

# Working Group on the Global Compact 10th principle

## Meeting Report

20 September 2005 (9:30 am – 4:00 pm), Copenhagen

### Summary of Outcomes

ACTION POINTS / OUTCOMES	WHO	BY WHEN
- Working Group proceedings:		
o Extend number of companies in the global working group	GCO	Next meeting
o Invite national focal point for 10 <sup>th</sup> principle to global working group meetings	GCO	Next meeting
o Focus activities on the national level, discuss dissolution of working group when activities have been rooted locally		Ongoing, next meeting
- Link to local level:		
o Clearly define how to strengthen the link between the global and the local network working group, and which activities to undertake to engage on the local level	GCO	End 2005
o Inform the working group about national initiatives so that relevant subsidiaries could be encouraged to engage in these activities	GCO	ongoing
- Various standards:		
o Distribute further information on WEF PACI, ICC and TIBP to working group members	WEF, ICC, TI	Nov 2005
o Coordinate activities between 4 initiatives (meetings, collection of examples, tools)	WEF, ICC, TI, GCO	ongoing
- Collection of examples/dilemmas:		
o Prepare a list defining the areas and the scope of the dilemmas that should be collected for a joint (web-based) database	WEF, ICC, TI, GCO	30 Oct 2005
o Address working group members to contribute dilemmas to the database	GCO	30 Nov 2005
o Present proposal on further distribution/training based on database	GCO	30 Nov 2005
- SME tools:		
o UNIDO / UNODC SME and corruption project: present a more detailed proposal if engagement of working group members is required	UNODC/ UNIDO	30 Oct 2005

ACTION POINTS / OUTCOMES	WHO	BY WHEN
<ul style="list-style-type: none"> <li>○ DANIDA / Respect Europe SME project: present a revised proposal with more details so that GC companies can judge the extent of their involvement</li> </ul>	Respect Europe	30 Oct 2005
<ul style="list-style-type: none"> <li>- Prepare a list of suggested questions on reporting on the 10<sup>th</sup> principle going beyond the current suggested minimum requirement for further discussion</li> </ul>	TI / GCO	30 Nov 2005
<ul style="list-style-type: none"> <li>- UN Convention against Corruption:</li> </ul>		
<ul style="list-style-type: none"> <li>○ Detail and clarify role of companies at UNODC meetings on the UN Convention against corruption (expected outcomes and the proceedings)</li> </ul>	UNODC	30 Oct 2005
<ul style="list-style-type: none"> <li>○ Define role of business in cooperating with UNODC on the implementation of the UN Convention against Corruption</li> </ul>	UNODC	Next meeting
<ul style="list-style-type: none"> <li>- Define date for next meeting at UNODC Vienna/Austria</li> </ul>	UNODC, GCO	End Nov 2005

## **Minutes**

### **Introduction by Finn Joenck, Director, DANIDA**

Mr. Joenck from Danida welcomed the participants and described Danida's work in the area of anti-corruption. In addition to projects in their own sphere of influence such as e-learning courses for employees of the Danish aid development system, Danida is engaged in capacity building projects for the public sector. Their most recent project in support of the private sector is an internet-based anti-corruption tool for Danish companies engaged in developing countries with a special focus on the needs of small and medium-sized companies (SMEs). The project done in collaboration with Respect Europe is supposed to be finalized in the first quarter of 2006. It was suggested that the Global Compact could recommend the tool to participating SMEs. Mr. Joenck welcomed the Communication on Progress requirement of the Global Compact which has helped to sharpen the attention of the system to compliance with voluntary initiatives. The Danish network has also prepared a booklet in support of the Global Compact "Implementing the UN Global Compact" which was launched September 2005.

### **1. Recent developments in the Global Compact**

#### **General developments**

In 2005 two main developments were shaping the work of the Global Compact initiative: (i) improvement of accountability and quality of the initiative through the development of a new governance structure and the requirement to communicate on progress, and (ii) strengthening of local networks. The new governance structure has been introduced after intensive consultation in July 2005 and will be implemented in the course of the next year. The deadline for submission of the annual Communication on Progress was 30 June

2005 when a big majority of companies fulfilled the requirement but also a number of companies were put on a list of “inactive” participants until a submission is made. On 21-23 September national Global Compact network focal points will meet in Barcelona to finalize the discussion on the network governance structure.

Other activities of the Global Compact were focused on promoting the Global Compact within the United Nations. The initiative was formally recognized in the outcome document of the UN General Assembly and the Office has prepared a major analysis on partnerships between business and the United Nations system which was presented to the General Assembly. The ten principles of the Global Compact are currently also implemented within the United Nations, e.g. in procurement and the pension fund system.

#### Publication on the 10<sup>th</sup> principle

The Global Compact is planning to publish a collection of case stories by December 2005. Most of the working group members are contributing to this publication and reviewing other authors’ contribution. This publication is the first step towards collection of examples which should result in a database of good practices.

#### Upcoming activities

For next year a special focus will be put on issues relevant to Africa, where a major Global Compact meeting is planned for fall 2006. Furthermore, also due to the fact that the UN Convention against Corruption will enter into force on 14<sup>th</sup> December, efforts will be put on the link between the public and private sector in the area of anti-corruption.

#### Global Compact Summit: China, 30 November – 1 December, Shanghai, Forum on “Business integrity and Governance”

The Global Compact is organizing a major event in Shanghai with around 800 participants expected both from the international and the Chinese side. On the first day, one of the fora will discuss business integrity and governance. The current outline of the session was distributed to the working group, updates will be sent accordingly.

#### Cooperation Transparency International, World Economic Forum PACI, International Chamber of Commerce and Global Compact

Transparency International, the World Economic Forum PACI (Partnership against Corruption Initiative), the International Chamber of Commerce and the Global Compact met the day before the working group meeting to discuss further cooperation of these four initiatives. It was recognized that due to differences in the stakeholder base of the various initiatives a common, single set of standards cannot be realized at the moment.

It was agreed that cooperation on the operational level should be pursued. The following areas were identified: (i) joint work on the collection of examples and dilemmas; (ii) close coordination of regional and national meetings focusing on an approach which puts issues rather than different standards in the forefront; (iii) exploration of cooperation on verification of implementation, e.g. through linking it to the Global Compact

Communication on Progress process. In order to publicly demonstrate the progress that has been made in the area of anti-corruption by all initiatives together, the initiatives will continue discussions on how to present a joint statement in support of the PACI process for the next World Economic Forum meeting in Davos. Further information on the current status of activities of each of the initiatives was requested by participants.

### **3. Knowledge Sharing**

#### Link to other GC participants

It was proposed to widen the circle of business participants and to discuss how to involve subsidiaries in national working groups on the 10<sup>th</sup> principle. The Global Compact will invite additional companies to the working group and inform the working group about national initiatives so that relevant subsidiaries could be encouraged to engage in these activities.

#### Training tool / database of good practices and examples

Building on the planned cooperation of the four anti-corruption initiatives in the area of collection of examples and dilemmas, it was discussed which type of examples and dilemmas are seen as most useful for training purposes. Both PACI as well as the Global Compact already have websites which can be used to collect these dilemmas. It was suggested to anonymize sensitive examples in order to protect company information and to approach companies through the relevant operational contacts to support the collection of these dilemmas. The dilemmas posted should be relevant to the working situation but limited in number as the database needs to be maintained and adapted to the changing circumstances. A library of dilemmas could be localized to relevant country circumstances. In the upcoming planning phase the possibility to put dilemmas online and collect tips from other companies should also be taken into account. The database could also take the form of questions with a guide to potential solutions. It was decided to prepare a joint list defining the areas and the scope of the dilemmas so that any example collected is not too broad and exchangeable between the organizations. A proposal on how the database could be disseminated through the various networks (GC networks etc.) and used for training purposes should be presented.

### **4. SME tools UNIDO and DANIDA**

UNIDO and UNODC are currently working together on a project providing anti-corruption assistance to SMEs, in particular in developing countries and emerging markets. Action points include a first research phase and identification of good practices, the convening of an expert group meeting in fall and the development of a tool to support SMEs against corruption. Training on anti-corruption measures for SMEs will be developed and it is planned to disseminate and promote these tools through the GC networks, the UNIDO and UNODC field networks and various other actors. A more detailed proposal will be presented.

DANIDA / Respect Europe are preparing an internet-based anti-corruption tool for companies engaged in developing countries with a special focus on the needs of small and medium-sized companies. The tool will include specific country fact sheets and a flow-chart model outlining specific points where companies can meet corruption, e.g. in the building process. Based on experiences and interviews, a simple business integrity management system will be proposed for SMEs. The concept includes an informal solidarity network / “buddy system” where SMEs in the developing world could contact e.g. subsidiaries of Global Compact participants to seek advice in dilemma situations that might arise in the area of corruption. Concerns were raised as to the legal consequences of such informal advice. It was also noted that this could result in a time and resource burden for MNCs if not properly handled. It should be discussed if the advice should be open to non-GC participants. GTZ indicated interest in participating in such a tool. Respect Europe will present a slightly revised proposal and more details so that GC companies can judge the extent of their involvement.

## **5. Reporting on the 10<sup>th</sup> principle**

The Global Compact Office has suggested in its “Communication on Progress Pocket Guide” that companies report on the 10<sup>th</sup> principle according to GRI’s indicator “SO2” which mainly recommends reporting on policies against corruption. Recent trends show that reporting is evolving beyond policies. For example, GRI is in the process of developing a new set of indicators which will go into further detail. FTSE4Good is just concluding its consultation phase on a set of questions / indicators that will be part of their future screening process. Transparency International is planning to develop a *Disclosure Index* based on information available on EIRIS. For this year’s ACCA award (Association of Chartered Certified Accountants) the topic “disclosure” was chosen as criteria for evaluation. Based on this trends, it was discussed whether the Global Compact should extend its recommendation to communicate on progress on the 10<sup>th</sup> principle.

It was noted that no new guidelines should be developed as the current requirements for companies to report on progress are already demanding. It was proposed that it would be useful to have a list of questions that those companies that want to go beyond the current suggested minimum requirement of reporting could use as guidance. Such a list of questions will be put forward to the working group for further discussion.

During the discussions, it was clarified that companies are expected to report on all 10 principles and not cherry-pick one or the other principle. Currently, an analysis of the quality of incoming COPs is not undertaken by the Global Compact Office but good practices are highlighted. In the future and pending discussions at the Barcelona network meeting, the main task of supporting companies in the development of the COPs and to analyze those COPs that have been submitted will be transferred to Global Compact networks.

## **6. UNCAC and involvement into regional workshops of UNODC**

As of 15 September 2005, the UN Convention against Corruption (UNCAC) has surpassed the required threshold of 30 ratifications and will enter into force on 14 December 2005. Within a year, the Conference of State Parties will be convened to further discuss implementation and monitoring of the UNCAC. In preparation for this meeting, the UN Office on Drugs and Crime (UNODC) will convene a series of regional seminars aimed at governments and has invited Global Compact participating companies to attend those meetings as observers.

Questions were raised which role business should play at such meeting and whether they would be perceived to represent their own interests or speak on behalf of other Global Compact participants. It was also mentioned that business participation could be seen as lobbying exercise and that companies would not want to engage in lobbying efforts themselves but rather have business associations to take such a role. It was suggested to better detail and to clarify what role companies should play at such meetings, and what the expected outcomes and the proceedings of such meetings are.

It was also mentioned that the UN Convention against Corruption foresees the recommendation of code of conducts that companies should adapt and that UNODC might want to make reference to existing tools rather than develop a new set of tools. It should be further clarified which role GC participants should play in supporting the implementation of the UNCAC.

## **7. Link to local Global Compact networks**

The Global Compact has encouraged networks to establish national working groups on the 10<sup>th</sup> principle. So far Germany has taken up this challenge, Denmark has established a working group that involves companies beyond Global Compact participants and countries such as Malawi went even further and convened a national alliance against corruption. Concerns were raised that a working group of GC networks on the 10<sup>th</sup> principle would duplicate the work of the global working group. The main objective of the network working group is the exchange of information and experiences on how to conduct activities with Global Compact participants in the relevant countries.

It was proposed to regularly invite active Global Compact networks to the global working group meetings in order to establish a link between the work on the global and the local level.

Strong interest was expressed to strengthen the link to the national level and to even consider dissolving the global working group when activities on the local level have become predominant. It was discussed how multi-national Global Compact participants could support those national efforts. It was suggested that e.g. MNCs could encourage their compliance officers in those countries where such working groups are set up to participate.

It should be clearly defined how to strengthen the link between the global and the local network working group, and which activities could be undertaken to engage on the local level.

## **8. Proceedings of working group**

It was discussed how and if the working group should continue to meet and what the specific objectives should be. The main objective of the working group was identified as information sharing and advisory group for the Global Compact. It was proposed that the focus of longer term activities should be on the local level and the next meeting should decide whether the working group on the global level should be discontinued pending on the success of the link to the local level. It was noted that at this meeting companies were underrepresented. It was suggested to extend the membership to more companies and to prepare discussion papers for decision making in the working group beforehand. The value of the global meetings was however recognized as important for globally operating companies. UNODC proposed to have the next meeting in Vienna.

## List of participants

Organisation name	Name of representative	Title
<b><u>Companies</u></b>		
ABB	Georg Matiaska	Chief Compliance Officer
BBVA	Antonio del Campo	Head of Compliance Spain
BP	Peter Cook	Compliance Director
FIDIC	Tonny Jensen	Quality Management Forum
Novozymes	Michael Hougård Pedersen	Adviser on Sustainability Issues
Statoil	Michael Price	Manager, Process and Methodology Development
Total	Laura Armandon	Legal, Total Business Ethics Committee
<b><u>Civil Society Organisations and Business Associations</u></b>		
IBLF	Jack Whelan	Director External and Member Relation
International Chamber of Commerce	Julian Kassum	Anti-Corruption Commission
Respect Europe	Jens Berthelsen	Director
Transparency International	Jermyn Brooks	Director
	Susanne Cote-Freeman	TI USA – Business principles
	Peter Wilkinson	TI – Business principles
World Economic Forum, PACI	Valerie Weinzierl	
<b><u>International Organisations</u></b>		
UNODC	Valerie Lebaux	Operations
UN Global Compact	Birgit Errath	Associate Expert
<b><u>Others</u></b>		
DANIDA	Finn Joenck	Director
GTZ	Paula Hildebrandt	GC focal point Germany