

5th Meeting of the UN Global Compact Working Group on the 10th Principle

5th and 6th November 2009

Review: On 4 and 5 November 2009, the fifth meeting of the Global Compact Working Group on the 10th Principle took place in Doha, Qatar prior to the Meetings of the Conference Parties of United Nations Convention against Corruption. The meeting, convened by the Global Compact Office, brought together business participants with representatives of civil society, labour, business associations, Global Compact Local Networks and international organizations. Participants reviewed progress of various sub-working groups such as the Reporting Guidance, Supply Chain Guide, CEO Statement, and E-Learning Tool. Participants discussed implementation challenges and the future course of the anti-corruption workstream. Participants explored how to effectively profile anti-corruption efforts at the upcoming UN Global Compact Leaders Summit (24-25 June 2010, New York) to re-energize the private sector's commitment to the 10th principle.

Collective Action: In 2008, the World Bank Institute, the UN Global Compact, Transparency, Grant Thornton, CIPE, and Siemens launched the collective action web-portal and engaged in a series of outreach activities which raise awareness on collective action. Collective action is an important and effective tool to fight corruption. Collective action brings individual companies together to collectively address various challenges related to corruption. By leveling the playing field, collective action aims to prevent ethical companies from being materially disadvantaged by corruption corporate actors.

There are three ways of engaging in collective action: integrity pact; compliance pact; and long-term initiative. Integrity Pact requires bidding companies to agree upon ethical standards and transparency and incorporates an independent monitoring mechanism. Integrity Pact is usually initiated by governments in an effort to enhance transparency in public contracting. In case of any misconduct, bidding companies will be sanctioned and disqualified to participate in the contract. Given the importance of the political will, it is challenging for a private company to advocate this because this may potentially give an impression that a company interferes with domestic political matters. Compliance Pact is an industry-led initiative in which competitors set up a set of standards and jointly declare their compliance with them. This works usually well in oligopoly-based markets. One of the challenges is to build trust among competitors over time. A Long-Term Initiative requires a strategic vision and needs to engage a wide range of stakeholders. In May 2009, the Global Compact, together with the World Bank Institute and local stakeholders, organized a public forum which discusses the importance of collective action and corruption in Nigeria. Similar efforts were made in countries such as Malaysia and Serbia (convened by Siemens).

REPORTING: Over fourteen months, the taskforce on anti-corruption has led the development of the Reporting Guidance on the 10th Principle against Corruption which was soft launched on 9 December 2009 on the occasion of the International Anti-Corruption Day. In the framework of the Global Compact, the Guidance equips business with a practical means to report on anti-corruption policies and actions comprehensively and effectively. The Guidance outlines business cases for reporting anti-corruption implementation efforts and elaborates a comprehensive set of reporting elements. The reporting elements are divided into two categories: basic category outlines minimum requirement for reporting and desirable category includes additional elements for front runners.

The taskforce was established in June 2008 after the Working Group Meeting in Vienna. The taskforce presented the overall structure of the Guidance to working group members in February 2009 at the Working Group Meeting in New York. The Working Group endorsed the overall structure. Immediately after, the guidance document was presented to selected companies and local networks. These companies and local networks were asked to help the taskforce identify the usefulness and user-friendliness of the reporting guidance through questionnaire and telephone interviews. 21 organizations (2 networks and 19 companies – 41% represented SMEs) responded to the call. 95% of respondents

found it very useful and 90% of users appreciated the distinction between basic and desired elements. 83% of participants indicated their willingness to use the reporting guidance in sharing their implementation efforts. The final draft was presented to the working group in November 2009, and received the full support of the group.

To reach out further, the UN Global Compact has engaged in a series of outreach efforts, providing detailed briefings on the reporting guidance to companies, shareholders and other concerned stakeholders. A seminar with investors in the PRI initiative was organized to further solicit investors' perspectives. Through local network meetings in UK, India, Egypt, UAE, and other regional meetings, the guidance was presented to ensure a strong-buy in from the business communities and network focal points.

At the meeting in Doha, the taskforce presented the final draft of the Reporting Guidance with the unanimous recommendation that the UN Global Compact would make the seven basic elements mandatory for signatory companies complying with the COP requirements from 2011. The extensive debates focused particularly on the use of the word mandatory whereas the UN Global Compact was fundamentally a voluntary initiative.

Supply Chain Guide for Suppliers and Customers: An executive summary of the Supply Chain Guide was presented to the Working Group. Designed to help companies reduce corruption risks in the supply chain, the Guide is divided into an Introduction, followed by three sections and Addenda. The Introduction and first two sections outline the business case for fighting corruption in the supply chain, and provide a framework for customer-supplier engagement on these issues. The final section and addenda offer detailed guidance on common supply chain corruption scenarios and a set of tools for fighting corruption. The Guide is designed for both strategic executives and program administrators and technical personnel. Participants welcomed the development of the Guide and emphasized the importance of presenting this document at the Summit.

Supply Chain Sustainability Strategy: The Global Compact Office has launched a new workstream on the issue of supply chain sustainability in partnership with Business for Social Responsibility. Cecilie Hultmann, of the Global Compact Office, presented the overall strategy and three concrete products to be launched at next years Leaders Summit: an implementation guide, an online assessment tool and a supply chain wiki. To ensure that the guidance produced addresses the needs of Global Compact signatories, the Global Compact Office will establish an advisory group on the issue of supply chain sustainability. Working Group members emphasized the importance of close cooperation with the sub-working group on fighting corruption in the supply chain to avoid duplication with issue specific guidance.

Media Engagement Initiative: Highlighting the importance of engaging media in the fight against corruption, the Working Group Members reiterate their commitment to focus more energy on this item in the coming months.

E-Learning: The Norwegian oil company Statoil has generously offered to give the Global Compact Office an e-learning program Statoil has developed to sensitize their employees about ethical dilemmas in relation to corruption. The tool could potentially enable the Global Compact Office to reach out to a vast number of signatories and employees with information about corruption. It can also be used by Global Compact signatories to train their employees internally about this issue. Working Group members were asked to comment on whether they believed such a project would be valuable for the Global Compact and useful for Global Compact signatories. The feedback from the Group was that the tool would be very useful, if it is made generic (i.e. not from the perspective of one individual company), focus on international conventions and guidelines rather than national legislation but at the same time offer practical learning for the user. The major obstacle preventing the Global Compact Office from embarking on the project at this stage is funding. Working Group members are encouraged to consider whether they would be willing to contribute financially to the project to ensure that it will be realized. The E-Learning

Tool will be co-branded as a joint product of the UN Global Compact and UN Office on Drugs and Crime as the tool closely links to the UN Convention against Corruption.

CEO Statement: In May 2009, the UN Global Compact, together with Transparency International, International Chamber of Commerce, and WEF-Partnering against Corruption, initiated a broader campaign inviting business leader across the globe to sign the statement in support of the Convention. Chief executives from world's leading companies called on governments to more effectively and robustly implement the UN Convention against Corruption. UN Secretary-General Ban Ki-moon has welcomed this initiative and has asked Antonio Maria Costa, Executive Director of the UN Office on Drugs and Crime, to transmit the outcome of this initiative to all State Parties to the UN Convention against Corruption through the Intergovernmental Working Group on the Review of Implementation of the Convention. Over the course of six months, approximately 100 signatures were collected. This is an unprecedented effort and hopes to have positive outcome on the final resolution. Participants share the challenge to explain the Convention and seek chief executives' support. Due to companies' unfamiliarity with the Convention, a great deal of time was spent on explaining the basics. Many companies were also ambivalent about the notion of monitoring and reviewing as this sounds too legalistic. However, participants noted that the campaign was an extremely useful way to engage companies to better understand what is required to implement anti-corruption measures.

UN Convention against Corruption: It is highlighted that there is a great need to raise awareness on the UN Convention against Corruption and various provisions applicable to the private sector. Companies are relatively unfamiliar with the Convention. There should a greater effort to harmonize anti-corruption principles advocated by different global initiatives. It is needed that these principles be more closely aligned with the Convention. For example, business initiatives have disagreement over facilitation payments due to concerns raised by their own constituency. Many companies still consider that doing business without facilitation payment is not feasible and realistic in some markets. Nonetheless, it should be noted that the Convention clearly prohibits facilitation payments. Participants agreed that more efforts should be made among business initiatives to send a coherent message to their constituency.

UN Global Compact Leaders Summit in 2010: Chaired by UN Secretary-General Ban Ki-moon, the UN Global Compact Leaders Summit 2010 will provide the platform for organizations to convene, collaborate and commit to building a new era of sustainability – an era where environmental, social and governance (ESG) issues are deeply integrated into business based on both material and ethical rationales. At the Summit, leaders will collectively tackle priority areas that are central to corporate leadership today and essential for the transformation to sustainable markets and the achievement of societal goals. The Summit expects close to 1,500 participants representing chief executives, investors, civil society leaders, labour, academics, international diplomats, high-level government officials, and other global leaders. It aims to re-motivate chief executives so that they can further enhance their companies' engagement in corporate responsibility. To more firmly establish the business case for implementation, the Summit will bring key drivers for further integration of ESG issues. All issue areas will be covered as well as development as 2010 is the tenth anniversary of the Millennium Development Goals. In the context of development, collective action and partnerships will be profiled. Regarding anti-corruption, a reporting guidance will be profiled as one of the key deliverables and contribute to shaping the leadership agenda of the Summit.

Next Meeting: It was proposed to hold the next Working Group meeting right before the opening of the Global Compact Leaders Summit in New York. This will allow Working Group members to prepare their respective CEOs for their participation in the GC Leaders Summit.