TRACEY GROVES: Thank you very much, Jack. I'm delighted that I'm able to participate in this very distinguished panel. I'm feeling rather overawed up here on the platform, amongst such outstanding speakers, but very pleased to engage with you all in the debate this morning.

I lead our business ethics practice here out of the Forensic Services Business Unit in PwC. I am a chartered accountant by background, but I do not actively work in the accounting space. I actually focus my work with clients on what "doing the right thing" means for them as businesses, so I hope it is going to resonate very powerfully with you here in the room.

My day-to-day job is working with organizations in helping them understand and assess their ethical business conduct risks. This includes understanding what could go wrong in the supply chain, in their contracts, in the day-to-day operations of their

business. This can also include areas such as bribery, which Connie mentioned, and fraud. It can also be around competition. It can be around market abuse.

But fundamentally, I am working with organizations to understand what they can do to embed a sense of integrity and to instill trust in the people who work with them and the people who work for them, as well.

Our understanding here, within PwC, from our client base and from what we are seeing in the marketplace, is that this is rapidly rising up the agendas of both businesses and non-profits. That's really what I wanted to focus on for the next few minutes this morning.

Despite all that has been done to try and rebuild public confidence in businesses, the latest Edelman Global Trust Barometer last year showed that businesses are still struggling to regain public trust. There have been a number of high-profile instances here in the U.K. — I won't mention things such as MPs' expenses — but there have been a number of incidents which have raised people's curiosity in terms of how taxpayers' funds are being deployed.

More than 70% of the people interviewed in the Edelman survey believe that despite all that has gone on in the past two years, companies will go back to business as usual when the economic outlook improves.

Here in the U.K., the survey results were scarcely more positive. They show that only a third of those people interviewed trusted chief executives. That's a pretty significant statistic and it highlights the challenges that all of us have as leaders, whether for business or non-profits, regarding the legitimacy of business which is so critical to the prosperity of our country.

So the key questions I'd like to pose here this morning are these: What is the impact of this lack of trust between corporations and society on non-profit organizations? Is trust at risk of being eroded between society

at large and non-profits as a result of recent incidences? What can non-profit organizations do to sustain and embed integrity in all of their own operations and demonstrate the professionalism that Sir Stephen referred to earlier on?

My own experience, working in this area, identifies the critical need to focus on the conduct and the behavior of individuals and, in particular, that of leadership. My mantra out in the marketplace, talking with my clients, is around the three pillars of integrity.

My first pillar of integrity is around visible leadership conduct, sometimes known as "tone from the top."

My second one is around the organization conduct, so the role of the business as an organism, itself.

Thirdly, the behavior of the individuals that work within it and around it.

We did a quite detailed survey last year on visible leadership and tone from the top, and again, I share a bit of a disappointment here with Sam: the statistics show that actually, a lot of managers are not walking the talk.

Regulators are bringing a lot more focus to this topic, and it actually is seen to be one of the most critical enablers of professionalism and business integrity. I hope today, here, we are all more aware that the management of risk and the ability of organizations to out-perform comes from a culture and a behavior perspective, not just the process itself.

Many organizations have codes of conduct. We have compliance programs. We have ethics screening. We have things like this coming out of our ears. But actually, that only gets us to first base. To move beyond that, we have to be more understanding and, at times, challenging of our own behavior. We need to guard against what I call "group think" and cultures which are insular and routinely dismiss those of the

outside. We, as leaders, have to recognize that if we want to make a difference in the way the organization behaves and conducts itself, it has to start from the top. How the boards behave, how the executives make decisions, and the criteria and the transparency of which those decisions are made.

It's this tone which, therefore, builds my second pillar, which is the organizational conduct.

Finally, then, to my third pillar of integrity, around individuals and behaviors: unfortunately, individuals do not always do what we would ask them to do. I think that's what we call "human nature." There is an element of what we call "behavior risk" prevalent in all organizations, and the way that I describe that is, this is how we would expect people to behave, and these are the standards that we have communicated, but actually different activities and different behaviors are taking place. That gap between what I expect and ask to happen, and what does happen, is called "behavior risk." We're doing a lot of work to understand what drives that gap. What incentivizes or motivates an individual to diverge from the standards and from the culture we would like to aspire to?

I won't go into a lot of detail on that this morning, given the time that we have, but as you can imagine, it's very, very fascinating and very topical at the moment.

So, to summarize, my feeling is that it's not good enough anymore to put the topic of trust and integrity over operations into what often gets said to me, "It's just too difficult, Tracey." I believe that boards and executives need to challenge themselves to understand how their organization is conducting itself and the role of individuals and themselves to lead and identify that good behavior.

For me, this is absolutely critical for all of us in this room, whether we are in private practice or whether we're out there in the voluntary sector. We need to understand exactly what it is that drives the integrity

and the sense of what is “doing the right thing” at all levels of all organizations.

JACK FRIEDMAN: Thank you. Some time ago we had a very high official of a large multinational company who said that he had noticed as a father of two little children, that they look very carefully at the conduct of parents. If they go into a shop, they look at how their parents treat people when they go shopping with them, just little things. They’re always observing the parents as a role model.

SIR STEPHEN BUBB: Adults do that, too!

JACK FRIEDMAN: Yes, he said that staff does it, too. When a boss gives a speech on integrity or principles, they carefully observe how he or she actually conducts himself or herself. Leaders are always being measured by the people around them to see whether they live up to principles or not.

Unless you’re a professional in the non-profit field, you don’t necessarily have an idea of how programs are actually set up on a global basis; that you hear a grant is written, or there is an agreement on a global vaccine or whatever it is. There are all kinds of announcements in the newspaper. But what is really involved with going after the grant-giving stage? I’d like to start with Connie and invite anybody on the panel to discuss examples of what follows in actually getting things done, when you have to work with some of the organizations in such a geographically diverse circumstance.

CONNIE COLLINGSWORTH: For every grant, we ask for a proposal to be written, which is almost like a project plan. It’s quite detailed. It has milestones; it has benchmarks for impacts and deliverables so we can measure outcomes. That’s one way in which the sector has changed quite a bit in the last ten years. We have business plans in effect for the projects that we ask reports to be delivered on, on an annual basis, and usually our grants are installments, so three- to five-year terms. The grantee then has to show that they’re meeting the milestones before the

“The Foundation has come to realize that Bill’s voice can be a greater resource than all the money we have.”

— *Connie Collingsworth*

next payment is delivered. There is a lot of interaction between, our program officers and the people in the field, looking to see whether they’re on budget, looking to see what issues have arisen. It’s hard to project how much something is going to cost so there’s interaction as to whether there needs to be an extension or an adjustment, especially because we’re trying to take on innovative, new ideas, and saying, “Are we learning something from this?” The Foundation’s approach is similar to a venture capitalist: if you are winning on every deal that you do, then you’re not being aggressive enough. It’s like Thomas Edison said: “I didn’t fail; I just learned 10,000 times before I got it right.” That’s the approach the Foundation takes, which is that even though a proposal may not work, you’re still learning. There’s a lot of interaction. The grant is not done on the day that the grant has been awarded.

JACK FRIEDMAN: Thank you. Let me follow up with Tracey. How does an organization assure itself that the money is going where it’s supposed to go? For example, that the reports it gets back of so many children helped have integrity? What is the role of an accounting firm doing an audit to figure out whether these reports coming back are any good or not?

TRACEY GROVES: Well, I’ll refer back to my auditing days — which were a very long time ago, Jack — but what I would say from the point of integrity, it is going to be around the internal controls that are in place. What I would be looking for is a control framework which not only detects if something is going wrong, in terms of where the payments are being directed or who they’re going to or the amount they are, but also can prevent it, as well.

A prevent-detect-respond control framework is very much a robust way in which to

provide reassurance in terms of how those transactions are taking place. What can I do to prevent things going wrong in the first place? Understanding authorization limits, understanding due diligence around who I’m paying to and why that is being done. Then being able to respond if something is detected as a result of those controls. It’s that combination that really does enhance and provide the robust compliance environment within which you can provide some reassurance over the comfort of your transactions.

JACK FRIEDMAN: When you get a report back that says that 50,000 good things happened this last year; our quota was 47,000, so we’re really in good shape in terms of spending the money for what was intended. How do you know that it’s 47,000 and it’s really not 22,000; in that the brother of the president of the country hasn’t had a great shopping trip in Paris? How do you know that someone’s not just filling in the blanks somewhere, saying, “Oh, we have to hit our goal — here’s the number!” What does one do?

SAM MACDONALD: There’s a specific set of requirements — tied to the tax rules — that a charity has to meet, particularly when making grants overseas, to ensure that the money is applied properly. When I say they’re specific, they’re subject to HMRC discretion as to whether you’ve got it right or not, so not that specific. But proportionality and reasonableness are a big part of it. It depends entirely on the circumstances, whether it’s good enough just to put a contract in place and rely on being able to enforce that contract if a red flag is run up the pole, or whether, in fact, you need to get down on the ground and inspect and go and visit and that sort of thing.



So ultimately, it's HMRC, the tax authority, which will determine whether you've taken steps that are reasonable in the circumstances to ensure that the money is being properly applied, and if you have not, in their view, you could lose tax breaks on the money. So one needs to take a different approach, depending on the sort of situation.

JACK FRIEDMAN: There was a book written about 30 years ago under Brezhnev, by someone who had been in the Russian army. He gave the example of being told that the local dairy had to meet its quota of how much milk it had shipped. So his army base was told, "Take all your tankers for gasoline — we don't care if the milk is contaminated or not. Go over to the dairy and get in line with the other trucks." Each truck would go in and have the milk put in; they'd go to the Volga River and pour it out into the river, and they'd get back in line. All this so that the dairy can say, "We've shipped our quota of containers of milk."

Does anyone else have anything to add to this?

SIR STEPHEN BUBB: Yes. In a developing country environment, the person says,

"You are going to get problems," and it's inevitable. I think it's about the control framework that was talked about, and your confidence, and to whom you're donating. It's about due diligence and your point about government connections. Asking where are the connections of that organization; is that a red flag?

Ultimately, it's about if there is a problem, being very transparent about what you've done with the issue. Recently, Global Fund, which is a huge donor in HIV and malaria, stopped donations to Zambia because they had a lack of confidence about how those funds were being used, a lack of confidence in the control framework. That is a pretty tough decision, because that's impacting patients on the ground. Unfortunately, you have to do a bit of tough love, as it were, in this sort of scenario. Because otherwise, people don't get the signal that you're serious about where the funds are going.

DUNCAN LEARMOUTH: The one thing that's missing often in these debates is that there is an *overemphasis* on process and forms, and a *lack* of emphasis on leadership. Now, one of the things that Euclid has been doing in the Balkans, former communist countries, is to say to government

that there's no point in pouring a lot of money in the traditional way into some projects, unless you develop the leadership of civil society and NGO leaders. Good foundations and good governments get this, the importance of leadership, but it is *not* universally true. There's no point in looking at an organization and thinking all the processes are right, if you don't also look at the chief executive and the leadership team, and have confidence in them.

When we make loans in the social investment business, which effectively are non-bankable loans — obviously, you do due diligence — but the first question we ask is, "What's the quality of the chief executive and leadership?" It's exactly what venture capitalists do, actually. If they think, actually, that's not there, then they don't go any further.

So, putting development money into training is incredibly important.

CONNIE COLLINGSWORTH: We have learned from that as well, so almost all of our grant agreements have a clause stating that if there's a change in leadership, we can stop funding, because what we've learned that if you don't have the right leaders, you

also don't necessarily have the right commitment to carry through with the project. Knowing your grantees is as important as knowing their financial process.

JACK FRIEDMAN: What are some of the other ways in which you protect yourself as a grantor? You just mentioned one, which is a contract provision that says that change of leadership can trigger a review by you of whether you have to continue or not. What would be other examples of protections for the grantor?

CONNIE COLLINGSWORTH: You've got a lot of leverage, because you've got installments yet to pay, because it's a gift. Don't forget, these are gifts. But they look more and more like business deals all the time, in my perspective, but yet until each payment is made, you can withhold the payment if things are not going in the direction you think they should.

JACK FRIEDMAN: Does anybody actually go to court in the charitable field? I'm from Los Angeles, which means Hollywood. There's an unwritten policy there that no one ever goes to court with the talent — an actor, actress, director, etc. Virtually, the last major contract that was litigated in Hollywood in court was Olivia de Havilland fifty or sixty years ago. If one never goes to court is the financial leverage the only leverage you have, basically?

CONNIE COLLINGSWORTH: We have never been in any litigation over any of our grants. I think it would be quite rare that that would happen.

JACK FRIEDMAN: Do you tell people that you can't do business together anymore?

CONNIE COLLINGSWORTH: It would be viewed as a bad investment, basically. Again, it's in the context that these are gifts, and it was something to learn from and it was a bad investment, but it would be unlikely that you would want to spend more charitable dollars on the cost of litigation to recover something that was a gift in the first place.

“For every grant, we ask for a proposal to be written, which is almost like a project plan. It's quite detailed. It has milestones; it has benchmarks for impacts and deliverables so we can measure outcomes.” — *Connie Collingsworth*

JACK FRIEDMAN: Anyhow, they're not going to have any money to give you back.

CONNIE COLLINGSWORTH: No; they have no source of income other than gifts.

JACK FRIEDMAN: Except for you! Your own pocketbook!

SAM MACDONALD: There's a flip side to that though, as well as charities making grants using contracts, charities often receive money through contracts. The local government contract culture here combined with charities' inherent reluctance to go to court and litigate has meant that the imbalance between funder and the charity receiving funds has been really problematic, and Sir Stephen, I suspect, is going to back this up.

But there has been a tendency for local authorities to make the maximum use of their bargaining position, and contract on terms that leave the charities receiving money high and dry too often. So there is generally a cultural reluctance to litigate. It doesn't always work. It's not necessarily positive for charities in those circumstances.

JACK FRIEDMAN: Let's open it up to the audience. You don't have to only ask questions; you can also have a comment.

AUDIENCE MEMBER: Yes, I'd like to make a comment. I think where you're trying to draw a parallel between the first sector and business; it is a touchy business decision to litigate. The idea that everybody in the business world just runs around litigating, because you can, is not good business. It's possible you would litigate a VIP, if that is what you have to defend. It belongs

to you; and on an absolutely 100% basis, you would litigate on it.

But most businesses don't litigate lightly, and that will be true for this area, as well as any other business. Litigation is incredibly draining on management; it's incredibly expensive; and usually, you don't really get to where you want to be, which is to move on and leave it behind you.

JACK FRIEDMAN: I assume that the governments say, “Times are tough here; we can't fulfill our commitment. We're not going to do what we thought we could.” Or you have a donor conference and then a year later, everybody says, “Sorry, our parliament is not in the mood to fulfill this commitment and that's the end of it.”

CONNIE COLLINGSWORTH: I think that's possible. It depends, again, on the way the commitment is written. If it's subject to future budgets that have to be approved then that's just a contingency that's there. We haven't yet encountered issues where people have stepped away from the commitments that they've made.

JACK FRIEDMAN: In the States, people will say, “Okay, we'll wait a year,” and there's inevitably going to be a newspaper report that says that only half the donor commitments have been honored. That's at least a public perception in the United States that somehow these people in governments make promises but they don't fulfill them. Now, that may be the American perception but this is not just an American characteristic; everybody always feels like, “How come we're doing *our* share, and the next one isn't doing theirs?” They exaggerate and blame each other.

Yes, ma'am? Go ahead.



AUDIENCE MEMBER: I'm Andrea Coleman from Riders for Health, and we run and manage vehicles for health delivery in Africa. The reason we do that is because the assets are very expensive — four-wheel vehicles, motorcycles and so on — and we believe that taking care of those is really fundamental. Actually, it applies to your point about making sure that costs stay low, and that those assets are taken care of and health is delivered predictably and reliably.

But one of the challenges that we had, in terms of legal issues, is that working with government — we partner with ministries of health all the time in African countries — that they're very donor-dependent, but also not accustomed to service outsource, service provision, or, indeed, public-private partnerships. One of the things I'd be interested to know is if you feel, in the group that is here, if there is any influence that *you* are making in terms of getting governments in Africa to understand and partner better with organizations like ours, that are actually taking away the burden of an infrastructure management issue.

SIR STEPHEN BUBB: It's a good point you make. I think the receptivity of governments in Africa to partnership is quite variable. It really depends a lot on the political direction of the country and the organization. So, for example, in West Africa, there

is much more openness to partnership with the private sector, for example, in terms of health care delivery. In East Africa, there's more nervousness about it because of the political history in a country like Tanzania, which has had quite a socialist history. Therefore, there's more of a view of democracy around healthcare, and that they don't want rich people to get better healthcare; it should be healthcare for all.

So I think there's an immediate variability there. It's interesting in a country like Zimbabwe, there's a real difficulty with NGOs. Do you operate in Zimbabwe?

AUDIENCE MEMBER: We stayed there, but for a time, it was difficult, and we're the only NGO that I know of.

SIR STEPHEN BUBB: That's great. Because frankly, there are very few that are allowed to operate in Zimbabwe. I've never really gotten to the bottom of what their concern is, but I think it's about taking the delivery of something like healthcare, or education, even, outside the country, and therefore losing an element of control around it. From my perspective, it's about the sustainability, ultimately. Therefore, from a government's perspective, what's the end game? Are you going to be transporting medicines for the next 20 years? Or do you have an end game that's going to transfer what you do to a more sustainable system? Ultimately, that is the root of governments' concerns, which are actually fair. To me, it's about making sure you have that sustainability dialogue, which can actually get you into a better place with government.

AUDIENCE MEMBER: Ruth Steinholtz, former General Counsel and Business Ethics Advisor. Connie, you mentioned getting the culture of your own organization right in the U.K., about the U.K. Bribery Act, and you've had the Foreign Corrupt Practices Act in the U.S., years and years, and local bribery and corruption being such a pernicious element in this whole issue. I'm wondering, in terms of the third parties that you deal with, are you thinking about how

you're going to make sure that their culture is the right culture for dealing ethically in all of these things that you're doing?

CONNIE COLLINGSWORTH: Yes, we think about it. Part of what we do is we work with intermediaries that are on the ground in those countries, who know the culture itself, so we don't often give money directly to the governments, themselves. We give it to people that are in other charities that have long-term relationships with the governments or the people they're trying to work with. That reduces some level of risk — but it is, again, a question of just knowing who your grantee is. We spend probably anywhere from nine months to eighteen months before we make a grant. It can be frustrating for the grantees and a lot of time, but it really involves not just getting the paperwork right, but a lot of due diligence; understanding the capability, whether they've got the operational strength, whether they've got the accounting systems in place. We have in the U.S. something that's called "expenditure responsibility" when you make an international grant. We have to account to our Internal Revenue Service and we have to confirm that they used the dollars only for a charitable purpose.

There have been cases where we've had issues, but not as many as I would have expected. So far, the Global Fund has made quite a bit of news lately over the issues they have uncovered with a few grantees. The good news on that one is they found the issues through their own internal audit process, and so even though they've been criticized for having issues, I would, in turn, say, "Good for you." You went out there and had a process in place that discovered the issues, and you're being very proactive in dealing with it. We're working in places in the world where there are huge amounts of corruption and problems, and so it's naïve to think you can avoid it all or keep it from happening. You have to just understand it and do your best.

SIR STEPHEN BUBB: Tracey did actually give me an idea for this new role, and when you said you need to guard against group-

think, I thought that's one of the problems in the Health Service amongst professionals, that groups of doctors or clinicians are a very closed community, in terms of how they relate to patients, etc.

JACK FRIEDMAN: It's good to bring a breath of fresh air to any government activity.

SIR STEPHEN BUBB: Well, it's an exciting opportunity, isn't it?

JACK FRIEDMAN: Thank you. Does anyone else in the audience have a question?

AUDIENCE MEMBER: Thank you. I'm Paul Jackson. I'm Chief Executive at an organization called Engineering U.K. It was partly a comment sharing something that I found in a couple of years of being in the third sector in this kind of area. We work in education. It's not as easy to evaluate education programs as it is to measure how many children have been immunized, so one of the things that I've certainly observed with the other charities we work with is that sometimes the evaluation has been more about the volunteers actually bringing back a warm glow on the activity than *really* knowing what happened with the young people. Maybe the College Ready Program has the same challenges.

But the key things that have worked for us in our Big Bang Fair – I'm speaking of the Big Bang Science and Engineering Fair, which has 150 organizations involved – is getting to understand what everybody's trying to achieve. In a way, it's a bit like sorting out the contracts in advance, although it's not done in a contractual way, but it's making sure that there's a full understanding of what each company is supporting, what government will provide for the support, and what the third sector organizations involved in delivery want to get out of it, so we don't have the disappointments at the end of it, which would otherwise inevitably follow. So that's really, really important.



A lot of things that ACEVO does are actually completely irrelevant to us, because they are around the health sector, and they are around the more obvious doing-good than the things that we do with business, but the fundamental thing that is for us is the leadership, because *that* is what's been missing in much of the third sector activity in the past, and actually is improving dramatically now, because everybody who's come along here probably believes in that Hollywood figure! But there are lots and lots of folks that aren't here. So that is absolutely fundamental – understanding what people are trying to achieve, and the leadership. I'd love to talk about the College Ready Program at some point.

JACK FRIEDMAN: What is the relationship between the non-profit sector and businesses? Do large corporations say, for example, "We support the foundation. We think about making money, and they think about doing the humanitarian programs." I assume that donations for an earthquake or other disaster response may come straight out of the corporation, such as sending their products for free.

DUNCAN LEARMOUTH: Yes, we have a few in the U.K./European sector, there's less reliance on foundations; whereas the U.S. relies on them, the foundations are much more active for various historical reasons.

So for us most of what we contribute comes straight out of the P&L and it's a mixture of cash and product, products in kind, as it were. We have a budget of about £250 million a year to do that, and we really assess that budget every year in terms of whether we feel that should be increased or whether it should stay the same. We haven't reduced that. That's really how we look at it.

JACK FRIEDMAN: What about in the States, Connie?

CONNIE COLLINGSWORTH: There's been quite a trend in corporations having separate foundations, so Nike Foundation has its special initiatives on "girl power," and I could list many others – The Gap has their initiative with respect to the Red Products and makes gifts to the Global Fund.

Google had Google.org, and in the U.S., if you're a 501(c)(3), or a non-profit you have your URL for your e-mail address, it's a dot-org address, and so they adopted the name "Google.org." They started doing all kinds of things in the U.S. that can't legally be done as a charity. The management people kept coming to me and saying, "Google can do that; how can you say we can't?" The answer was it was just their name. It wasn't a charity at all; it was their way of doing a charitable activity under the banner of social marketing. I'm not criticizing

the good things that they did, but I think there's a recognition in part that there is a lot of goodwill and branding that comes along now from having charitable activities, like the TOMS Shoes. You buy a shoe, we give a shoe. My girls love it; they think they're doing great things by buying those shoes, and the question is, are you paying more for that shoe so they can give the shoe? I think there's been quite a change in the corporate culture, understanding how they're viewed with respect to their charitable involvement over the last ten years. Wonderful things are being done. We are happy to participate in these partnerships and the money that's there that wasn't there before for charity. But you have to look at it through a careful lens to understand what's exactly going on.

JACK FRIEDMAN: Does Microsoft have a foundation?

CONNIE COLLINGSWORTH: Yes, it does.

JACK FRIEDMAN: So the corporation itself can have its own foundation.

CONNIE COLLINGSWORTH: The Microsoft Foundation is the same thing. It comes from the P&L. They are allocating a certain amount of money that's put into a foundation that is the corporate foundation. What they do, for example, with our Global Libraries Program and our U.S. Global Libraries Initiative is they provide all the software, for free, for that initiative.

It's independent; it's separate; but they do that for our program and lots of school programs — all kinds of things where they give the software, at their expense.

JACK FRIEDMAN: What is the advantage of having a foundation from Microsoft doing it instead of just Microsoft's vision?

CONNIE COLLINGSWORTH: They're a separate organization. I don't have all the details for the different structures that benefit them, as to how they set it up, whether

they do it through a division, like you're describing, or whether they set up a whole separate entity for those activities.

JACK FRIEDMAN: Sam, any comment about how U.K. corporations do their charity in this country?

SAM MACDONALD: Both of those arrangements are fairly well-known here, too. Setting up a foundation alongside a corporate is a convenient, tax-efficient way of making charitable donations, but it's not the only way — you can do it directly and still get tax breaks. It's just not so convenient if the number and amounts of grants are large.



JACK FRIEDMAN: One of the things that the speakers were talking about before the program began was the time spent on governance. For example, you had mentioned risk management. What are some of the governance issues for the non-profit, or the non-profit in relation to its corporation, whatever the structure may be?

CONNIE COLLINGSWORTH: They're not that different from a regular corporation. They're the same issues. In the U.S., they have something called the 33 principles that were developed by a group called the "Independent Sector." We had some

issues in the U.S. with some charities that did some really crazy things, for example a private foundation where a gentleman in Texas paid for his daughter's wedding for \$1 million out of his private foundation. A few things like that get a lot of coverage, and people think, "Everybody's doing this and we need to regulate it," and so what the Independent Sector did is said, "No, you don't have to enact something like Sarbanes-Oxley on private foundations — we'll regulate ourselves! They came up with this list of their own set of principles that are called governance principles.

JACK FRIEDMAN: What is the group called?

CONNIE COLLINGSWORTH: It's called the Independent Sector. It's a consortium of non-profits, and it came up with principles of governance. As a result, General Counsel ask, "Do we meet all of these principles or not? For example, do we have our own set of whistleblower policies? Do we have a Records Management Act? Do we have ethics policies and codes of conduct?" If you compare, I think they are analogous to what a regular corporation looks at from a corporate governance perspective — audit committees, things like that.

JACK FRIEDMAN: We have a few more minutes to take comments from the audience.

AUDIENCE MEMBER: My name is Felicity Jones, and I'm head of Charitable Partnerships of the London School of Economics. I'm going to be talking about the reasons we've been in the press recently.

The point I wanted to make is that there's a slight elephant in the room, which nobody's mentioned — you've talked about learning organizations; you've talked about efficacy; you've talked about evaluation; but nobody's mentioned universities. Universities are a fundamental partner of foundations, of business, and of government. It is a shame Stephen's gone — I wanted to pick him up. He had mentioned the economic



evaluation of the impact of acting to keep people out of prison. The model for that comes from work which is funded by the Esmée Fairbairn Foundation, of Richard Lord Layard, who's been working on the concept of happiness and economic modeling of that impact, for about fifteen years. We're hinting at rather more creative and interesting collaborations that also include people like NGOs and universities, not just as grant recipients, but also partners. We're not as financially able to contribute, but what we have is intellectual capital, and we also share a long-term vision. We measure our impact not just in the five-year research assessment exercise, but in the long-term mission of our organizations, which in our case is for research that has a social impact on the world.

So it was really just a comment to say that universities are important and that we have complex and multifarious relationships with foundations and with the philanthropic sector. The Sutton Trust, for example, supports our Working Participations scheme, which is very much like your College Ready program. It also supports research to assess the impact of the participation schemes which we conduct.

CONNIE COLLINGSWORTH: It wasn't the assignment I was given, but I will tell you, we give more grants to universities than probably any other sector, with respect to the foundation.

JACK FRIEDMAN: *The Wall Street Journal* worked out an interesting program with universities and business schools around the United States. The universities would work with high school students who would receive a free subscription to *The Journal*. Once a month the student would go to the university on a Saturday and sit down with a professor to understand the concepts in *The Wall Street Journal*. It's a focused program that's striking.

AUDIENCE MEMBER: I'm Anne MacCaig, the Chief Exec of CaféDirect, and we work in partnership with small-scale tea and coffee guys in undeveloped countries. I'd really love to hear from Connie a little bit more about your agricultural activity.

CONNIE COLLINGSWORTH: It is the largest area of giving for our Global Development Program. It has been around about four years, so it's still evolving. It started quite broadly, saying, "Let's learn," and is in the process of doing a strategy

refresh right now, trying to narrow our focus. The primary focus is on small farm-holders, that are mostly women, who need support with respect to seed innovation and development, as well as use of fertilizers, and other things that give them an ability to leverage their time and the ways they conduct their farming efforts. It started with an entity we created called the "Alliance for Green Revolution in Africa." Kofi Annan is the Chair of the organization, and it has deep involvement with governments in Africa where we're working. It's our largest area of giving for global development.

JACK FRIEDMAN: One last question, and then we'd like to invite the audience to come up to speak with whoever you'd like.

AUDIENCE MEMBER: Thank you. I'm Jessica Learmond-Criqui. I'm a trustee of the Cherie Blair Foundation for Women. I'd just like to roll back a little bit on what one spends one's money on, and perhaps you can give us some insight into the thinking behind how Bill and Melinda came to choose a program which works globally, as opposed to honing in on, say, one country or one town and building that out. So, let's say, for example, the immunization program, where you may give a child a vaccine for polio, but he may die of starvation, or he may not be able to attend school. Is there any insight into how they think about doing a line straight across the globe, or honing in on one town and building out of the water, the sanitation, medication and that sort of thing.

CONNIE COLLINGSWORTH: The view of the Foundation is that we should engage where there aren't markets, and not replace functions that should be provided by government. So, for example, if you took the education issues we have in the U.S., which are significant for high school, and the Foundation paid the budget for the State of California alone in one year, you would use our entire endowment. The Foundation is here to serve as a catalyst; to create innovation and new tools; but we cannot be the people as Duncan was saying, that pay for

all the changes necessary and sustain them forever. Bill is obviously a big believer in technology. He learned very early on about vaccines, and the fact that you could save lives with sometimes just pennies on the dollar, and was so excited about the potential to have such a broad impact on children. He feels very strongly that children should have the opportunity for an equal life, like anyone else in the world. That's the motto of the Foundation that "Every life has equal value." Bill and Melinda and Warren are basically looking to give money in areas where others haven't. Some people say, "Okay, why don't you work on cancer? It's a huge, horrible disease." And he would tell you the statistics, which I don't have at the top of my head, about how much money is coming from all kinds of other sources on the issues of cancer. Or you would say, how about water? A huge problem, with all kinds of ramifications with respect to the impact on women farmers, when they have to carry the water on the top of their head for miles before they can take care of irrigation of their crops. But the answer on that one is yes, that's a problem, but that's not a problem the Foundation should be doing. The governments of these countries should really accept and take ownership of these issues. If we can create new forms of sanitation with technology that's unique, that the government then can adopt, it would be another thing. But it's not our job to create facilities for toilets throughout all these counties.

So I just think you have to understand that the core thinking is that the Foundation is trying to come up with innovative technologies that can then be leveraged, that serve as a catalyst for others to adopt, and have broad impact.

DUNCAN LEARMOUTH: Also it's fair to say that there's quite a lot of data to support the cost-effectiveness of immunization versus any other intervention, with the exception, possibly, of clean water. My sense of the Foundation and Bill's energy is quite technology-orientated, and the immunization push came at a time when there was a huge amount of innovation in immunization, and a huge amount of research and development going on, which came together. There was this opportunity to vaccinate babies against diseases that hitherto had not even been able to be vaccinated in the western world. Those two things also played into that.

CONNIE COLLINGSWORTH: Yes, one example is in the area of "thermostability." One of the biggest issues in the developing world is that vaccines must be kept at a constant temperature, for whatever the disease is. In the U.S., or here in the U.K., you take your child to the doctor and you have no questions when they give the child the vaccine. In the developing world, if that vaccine has not been kept at a constant temperature throughout the whole

stage of delivery across those roads and clinics based in remote areas, it will spoil and it won't be effective. We are interested in creating new ways to deliver vaccines. For example, can delivery be accomplished through nasal passages? Can we come up with new types of refrigeration to keep vaccines cool?

JACK FRIEDMAN: We are very privileged to have Connie with us today at the Roundtable. We want to thank her. This, as I say, is part of our work, and it's a world honor that we're giving her, but I always feel the guest honors us. The transcript will go out to global leadership, and obviously, beyond just being a lawyer, she's a committed human being who cares a lot about these subjects. Secondly, although we're honoring her explicitly, we are also honoring, implicitly, the Foundation, and the idea that although it's important for the private sector to create wealth, what do people who are fortunate and do have great wealth do with their money? The wonderful answer is that they decide they don't need to have billions of dollars in the bank just for themselves. The whole Foundation is a great inspiration.

Thank you all for coming, and you're welcome to speak to our Guest of Honor and the other speakers.



Sir Stephen Bubb



Stephen Bubb is Chief Executive of the Association of Chief Executives of Voluntary Organizations (ACEVO) – a dynamic and high-profile U.K. body – where his work on leadership, sector funding and public service reform has radically shifted attitudes and policies. In 2007 he became Secretary General of Euclid Network, the European body for Third Sector leaders. He is the Chair of the Social Investment Business, the largest social investor in the U.K. He is a member of The Commonwealth Foundation's Civil Society Committee. He received a knighthood in the New Year's Honours, 2011.

He has been in major national roles in the TGWU, NUT and the AMA (Association of Metropolitan Authorities) and was Founding Personnel Director of the

National Lottery Charities Board. He was a Councillor in Lambeth and an active member of the health authorities for Guys and St Thomas' over two decades. Much in demand as a speaker and media commentator both here and abroad promoting the country's Third Sector.

His Bubb's Blog (<http://bloggerbubb.blogspot.com/>) is the most widely read in the sector and is part of the national blog archive.

Born and brought up in Kent, he read PPE at Christ Church, Oxford. He lives in Lambeth and in Charlbury in the Cotswolds. He has been a Youth Court Magistrate, Open University Tutor, non-Executive Director in the private sector, Chair of an orchestra and Founder of a charity.

ACEVO

ACEVO is the Association of Chief Executives of Voluntary Organizations and we are the leading voice for chief executives in the third sector. With over 2,000 members nationwide, we support, develop, connect and represent third-sector leaders. We offer a variety of services to our members, including: access to a wide range of

professional publications, free help lines covering areas such as HR, fundraising and accountancy, discounted special services from management consultancy services to private medical insurance and discounted or free membership to the IoD, RSA and Commonwealth Club.



Sam Macdonald
Partner, Farrer & Co

FARRER&Co

Sam Macdonald is a partner in Farrer & Co's Charity and Community team.

Sam advises charities and other not-for-profit institutions on all aspects of U.K. charity law and related tax law. He also advises philanthropists on structures for giving and the establishment of charities, and overseas organizations on their engagement with the British and European charitable sectors. He represents the firm on the Charity Tax Group and the Charities' Property Association, and is a member of the Charity Law Association.

Sam also advises schools and other educational institutions on constitutional and governance matters, on corporate transactions and on related tax issues. He regularly deals with Government agencies on behalf of schools on a range of compliance issues, from public benefit to the establishment of academies.

Sam advises universities and other HEIs on constitutional and governance matters, with a particular reference to charity law and related taxation. He regularly advises on

educational joint ventures, trading activities and fundraising/development strategies. He deals with amendments to constitutions, in particular Royal Charters.

Sam has a particular interest in public benefit and its implications for educational institutions. He has recently represented the Independent Schools Council on its judicial review of the Charity Commission's public benefit guidance.

Sam is a graduate of Manchester University, and trained Farrer & Co from 1995–1997, becoming a partner at the firm in 2004.

Testimonials: "Sam Macdonald is an expert in the taxation of charities and has recently advised clients on public benefit requirements. Interviewees call him 'calm, collected and accommodating.'" (Chambers & Partners 2011)

"Sam Macdonald advises schools on charity law and constitutional matters. He is praised by market observers for being 'very prompt and extremely easy to deal with.'" (Chambers & Partners 2011)

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Duncan Learmouth

Senior Vice President,
Developing Countries &
Market Access
GlaxoSmithKline

Duncan leads GSK's newly created Developing Countries and Market Access operating unit, which was formed in August 2010. The group has a dedicated focus on delivering the strategic approaches needed to expand access to medicines for patients in Least Developed Countries.

Duncan is also a Board member of ViiV Healthcare, a global specialist HIV company

established by GSK and Pfizer to deliver advances in treatment and care for people living with HIV.

Duncan was previously Senior Vice President, Global Communications for GSK from 2006, and prior to this was Vice President, Global Investor Relations and Competitive Excellence. Duncan joined GSK in 1991.



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Tracey Groves (ACA)
*Director, Forensics Services,
PwC LLP*



Tracey joined Price Waterhouse as a trainee chartered accountant in 1991 and has many years of consulting experience, helping clients successfully implement strategic change in areas of fraud, corruption and business ethics, regulatory compliance and behavioral risk. She is a specialist in behavioral change and improving organizational effectiveness in behavioral risk management across the area of economic crime. Her clients are made up of a portfolio from both the public and private sectors, including working with global clients in financial services aerospace and defense, media and entertainment, automotive, manufacturing and soft drinks industries, amongst others.

Tracey is part of the PwC Governance, Risk and Compliance Leadership Team, leading the design, development and implementation of global Fraud, Corruption and Business Ethics remediation compliance frameworks for clients, and sits on the PwC Ideas Engine on Trust for the U.K. Firm. Tracey recently led a PwC Survey on “Tone from the Top” and published an external Report which challenges whether leaders are just paying lip service to ethics.

Amongst her many client projects, Tracey has led many business conduct framework and remediation programs for a global clients addressing bribery, corruption and behavioral risk management issues on FCPA matters and in preparation for the U.K. Bribery Act. She has deep experience in the behavioral and cultural challenges arising from implementation of global ethics and compliance remediation programs and knowledge of the underpinning tools and levers to drive tangible change.

Tracey’s experience and background demonstrates a unique blend of financial and strategic business change consulting skills and deep knowledge of anti-bribery and corruption processes and tools; strategic planning; training and communications; organizational development; leadership development; coaching and change management skills.

Tracey is a qualified chartered accountant (Institute of Chartered Accountants in England and Wales, 1994) and she completed the Organization Development Certificate at the NTL (National Training Laboratories) Institute for Applied Behavioral Science in 2008.

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