

2B.II Reporting on countering corruption

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Reporting on countering corruption

United Nations Global Compact participants are expected to communicate with their stakeholders every year about progress in implementing the 10 United Nations Global Compact principles. This assumes that the company has implemented its policy and put in place actions and activities to make progress. Investment in reporting has to be balanced against many other demands, but for countering corruption, reporting and transparency of disclosure provide a safeguard against risk and a means of establishing credibility in an area of growing concern to stakeholders.

Motivation for sustainability reporting

Companies and other organizations are being confronted with an increasing demand for reporting on non-financial matters from a wide range of stakeholders and users, ranging from regulators to civil society. The demands from stakeholders for reporting come from an underlying desire to be assured about the ways companies behave on matters that can affect their interests, whether these are broader issues such as the environment, risks that could affect the share value of a company or specific information such as the sustainability or health and safety aspects of products and services.

The users of reporting include:

- Reporting company itself;
- Business sector and peers;
- Compliance codes;
- Regulators and legislators;
- Investors and fund managers;
- Supply chain: customers and clients;
- Lenders;
- Multilateral development banks, international development agencies, export credit agencies;
- Media;
- Employees;
- Civil society and other stakeholders.

Growth in sustainability reporting

There has been a substantial growth in sustainability reporting over recent years, but the growth has taken place mostly in Europe, US, Japan, Australia and South Africa.

However, not all stakeholders want to know about sustainability issues. A 2005 report by United Nations Environmental Programme¹ found that young analysts appeared unconvinced of the materiality of most environmental, social and governance issues to business; unable to consider them because of inadequate information, training or tools; and unwilling to depart from business as usual.

*Secretariat, Business Principles for Countering Bribery, Transparency International USA (www.transparency.org).

“Only one in five reports included policies for bribery or corruption.”

The desire for quality information is not easily satisfied. Corporate scandals have shaken the confidence of stakeholders, who are also being overwhelmed by an explosion of information and reporting. Companies are making available ever greater amounts of information, but the reports may omit or overlook key sustainability issues, either from lack of awareness, hesitation to discuss sensitive topics or fear of legal liability.

Stakeholders want information that:

- Is relevant to their needs;
- Is reliable;
- Is understandable;
- Can be acted on with confidence;
- They can respond to.

Corruption not yet prominent in the reporting agenda

Corruption, which underlies many of the major sustainability issues, has not been prominent on the Corporate Social Responsibility (CSR) agenda. The KPMG 2005 survey² reported that the majority of the reports (61 per cent) included a section on corporate governance, but only one in five reports (18 per cent) included policies for bribery or corruption, and few elaborated on how such commitments are put into practice. However, increasing mention in media articles and corporate reports of corruption issues signals that countering corruption is now on the CSR agenda. The arrival of the United Nations Convention against Corruption and the introduction of the United Nations Global Compact (UNGC) 10th Principle give further leverage to this trend.

Towards standardised reporting

A United Nations survey in 2005 concluded that there is “a need for better quality and more comparable information on the environmental, social and governance impacts of companies if investors are to assess the significance of these issues to their investments.”³

Solutions are being sought through reporting frameworks such as the *Global Reporting Initiative* (GRI), surveys, analyses and indices by independent voices such as academia, NGOs or think tanks. The reporting organizations themselves are seeking greater credibility through the use of verification or assurance for their reports.

For NGOs such as Transparency International (TI), there is both an opportunity and a responsibility. The opportunity is to provide analysis and comment on the information that is available. The responsibility is to analyse and make use of the information provided at great cost by companies. NGOs and other stakeholders can also take responsibility for providing guidance to companies on the information that they believe should be supplied and developing generic reporting indicators. The GRI is the leader in this work. However, the indicators for corruption are still to be developed fully—a task that falls to TI and other stakeholders.

Is reporting necessary?

Organizations must consider critically whether the effort involved in reporting is justified by the overall aim or goal. The responsibility lies heavily upon requesting organizations not to generate unnecessary requests, as companies and organizations are now inundated with requests from Government, researchers and NGOs. The requesters should also make sure that the goal of their request is clear and that they will act upon information obtained.

The United Nations Global Compact’s goal is for participants to make progress against the ten principles and to demonstrate this progress to stakeholders who will in turn either approve the progress or push for more. The annual Communication of Progress is used to show that policies and targets are in place, outcomes are measured and that progress is being made.

For the GRI, the goal is to encourage sustainable development by “assisting reporting organizations and their stakeholders in articulating and understanding contributions of the reporting organizations to sustainable development.”⁴

The FTSE4Good Index Series identifies companies that meet globally recognized corporate responsibility standards in environmental sustainability, relationships with stakeholders, and universal human rights. It sets criteria indicators within a best practice framework of policy, management systems and reporting or disclosure.

The United Kingdom's *Business in the Community* (BitC), a business membership organization, has as its overall aim “to create a public benefit by working with companies to improve the positive impact of business in society.” BitC's Corporate Responsibility Index is the leading United Kingdom benchmark of responsible business practice. Each year, some 150 companies from the FTSE 100 and FTSE250, the Dow Jones Sustainability Index Sector leaders and larger Business in the Community Members are invited to participate.

Why do companies report?

The reporting company may have several aims:

Compliance with a voluntary code: The organization has made a commitment to a voluntary code such as the United Nations Global Compact.

Membership association requirement: This is a variation of compliance with a voluntary code, but the commitment here is to the business sector or grouping rather than to society. An example is the International Federation of Inspection Agencies,⁵ which requires members to demonstrate that certain key elements are included in their company's regulatory compliance programme. Members have to report annually on their compliance against the association's Compliance Code covering technical and business professional conduct and ethics in relation to integrity, conflicts of interest, confidentiality, anti-bribery and fair marketing.

Compliance with regulation: Mandatory non-financial reporting is growing and includes laws and regulations set by Government, stock exchange and other regulators.

Demonstrating quality of management: Fund managers may use reporting of performance on anti-corruption as one of the factors for assessing a company's quality of management.

Assessing quality of risk management: Fund managers and investors need information about the key risks for a business—which may require reporting under Government or stock exchange regulations.

Building reputation and credibility: This is of key importance to organizations, especially in the light of major business scandals and the stakeholders loss of trust in the business sector.

Pre-qualification requirement: Companies with anti-corruption programmes may require their suppliers to have established comparable systems. Multilateral development banks and export credit agencies can be expected to place increasing pre-qualification requirements related to anti-corruption practices before making loans. In September 2004, the World Bank announced the adoption of an integrity clause for all companies bidding on large Bank-financed projects. The clause requires companies to certify that they “have taken steps to ensure that no person acting for [them] or on [their] behalf will engage in bribery.”

Continuous improvement: For some organizations, there will be a high risk of bribery because of the sectors or markets in which they operate and they will wish to monitor and improve their anti-corruption processes and performance. An important part of the improvement process will be reporting on key indicators, including internal benchmarking, whether year-on-year or, in larger organizations, between divisions and business units.

Peer or sector action: Business sectors or groups of companies, such as CSR leaders, may create pressure on other companies by setting standards for performance and reporting.

Meeting stakeholder expectations and needs: The sustainability reporting movement not only responds to stakeholder pressure for more information but feeds an expectation for quality and accessibility of information.

Why companies report:

- Complying with a code;
- Meeting membership association requirements;
- Complying with a regulation;
- Demonstrating quality of management;
- Demonstrating quality of risk management;
- Building reputation and credibility;
- Meeting a pre-qualification requirement;
- Making continuous improvement;
- Matching peer or sector action;
- Meeting stakeholder expectations and needs.

Codes and frameworks on countering corruption

The international codes relating to countering corruption have been focused to date on bribery and money laundering. They are not compliance codes, and only the United Nations Global Compact requires reporting on progress. The Global Sullivan Principles and the Partnering against Corruption Initiative (see below) encourage signatory companies to submit case studies. In addition to the United Nations Global Compact, the principal international codes that focus on countering corruption are:

The Business Principles for Countering Bribery:

Published in 2002, these are an initiative of Transparency International and Social Accountability International. They were developed by a multistakeholder Steering Committee drawn from business, NGOs, trade unions and academics and are supported by a range of tools.⁶

The Global Sullivan Principles (GSP) for Corporate Social Responsibility:

These Principles were launched in 1977 by the Reverend Leon Sullivan and were re-launched in 1999. A company wishing to be associated with the Principles is expected to provide information that publicly demonstrates its commitment to them. To date, some 187 companies have signed up to become Charter GSP Endorsers. The Principles cover bribery and require signatories “to promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.”⁷

The International Chamber of Commerce (ICC) Rules of Conduct to Combat Extortion and Bribery:

These Rules were initially adopted by the ICC in 1996. A tougher version issued in October 2005 includes a stronger rejection of facilitation payments and a requirement that companies establish confidential channels for staff members to seek advice and report violations without fear of retaliation.⁸

The Partnering Against Corruption Initiative (PACI) Principles for Countering Bribery:

Derived from the Business Principles for Countering Bribery, the PACI Principles were launched in 2004. Signatory companies make a commitment to either implement anti-bribery and anti-corruption practices based on the PACI Principles or use them to benchmark and improve their existing programmes.⁹

The Wolfsberg Principles:

The Wolfsberg Group is an association of twelve global banks that aims to develop financial services industry standards, and related products, for Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies. The Wolfsberg Anti-Money Laundering Principles for Private Banking were published in October 2000 and revised in May 2002. The Group published a Statement on the Financing of Terrorism in January 2002 and released the Wolfsberg Anti-Money Laundering Principles for Correspondent Banking in November 2002. The Group’s most recent statement, on Monitoring, Screening and Searching, was published in September 2003.¹⁰

Reporting frameworks and initiatives

Access to information and transparency are principal tools in the fight against corruption.

Various reporting instruments and initiatives collect data and report on integrity and corporate governance, where countering corruption forms only part of a wider review. These instruments include The AccountAbility Rating¹¹ and Governance Metrics International.¹² Other bodies that collect data and publish reports are sustainability consultants, SRI fund managers, research agencies and the professional firms.

There are no global indices yet that report on companies' anti-corruption practices. Since 1995, TI has published the Corruption Perceptions Index, an annual survey of perception of corruption in countries, and in 2002 it published the Bribe Payers Index (BPI), which looked at perceptions of business sectors most likely to pay bribes. Publication of a new BPI with an improved methodology is planned.

In its work with the private sector, TI encourages transparency and quality of reporting of anti-corruption processes and performance. Core to this work is the developing and encouraging use of standard indicators for reporting anti-corruption policies and practices of organizations. TI is developing tools and indices and consulting with stakeholders on defining the indicators to be used. In addition, TI is taking part in reporting initiatives and advising on which particular indicators should be used.

TI's reporting tools for the private sector

TI has in development a range of reporting tools for companies. These include:

Corporate Control of Corruption Index: TI is piloting an index using existing global data, all publicly available, on company provision of anti-corruption policies and management systems, in order to rank business sectors and company home countries.

Corporate Anti-Bribery Scoring Model: The TI scoring model will provide companies with a scoring model for self-assessment and internal benchmarking. TI used the model when judging entries to the 2005 United Kingdom Association of Chartered Certified Accountants (ACCA) Awards for Sustainability Reporting, whose theme this year was transparency of reporting on anti-corruption.

International reporting initiatives

A growing number of initiatives are developing indicators for reporting on anti-corruption.

United Nations Global Compact (UNGC): The UNGC requires its participating companies to submit an annual Communication on Performance and has provided a reporting guide¹³ that includes, for each principle, indicators of the type of information that can be provided under the headings of commitment, systems, actions and performance.

Dow Jones Sustainability Indexes: These include anti-corruption reporting requirements based on the Business Principles for Countering Bribery.

FTSE4Good Index Series: Criteria for Countering Bribery were added in 2006. TI assisted in the development of the criteria.

Global Reporting Initiative: The GRI is preparing a new version (G3) of its Reporting Guidelines and a draft was published for consultation in early 2006. TI participated in the development of indicators and the draft contains extended indicators for countering corruption. The final version of the Guidelines is due to be published in fall 2006.

Business in the Community Corporate Responsibility Index: This Index, which includes such indicators for integrity as countering corruption, is now used in four countries.

FTSE4Good Criteria for Countering Bribery

The FTSE4Good Index Series identifies companies that meet globally recognized Corporate Responsibility standards in environmental sustainability, relationships with stakeholders, and universal human rights. Countering Bribery is the last outstanding criteria development commitment identified at the launch of the FTSE4Good Index Series.

The FTSE4Good Criteria for Countering Bribery are intended to set a standard for companies that is challenging but achievable. The objectives of the Criteria are to encourage high-impact companies who have not yet achieved best practice standards in the management of bribery and corruption to take action and put into place quality management systems to address these issues. Once applied, the new Criteria for Countering Bribery will ensure that all FTSE4Good constituent companies that are assessed as having a higher potential risk of exposure to bribery and corrupt practices are managing these risks appropriately.

The FTSE4Good Criteria for Countering Bribery take as a starting point the Transparency International Business Principles for Countering Bribery, which are designed to complement the United Nations and OECD conventions. FTSE4Good criteria indicators are generally set within a best practice generic framework of Policy, Management Systems and Reporting or Disclosure, and the higher the risk or impact of a company, the more it has to do to address those issues.

High risk: The FTSE criteria framework usually requires that the most demanding criteria apply to the highest risk companies, so the Criteria for Countering Bribery would initially apply only to companies that are at the highest risk of exposure to bribery and corruption. The generic criteria framework uses various

means of identifying high-risk companies, depending on the nature of their work and the countries in which they operate.

Policy: FTSE recognizes that a policy is a statement of intent and that full implementation can take some time, particularly as many of the issues are sensitive and at present there is not unanimity in their definition and status regarding bribery (for example, facilitation payments). The key recommendations in the Transparency International Business Principles for Countering Bribery will be a policy requirement, as these strike the balance between being challenging and being achievable, as well as representing good practice in this area.

Management systems: An effective policy is one that is implemented via a management system. FTSE recognizes that the Transparency International Business Principles for Countering Bribery have identified elements of a management system to address bribery, without which the risks of potential bribery issues are not controlled or managed.

Reporting: While it is generally accepted as good practice for higher-risk companies to have some form of policy and system to counter bribery and corruption, very few report as yet in detail on performance indicators such as non-compliance and actions taken, as these are relatively new developments in company reporting. However, transparency is an underlying value behind the effective management and implementation of measures to counter bribery; therefore, disclosure is key.

When the FTSE4Good Criteria for Countering Bribery are announced, the usual procedure is that companies within the FTSE4Good Index will be notified and FTSE's company engagement programme will be extended to make provision for an appropriate implementation period.

Companies' reporting on countering corruption

Reporting on countering corruption by companies does not have the lengthy reporting history that environmental issues have. This has been due not only to a lack of perception for the need for such reporting but because reporting on countering corruption presents practical difficulties. Corruption by its very nature is secret, hidden and viewed as sensitive by companies. Its scope is wide, including such areas as bribery, conflict of interest and money laundering, and from the perspective of the general public, the topic is complex and does not carry the same emotive weight as human rights.

Examples of reporting companies

However, some companies are now identifying corruption as a key topic on which to act and report. Some instances of reporting are:

BP* provided information in its 2004 Sustainability Report on ethical issues and reported on the number of employees dismissed for unethical behaviour. BP reported that it was now asking for information on contracts they had not renewed.

Co-operative Insurance Society (CIS) introduced an Ethical Engagement Policy in 2005 following a stakeholder engagement survey of its policy holders who gave it "an overwhelming mandate to engage with companies on a broad and challenging ethical agenda that they would expect businesses to address." The new policy, which had the backing of 98 per cent of customers who responded to a detailed questionnaire, will guide CIS on such issues as human rights, the arms trade, environmental impact, labour standards and animal welfare. For corporate governance, CIS will challenge companies to have strong safeguards against fraud, bribery and corruption.

*United Nations Global Compact participant

GE: GE's 2005 Citizenship Report has a nine-page section on compliance. This covers topics such as communication with employees, GE leaders' responsibilities, review processes, ombudsperson process, data on integrity concerns reported, legal processes and systems including data on disciplinary actions, prevention, investigations and remedial actions.

Lafarge*: The Lafarge Sustainability Report 2004 reports on its corruption risk and prevention policies, including specific risk areas such as facilitation payments. A group-wide action plan will be established including specific training programmes and the creation of complementary guidelines.

Shell*: The Shell Report 2004 lists key indicators for countering corruption. Results of an employee survey that found that 82 per cent of staff (up from 78 per cent in 2002) believe their part of the organization does not tolerate bribery or other breaches of Shell's Business Principles, Shell also reported the numbers of incidents detected and related dismissals made.

Titan Cement *: The 2004 Social Report of Titan Cement included a report on implementation of its policy for countering bribery with a risk analysis and a description of the first phase of what will become a consistent system for monitoring its performance.

Performance and process indicators for reporting corruption

In considering reporting on countering corruption, companies need to consider:

- The scope or definition of corruption: The box (next page) lists some of the forms of corruption.
- The boundaries for reporting: Should the company confine its reporting to activities over which it has effective control or should it

refer to supply chain and business partners? What responsibility should it take for stewardship? For example, for a bank this might include assessing whether borrowing companies have adequate anti-corruption processes. For an extractive industry company, this could include revenue payments made to Governments.

- Should key indicators be used? This is described in the next section.
- The extent to which comparability of data is sought for benchmarking: Should it be numeric, narrative or a combination of these?
- To what extent should the indicators relate to any external norms, instruments, codes or reporting frameworks?
- What are the expectations or liabilities that might come from such reporting?
- Should improvement plan and targets be identified and published?

Defining corruption

*The abuse of entrusted power
for private gain*

—**Transparency International**

Corruption includes:

- Bribery
- Conflict of interest
- Collusion, nepotism, cronyism
- Extortion
- Fraud and defalcation
- Illegal information brokering
- Money laundering

Indicators for reporting countering corruption

TI suggests that companies should consider reporting under eight headings:

Policies: Does the company have in place an anti-corruption policy that prohibits corruption and is published publicly?

Risk assessment: Has the company carried out an assessment of its risk profile related to corruption? There are two levels for risk assessment. First, the company will assess the risk of corruption relative to other risks. Then, if countering corruption is judged important, the company will carry out a risk assessment to identify the aspects of its activities, jobs and processes and business relationships that should receive most attention.

Organization: Has an organizational structure to implement the policy been developed? For a large company, this would include board ownership, leadership, and the role of the audit committee.

Planning and implementation: Does the company report that management systems are in place and operating? Does it give details of these?

Performance: Does the company set plans and targets? What indicators does it use? These could be such as reporting communication, training, numbers of violations, dismissals and employee surveys, use of hotlines or number of whistle-blowing instances.

Monitoring and improvement: Are the systems working? What are the review processes? Has the board reviewed progress?

Responsiveness: Are stakeholders consulted? Does the company report publicly and, if so, clearly and accessibly on matters material to stakeholders?

Verification: What credibility can be attached to what the company reports? Does the company use an external independent verifier? What are the quality and depth of the verifier's report?

Issues for reporting

Internal: A company's decision to report will be a function of any external commitment such as being a participant of the UNGC or a business association, the cost and workload or concern about any legal liability balanced with the business benefits such as reputation enhancement, risk management or continuous improvement. For smaller companies, the issue of resources is critical, and those seeking reporting information must convince the companies of the value of reporting, provide reporting formats that are seen to be relevant and concentrate on a few key indicators.

Common standards: To provide credibility, reporting has to provide data that is capable of analysis to furnish useful results both for stakeholders and the reporters themselves. This can happen only if common standards or indicators are created.

- The GRI Guidelines are the leading reporting framework. In the Top 50 companies in the 2004 survey, *Risk and Opportunity Best Practice in Non-Financial Reporting*,¹⁴ 47 (94 per cent) of the reports were openly using the GRI, of which 12 (24 per cent) are reporting "In Accordance" with the GRI (Figure 12 and page 38). Among the "Other 50", 7 (14 per cent) report "In Accordance" with GRI while overall, 45 (90 per cent) referred to the GRI in some form.
- NGOs and research bodies such as the Ethical Investment Research Service (EIRIS) are also carrying out independent research and producing their own data points. For example, in 2005, the Save the Children Fund published

a report measuring revenue transparency in the oil and gas industries¹⁵ and this included a range of reporting indicators specific to revenue transparency. Global Witness, in the same year, published a paper calling for an International Financial Reporting Standard for the Extractive Industries.¹⁶

For countering corruption, TI is following this approach and is working closely with producers of key indices and reporting research to encourage the use of common indicators developed through consultation. TI will be aligning its own private sector tools to the generic indicators.

Numeric and/or narrative: In collecting information, organizations requesting information have to consider the balance between numeric and narrative indicators. Numeric data is capable of analysis and allows comparability which is important for building credibility and tracking progress. But numeric indicators can be blunt instruments and may not allow for or capture the variations between different reporting companies or particular issues. The importance of narrative reporting should not be overlooked, as it allows reporting companies to explain the depth, importance and specific circumstances of their activities. For corruption reporting, this is especially so as the use of numeric indicators is limited for topics such as opinions, hours of training, violations or dismissals. Countering corruption is dependent on an anti-corruption approach being embedded in an organization, and narrative input can be important to illustrate an organization's commitment and to provide examples of best practice or dilemmas.

Completeness in reporting: This is important to build credibility of reports. If reporting organizations are allowed to select or "cherry-pick" their reporting, substantive issues or concerns may be omitted. The 2004 ACCA survey on sustainability reporting commented that many reports fail to address the biggest issues, such as sector-specific impacts and global issues.¹⁷

Legal liability: For some companies, especially US companies, concern about legal liability may restrict their ability to report information.

SMEs: Smaller companies have specific challenges in countering corruption. They may not be as aware of some of the issues and legislation as a large company with access to specialists such as ethics and compliance officers. They do not have the negotiating power or influence of a large company when confronted by extortion, and their resources are limited. However, small companies are not immune to risks from bribery and corruption and cannot therefore ignore the issue. Further, clients and customers may demand that the company have in place adequate anti-corruption policies and processes. There are things that smaller companies can do. They can carry out a simple risk assessment, put in place policies for handling areas such as gifts and hospitality, work cooperatively through trade associations or with other companies to resist bribery and other forms of corruption, and they can report what they do.

But does the reporting have credibility?

Businesses must be convinced that reporting is valuable and that good use is made of the information produced whether this enhances the reputation of the business, is applied to internal improvement or contributes to the understanding and handling of key sustainability issues.

Credibility in the eyes of users is critical: They want data and information that is reliable, whether they are using it to address an issue or to understand a company's or a business sector's position on a particular topic.

Independent verification or assurance of reporting is the principal way in which reporters can build credibility. "Formal verification has also gained first place among the factors contributing to credibility."¹⁸ The accounting profession, certification agencies and specialist consultancies are providing verification services, and two reporting standards, AA1000 AS and ISAE 3000, provide a methodology that the leading verification reporters are using.

There are also some national standards.

The AA1000 Assurance Standard (AA1000AS) was issued in March 2003 by AccountAbility to provide an assurance standard that covers the full range of an organization's disclosure and performance based on the principles of materiality, completeness and responsiveness.

In January 2005, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) published The Framework and Standard (ISAE3000) for Assurance Engagements. All professional accounting networks now have to comply with this.

The TI Self-Evaluation Module (SEM) is being developed to provide companies with a self-evaluation tool based on the Business Principles for Countering Bribery. It includes approximately 200 indicators. The model has been tested in focus groups and will be field-tested by early 2006.

The Self-Evaluation Module will form the core of the TI Independent External Verification Tool, which will be field-tested along with the SEM by early 2006. KPMG's 2005 international survey of sustainability reporting showed that for the GFT250 (Global Fortune) companies, the number of reports with a formal assurance statement had increased slightly to 30 per cent (48 reports) from 29 per cent in 2002, compared with 19 per cent in 1999. Earlier research in 2002 by UNEP and Sustainability showed that of the top 50 companies globally, only 4 per cent in 1994 had reports assured, rising to 28 per cent in 1997, 50 per cent in 2000 and 68 per cent in 2002.¹⁹

Issues such as human rights and countering corruption do not readily generate reporting information and data in the way that environment or health and safety issues do. The KPMG 2005 international survey of sustainability reporting showed that "many statements from the CR reports were restricted to an opinion on the health and safety and environmental information systems and data, perhaps indicating that assurance is still largely focusing on what 'can' be assured, based on existing data registration systems, rather than what 'should' be assured, taking account of the identified user groups."

“Reporting must focus on having adequate systems in place and key indicators that will measure the effectiveness of the management systems in countering corruption.”

The challenge for countering corruption is to build standard indicators that will be useful to companies in preparing information that is relevant and material for reporting and for improving performance.

Conclusion

Signatories to the United Nations Global Compact have made a commitment to the 10th Principle against corruption, to work against corruption in all its forms, including extortion and bribery. This means not only having policies of not tolerating corruption but also implementing policies and processes to support the commitment. Companies have a responsibility to report progress on their implementation of the Principle, but corruption by its very nature is hidden. Reporting must therefore focus on having adequate systems in place and key indicators that will measure the effectiveness of the management systems in countering corruption.

There is evidence that while many companies may have anti-corruption policies in place, too few have adequately implemented them. Countering corruption is important to companies because it minimizes risk, contributes to continuous improvement, and enhances their reputation as responsible members of society.

Corruption is a risk to all companies, no matter what their size. Whether large or small, companies can report according to their particular resources and business circumstances. Risk assessment will be a key factor in deciding on the appropriate level of resources and attention.

There are few tools yet for reporting on countering corruption, but others are being developed. Common standards are necessary to achieve comparability between reporting companies to meet the needs of users of reporting. There is evidence that leading companies are developing reporting practices and indicators. The GRI is progressing on developing indicators with increased focus on numeric indicators. The importance of narrative reporting should not be overlooked as this allows reporting com-

panies to explain the depth, importance and specific circumstances of their activities. For countering corruption, common performance indicators are being developed by companies and NGOs for use by key Socially Responsible Investment (SRI) indices and CSR initiatives.

Independent verification or assurance is central to building the credibility of reporting. A number of standard sustainability global assurance standards for verification exist, and TI is developing an independent verification tool for countering bribery. While few companies at present report substantially on countering corruption, this is expected to change. United Nations Global Compact participants are encouraged to lead in reporting, to demonstrate their progress and to share their experience.

Endnotes

- 1 *Perspectives: Generation lost: young financial analysts and environmental, social and governance issues*; World Business Council for Sustainable Development, Young Managers Team and UNEP Finance Initiative
- 2 *KPMG International Survey of Corporate Responsibility Reporting*, 2005
- 3 The United Nations Principles for Responsible Investment, 2005
- 4 Global Reporting Initiative, 2002 Sustainability Reporting Guidelines, p. 9.
- 5 <http://www.ifa-federation.org/>
- 6 http://www.transparency.org/building_coalitions/private_sector/business_principles.html
- 7 http://www.iccwbo.org/uploadedFiles/ICC/policy/anticorruption/Statements/ICC_Rules_of_Conduct_and_Recommendations%20_2005%20Revision.pdf
- 8 http://www.iccwbo.org/uploadedFiles/ICC/policy/anticorruption/Statements/ICC_Rules_of_Conduct_and_Recommendations%20_2005%20Revision.pdf
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- 12 <http://www.gmiratings.com/>
- 13 *A Practical Guide to Communication on Progress: Advice for United Nations Global Compact Participating Companies Preparing their Communication on Progress*
- 14 *Risk & Opportunity Best Practice in Non-Financial Reporting*, Standard & Poors, Sustainability and UNEP, 2004
- 15 *Beyond the Rhetoric – measuring revenue transparency in the oil and gas industries*; Save the Children Fund 2005
- 16 *Extracting Transparency: The need for an International Financial Reporting Standard for the Extractive Industries*; Global Witness, 2005
- 17 *Towards transparency: progress on global sustainability reporting 2004*, p 15; ACCA and CorporateRegister.com
- 18 *Accounting for Good: the Global Stakeholder Report 2005*, p22; Pleon, 2005
- 19 Sustainability, 2002