



United Nations Global Compact

7th Meeting of the Global Compact Working Group on the Tenth Principle against Corruption

9 – 10 December 2010
UN Headquarters, New York

Executive Summary

The UN Global Compact Working Group on the 10th Principle against Corruption convened its 7th meeting at United Nations Headquarters from 9 to 10 December in 2010. The Working Group meeting reviewed the Global Compact's progress made on the tenth principle and explored a range of ways to further accelerate Global Compact participants' anti-corruption efforts.

E-Learning Tool Launch: During this meeting, the Global Compact and UNODC jointly launched a new web-based E-Learning Tool on anti-corruption, found at <http://thefightagainstcorruption.unglobalcompact.org/>. The tool has been designed to further businesses' understanding of how the UN Convention against Corruption (UNCAC) and the Global Compact's 10th Principle can together inform corporate integrity policies and actions.

For **next steps**, participants agreed to:

- Assist the Global Compact's dissemination of the *Reporting Guidance on the 10th Principle against Corruption* as well as provide guidance to the Global Compact on ways to motivate more businesses to report on their anti-corruption implementation efforts by using the [Reporting Guidance on the 10th Principle Against Corruption](#). The Global Compact Office will update the participants of the Working Group on how this reporting guidance will be promoted in 2011.
- Work closely with the Principles for Responsible Investment (PRI) and its Anti-Corruption Working Group to explore a joint platform for investor-company dialogue which will seek better understanding between investors and company representatives on corporate anti-corruption actions;
- Develop guidance for Global Compact Local Networks on how to engage in successful public-private dialogue on anti-corruption with their stakeholders at the country-level;
- Provide guidance on how to engage the private sector in the upcoming UN Convention Against Corruption (UNCAC) meeting, to be held in Morocco in 2011, and to maintain involvement in deliberations on the UNCAC review mechanism;
- Identify means of strong linkage to G20 anti-corruption debates;
- Work closely with Principles for Responsible Management Education's (PRME's) Anti-Corruption Working Group in its effort to develop a curriculum for management education on anti-corruption; and to
- Provide guidance to the UN Global Compact on its collective action projects in Brazil, Egypt, India, Nigeria and South Africa.

The meeting concluded with working group participants' renewed commitment to the Global Compact's 10th Principle. The 8th Meeting of the Anti-Corruption Working Group will take place on 17 May 2011 in Cairo during the Annual Local Network Forum. The 9th Meeting of the Anti-Corruption Working Group will take place in the margins of the next Conference of State Parties to the UN Convention against Corruption, to be held from 22 to 24 October in Morocco.

International Anti-Corruption Day - Panel Discussion

(The session was an open meeting and broadcasted through UN Webcast. The entire session is available for viewing at <http://www.unmultimedia.org/tv/webcast/2010/12/special-event-international-anti-corruption-day.html>. Thus, the summary note on this session does not apply the Chatham House Rule.)

The Panel began with introductory remarks by Ms. Olajobi Makinwa, Head of Transparency and Anti-Corruption Initiatives at the UN Global Compact Office. Ms. Makinwa reminded the participants how three years ago all member States adopted the Millennium Development Goals, stressing the adverse and disproportional impact corruption has on the poor and calling on corporations to adopt effective anti-corruption mechanisms.

Mr. Lanny A. Breuer, the United States Assistant Attorney-General for the Criminal Division, delivered an inspiring and passionate Keynote Address, calling on the private sector to work in partnership with the public sector to eradicate corruption around the globe. Mr. Breuer praised the UN Convention against Corruption (UNCAC) as “an exceptionally important step forward in the worldwide battle against corruption,” recognizing that corruption is a transnational problem that requires a comprehensive, global approach. Mr. Breuer concluded his address by issuing a challenge to the private sector to lead by example: calling on companies to refrain from testing the limits of national anti-corruption laws and to instead establish substantial compliance programs, to train their employees on anti-corruption issues, and to refuse to do business when it would require bribing government officials.

Following on the heels of the Keynote Address was the launch of the Anti-Corruption E-Learning Tool Programme, an interactive online anti-corruption educational platform created by the UN GCO and UN Office on Drugs and Crime (UNODC). Mr. Georg Kell, Executive Director of the UN Global Compact Office, and Mr. Dimitri Vlassis, Chief of the Corruption and Economic Crime Branch of the UNODC, were on hand to mark the occasion. Mr. Kell briefly outlined the future of the Global Compact’s anti-corruption efforts, announcing soon-to-be-launched collective action plans in five countries, and its plans to partner with PRME to bring anti-corruption discourse to business schools to ensure future managers are already equipped with the tools needed to battle corruption before facing it in the real world. Mr. Kell also saw institutional investors as future partners in the anti-corruption fight, foreseeing that in the near future they would include the presence or absence of effective anti-corruption policies in their evaluation of businesses.

The Panel was moderated by Mr. Jeremyn Brooks, Chair of the UN Global Compact’s Working Group on the 10th Principle, and drew a wide range of expert speakers in the anti-corruption field. Mr. Brooks praised Mr. Breuer and his department’s efforts in initiating more anti-corruption cases than all other countries combined. Mr. Vlassis continued the accolades by lauding the efforts of the private sector in achieving a peer review mechanism for the UNCAC. Over 100 CEOs signed a letter in 2009, addressed to the United Nations Secretary-General, supporting the UNCAC and urging Member States to implement a robust review mechanism.

Ms Huguette Labelle, Chair of Transparency International and Member of the Global Compact Board, discussed some of overarching trends and perceptions in relation to corruption world-wide. According to Transparency International’s barometer, 73% of Europeans and 76% of North Americans believe corruption has increased over the past three years, with one in four people world-wide--increasing to one in two people in Africa--having to pay a bribe to gain access to essential services. Ms. Labelle called on all parties to make this decade one of enforcement by saying no to impunity.

A glimpse into how an organization deals with the aftermath of a corruption scandal and goes about changing organizational culture was provided by Ms. Joan Dubinsky, Director of the Ethics Office at the United Nations. Ms. Dubinsky explained how corruption scandals produce deep mistrust and heavy cynicism among all stakeholders, but that with deliberate, patient and focused interventions an

organization can begin to build an environment in which its stakeholders will do the right thing. Insight into how a company can operate in a country with a pervasive culture of corruption was provided by Mrs. Oredeji Delano, Chief Compliance Officer at Oando Plc of Nigeria. Mrs. Oredeji stressed the importance of the private sector in the fight against corruption, detailing how the private sector can utilize collective action in conjunction with business associations, the media, social networks and civil society, to level the playing field at the country level.

Mr. Anga R. Timilsina, Coordinator of the UNDP Global Thematic Programme on Anti-Corruption for Development Effectiveness of the Democratic Governance Group at UNDP, stressed the importance of ensuring that the UNCAC review mechanisms are tied to proper governance in order for their outcomes to be an accurate reflection of the reality in that country. Mr. Timilsina stressed the utility of public-private partnerships and informed the private sector that UNDP was willing to be their national partner in countries in which it operates because UNDP believes anti-corruption efforts are necessary for development. Mr. Kell remarked that voluntary initiatives without the rule of law are ineffective and that the only way to overcome the prisoner's dilemma is for the public and private sectors to work together. Mr. Vlassis elaborated, adding that voluntary initiatives and the rule of law cannot replace each other; they must complement each other through symmetry and balance.

The High Level Panel drew to a conclusion with closing remarks by Ms. Asha-Rose Migiro, United Nations Deputy Secretary-General, who highlighted the need for governments to play an active role in combating corruption since corruption undermines good governance and democracy and erodes the public trust. Ms. Migiro conveyed Secretary-General Ban Ki-moon's call for corporations around the world to join the Global Compact and the fight against corruption.

Plenary Session 1: Building a Global Incentive Structure for Anti-Corruption Corporate Action (Jointly Organized by the UN Global Compact, World Economic Forum – PACI, International Chamber of Commerce, and Transparency International) – Closed Meeting under the Chatham House Rule

Despite notable efforts undertaken by various stakeholders, anti-corruption remains one of the most difficult issue areas for Global Compact participants to implement and upon which to report their progress. Discussion took place to better understand what should be done to create an effective incentive structure for anti-corruption corporate action, and how other stakeholders such as Governments, Civil Society, Media, and Institutional Investors can contribute to strengthening incentives to implement the Tenth Principle against Corruption. A range of stakeholders shared their insights on how each stakeholder can contribute to further strengthening anti-corruption corporate action. Four main items were reviewed as important ingredients to provide further incentives to promote ethical corporate action:

- Legal Frameworks and Innovative Government Policies: Participants reviewed what efforts have been undertaken by government agencies in order to encourage corporations to integrate preventive measures for corruption risks. Specifically, the importance of a robust, effectively functioning compliance mechanism was highlighted in a situation where companies are investigated for alleged corruption charges. In addition, participants discussed the implications of the UK Bribery Act, which will criminalize a corporation's failure to prevent corruption. In response to a concern on uncertainties of what constitute corrupt practices under anti-corruption legislation such as the Foreign Corrupt Practices Act (FCPA), participants noted that the cases prosecuted under FCPA involved situations where corruption took place in a systematic manner. In addition to legal enforcement, participants discussed the importance of innovative national-level government policies. Specifically, the group reviewed an example of a national government which devised an incentive mechanism to reward companies reporting corrupt practices through internal investigations. Participants stressed the importance of ensuring that government policies on anti-corruption promote ethical performance and materially disadvantage corrupt players.

- Voluntary Initiatives and Policy Frameworks Rewarding Voluntary Action: While compliance and legal infrastructure are recognized as a basis of effective anti-corruption efforts, participants emphasized the importance of voluntary and proactive efforts undertaken by the private sector. In order for such voluntary initiatives to make greater impact, it is important to have support from Governments. Specifically, an emphasis was made on the importance of Governments' willingness to engage in and support corporate-led initiatives promoting anti-corruption efforts. In this context, participants welcome the Group of 20's (G20's) Anti-Corruption Action Plan (2010) which put strong emphasis on the role of business in the fight against corruption. The Working Group appreciated these leaders' interest in working with the private sector for a public-private partnership initiative promoting anti-corruption efforts. Such policy statements recognizing the important role of corporate-led anti-corruption action initiatives can send a strong signal to committed corporate actors. The group discussed a possibility of engaging with the G20 to push this agenda further in the upcoming G20 meeting.
- Sectoral Approach: Participants also reviewed an example of sectoral approach on anti-corruption endeavors: The example introduced in the session was "Aerospace & Defence Sectoral Initiatives," a collaborative sector-specific initiative outlining a range of anti-corruption policies and strategies. Such sectoral approaches can have a number of advantages, including the exchange of best practices and the development of confidence in the effectiveness of collaborative initiatives among industry peers. Policy makers' recognition of corporate voluntary action can encourage more companies to align with higher ethical standards.
- The role of multilateral banks: Participants highlighted that multilateral banks have an important role to play in providing incentives. Integrating more rigorous anti-corruption considerations into multilateral banks' lending practices would be a practical way to incentivize robust anti-corruption measures within companies. A case in point is a recent decision by the Asian Development Bank, which provides funds at a reduced interest rate each time a corporation complies on environment, social and governance standards.

Participants noted the importance of vigilant civil society as key stakeholders to ensure companies, Governments and other influential actors live up to their commitments.

Plenary 2: Public-Private Dialogue / Partnerships against Corruption

As highlighted in the recent G20 Anti-Corruption Action Plan, public-private partnerships and dialogue are recognised as critical instruments to advance the global effort to curb corruption. This session reviewed what challenges different stakeholders have faced in initiating a public-private dialogue, and discussed how to nurture innovative ways to advance public-private dialogue on anti-corruption.

Space for Providing Inputs to Anti-Corruption Policies: While there is a range of benefits in engaging in public-private dialogue, participants noted that such mechanisms are particularly relevant for companies operating in difficult environments or weak governance areas because they can serve as platforms to facilitate the production of collaborative solutions to a range of practical dilemmas that companies experience. Participants noted that many Governments' anti-corruption policies in difficult operating environments are often decided without proper private sector consultation. As a result, policies that are not feasible for effective implementation are introduced. A public-private dialogue will serve as a mechanism which can further assist government officials in introducing policy measures that are feasible and practical for implementation. A positive example of public-private partnership which changed governments' procurement policies was brought to the WG's attention.

Platform to Enhance the Effectiveness of Corporate Action on Anti-Corruption: In addition to corporate sector's input to policy measures, the group noted that public-private dialogue can enhance the effectiveness of corporate action against corruption. Participants noted the challenges a subsidiary faces in strictly enforcing a rigorous corporate policy on anti-corruption, and were reminded of the importance of corporate headquarters' willingness to support a subsidiary's ethical practices despite its potential financial implication. In this context, participants emphasized that public-private dialogue provides an opportunity for individual companies to come together as a group to raise a corruption concern.

Right Partners to Engage and Avoiding Misperception: In response to a question with regard to Multi-National Companies' (MNCs') dilemma regarding the potential perception that they interfere with a government's political affairs when they engage with public officials, the group noted that transparency is one of the important functions that public-private dialogue could offer. In addition, these platforms help to clarify roles and responsibilities in areas where the lines between the public and private sector can be blurred. In response to a question regarding how to identify the right partners to engage with in extremely corrupt environments, participants were reminded that even in the most depressing situations, there are individuals willing to join the innovative and courageous approach to fight corruption.

Robust Compliance Mechanism and Stakeholder Consultation Mechanisms: Effective public-private dialogue can benefit properly functioning robust compliance mechanisms. For example, through consultation, a company identified that their government clients or public actors may not be aware of their own internal policies on gifts or other anti-corruption measures. Such findings have been integrated into its corporate compliance mechanism. Participants noted that stakeholder consultation, robust compliance mechanisms and effective public-private dialogue go hand in hand and functioned as complementary to each other. In response to a question regarding how to engage in dialogue with state-owned enterprises or companies in authoritarian regimes, participants were reminded of the importance of due diligence process. In this context, a suggestion was made to develop a list or guidance on how to engage with companies operating in authoritarian regimes or as state enterprises with regard to anti-corruption efforts.

Plenary 3: Leading the Change through a Investor-Company Dialogue (Jointly organized with the Principles for Responsible Investment)

The responsible investment community is growing, and more investors have begun to recognise the material implications of robust corporate anti-corruption measures. Participants noted that such recognition calls for the need for better interaction between the investment community and the corporate sector. The group noted that corruption is clearly inconsistent with good corporate governance and has a potentially damaging impact on a corporation's sustainable growth.

The group first reviewed the Principle for Responsible Investment (PRI) and investors' effort to further advance anti-corruption efforts. PRI is an UN-backed initiative of responsible investors that advocates ways to integrate environmental, social and governance issues into investment decisions. PRI signatories have undertaken and will continue to expand its range of collective action. In April 2010, a number of PRI signatories came together to contact companies, inquiring as to how they utilize existing anti-corruption guidance and tools to manage their corruption and governance risks. These companies were encouraged to benchmark their work with key tools like the Global Compact's anti-corruption reporting guidance and invited to engage in continued dialogue.

Participants noted that strict legal measures on anti-corruption in various countries demonstrated that anti-corruption scandals and charges have potentially serious financial implications. Additionally, institutional investors and the responsible investment community are increasingly aware of reputation damage associated with major corruption scandals. Currently, investors have limited access to corporate policies on anti-corruption due to a lack of comprehensive reporting on anti-corruption process implementation. Participants were reminded of the importance of disclosure on anti-

corruption measures in engaging with investors. Furthermore, the group noted that dialogue and interaction between investors and corporations can help enhance investors' understanding of various corporate practices in this area.

The group emphasised the critical role of investors in making anti-corruption one of the top priorities of corporate policies by citing examples of the integration of robust compliance mechanisms into corporate operations as a result of a call from influential investors. A participant highlighted that investors' actions in such area are currently limited to North America and Western Europe, and raised a concern that such action is influenced by particular policy debates.

The group reviewed an example of corporate governance failure which led a corporation's stock trading at a lower value; however, participants noted that it is often very difficult to make a strong link between corruption and stock price. The group called for a study to better understand the linkages between corruption scandals and stock price. Alternatively, the participants were curious about how to better understand the positive linkage between corruption-free companies and their stock values.

In the context of conflict-affected zones and weak-governance, the participants was introduced to a PRI working group on engagement with companies in conflict-affected countries, which was used as an example of a means of engaging a range of companies without particular ideological biases.

Plenary Session 4: International Human Rights Day – Linking Human Rights to Anti-Corruption Debates through the Human Rights and Business Dilemmas Forum

The session was convened on the 62nd anniversary of the UN General Assembly's adoption of the Universal Declaration of Human Rights. The panel focused on the rarely examined relationship between human rights abuses and corruption. Relatively little work has previously been paid to this intersection; however, there is often a large overlap between the countries with the highest levels of human rights abuses and those with the highest levels of corruption. The panellists stressed the importance of the private sector not viewing human rights solely through the lens of politics and instead focusing on human rights in relation to anti-corruption and good governance, two areas where the impact on business has been clearly demonstrated. Anti-corruption and the protection of human rights are mutually reinforcing undertakings as human rights abuses can often be the result of corruption between the public and private sector. There is no substantive difference between an enabling environment conducive to good business and an enabling environment conducive to the respect of human rights.

The relationship between the anti-corruption efforts and the human rights obligations of States has been elaborated over the past couple of several years. The Human Rights Council has already embraced the existence of a link between the two concepts. In 2008, the Council adopted a strong resolution recognizing the link, stating that fighting corruption at all levels was important for fulfilling human rights and that corruption weakens state institutions and impairs the ability of governments to fulfil their human rights obligations, especially those to marginalized groups in society. The Human Rights Committee has also discussed good governance and has adopted seven resolutions on the subject. The Committee believes good governance, including combating corruption in the judiciary, public and private sector, to be a foundation indispensable to the full realization of human rights, including development. It is imperative that this relationship also be acknowledged and addressed by the private sector.

While taking human rights concerns into consideration is relatively new for companies, the battle against corruption is not, and both can be adequately addressed by business through risk management systems. Due diligence, a familiar concept to all companies, and especially those with comprehensive anti-corruption frameworks, is a main component of an adequate human rights risk assessment system. Guidance on how companies can incorporate human rights into their existing due diligence framework and what is expected of companies in regards to human rights has been provided by John Ruggie's "Protect, Respect and Remedy: a Framework for Business and Human Rights" and his corresponding draft

Guiding Principles. While many companies have systems in place that can be easily expanded to cover human rights concerns, the UN GCO and Maplecroft have created the Human Rights and Business Dilemmas Forum to provide more insight into the topic. The Forum can be accessed at: <http://human-rights.unglobalcompact.org/>. It is a multi-stakeholder forum that presents real-world dilemmas and good practice examples and contains links to all the resources responsible business should be aware of. This forum provides the unique opportunity for businesses to anonymously post dilemmas they are facing, or foresee facing, and receive feedback and advice on what steps they should undertake. The forum is broken down into issue areas and includes a section on corruption available at: <http://human-rights.unglobalcompact.org/dilemmas/corruption/>.

Plenary Session 5: Update from Sub-working Groups & Proposal for the New Initiatives

This session reviewed the progress made by different sub-working groups within the Anti-Corruption Working Group, and discusses new proposals suggested by working group participants. The items to be discussed in this session include: Reporting Guidance on the 10th Principle; Anti-Corruption and Supply Chain; and PRME Working Group on Anti-Corruption.

Reporting Guidance: The Anti-Corruption reporting guidance, which will become effective next year, is a joint initiative between the Global Compact and Transparency International, and results from a multi-stakeholder process. It comprises three types of elements: commitments, implementation, and monitoring. The reporting guidance is not a benchmarking tool asking for quantitative numbers, but instead reflects the nature of the Global Compact as an institution that promotes a) the adoption of best practices in the implementation of policies, and b) an evolving learning platform. Additionally, reporting promotes practice, in addition to disclosure.

The next key step is to involve the Local Networks, so that they can guide corporations when questions arise. Working group members were asked to use the guidance so there will be examples for others. In response to a question on assurance mechanism, clarification was made on the Global Compact's Communication on Progress policy and its implication on the use of the Reporting Guidance. An emphasis was made on the important role of the public and other stakeholders in reviewing corporate disclosure that will be published on the UN Global Compact's website.

PRME Anti-Corruption Education: The Group was informed that the the Global Compact and the Principles for Responsible Management Education (PRME) will develop anti-corruption guidelines for management schools, including academic modules to address transparency, ethics and anti-corruption in the classroom. Topics to be addressed include corporate governance; business ethics; the business case for anti-corruption; corporate compliance; collective action; the UN Convention against Corruption; the Global Compact's 10th Principle; public contracting/procurement; and supply chain management. The anti-corruption working group was launched within PRME, and would seek examples from corporations for curriculum.

Collective Action Projects in Five Countries: In 2011, Global Compact Local Networks in Brazil, Egypt, India, Nigeria, and South Africa will launch and implement high-impact collective-action platforms on anti-corruption. By facilitating ongoing dialogue between the private and public sector, this project will offer an opportunity for a wide range of stakeholders to explore how collective action can create incentives for ethical business performance, and to discuss areas for further improvement. The project will emphasize the role of local actors in each of the target countries, as well as the engagement and building capacity of local stakeholders who are faced with corruption in routine transactions and business relationships. Project partners include the Ethos Institute (Brazil); the Egyptian Junior Business Association; the Global Compact Society India; the Nigerian Economic Summit Group; and the National Business Initiative (South Africa). Companies with operations in the aforementioned countries were invited to encourage their subsidiaries to engage with this platform.

Plenary Session 6: International Policy Making Process / Private Sector Advocacy on Anti-Corruption & Media

Media Engagement: In an effort to determine journalistic appetite for positive, concrete success stories on fighting corruption, the Media Engagement Taskforce sent tailored letters to 61 journalists with whom it was familiar, and received a response from eight, reflecting apathy either about the topic or answering such letters. Those who did respond were interested in tangible information, such as case studies, statistics, and the current legal environment. It was also difficult to find willing participants on the business side, as corporations were willing to share success stories only when their problems were already public.

UNCAC review process

Any beneficial UNCAC review process would have to be at the country level. It is our job to set up a process allowing us to 1) increase UNCAC's effectiveness, and 2) increase engagement within a limited time frame. Effective procedures require three elements: 1) Country visits instead of desk reviews; 2) Reviews must be inclusive of civil society and other interested parties, and 3) it must be transparent: all inputs, responses, and end products and reports must become public. Getting the private sector involved will be difficult. We need to be selective in who works on this (and be sure to include well-functioning local networks) and in which articles we cover. To get started, we should contact the CEOs who were part of the original letter to see if their contacts can help this process.

Challenges: While the numbers are daunting, the responses that UNODC received for the first 28 reviews of UNCAC are high quality, truthful and detailed. During the one country visit by UNODC, the country itself was self-critical. Two developing countries, however, have not responded to requests for information. One main challenge for the Secretariat and UNODC is to guard against superficiality and ensure in-depth reporting. We will ensure that the UNCAC remains effective and that the worst case scenarios do not happen. To do this, the private sector must be consistent and make sure we demand of ourselves what we demand of others; we must ensure that corporate reporting is meaningful.

The CEO letter presented in November 2009 to the 3rd Conference of States Parties to UNCAC in Doha, Qatar, played a role at the time in the adoption of a monitoring mechanism with the possibility of private sector participation when reviews are on-going in countries scheduled for review. While this was an important breakthrough, it probably could have done more had it been backed up by the presence of CEOs and a communications campaign. We should have a roundtable in parallel with the Marrakesh conference in October 2011, but only if we have CEOs around the table. Such a conference should focus on deliverables including, most importantly, a voluntary principles framework. Additionally, we should have a public-private partnership in place to show the world that corporations mean business.