

Working Group on the Global Compact 10th principle

Meeting Report

21 January 2005 (9:30 am – 3:00 pm), New York

I. Summary of Discussions:

1. Welcome and Opening by Georg Kell

The objectives of the Global Compact working group against corruption is to discuss in a multi-stakeholder setting the needs for the business community in implementing the 10th principle and provide guidance for the work plan of the Global Compact Office on the 10th principle. The Global Compact's work on the 10th principle is aiming at avoiding duplication of work with respect to already existing initiatives, but to support alignment of the different initiatives and cooperation of all actors in the implementation of standards and programs. Furthermore, it is planned to encourage local action that can be leveraged at the global level as well as to showcase good practices on the Global Compact website and in publications. The working group members were invited in their personal capacity to provide guidance and to help steer the process of facilitating the implementation of the 10th principle.

2. Public policy framework

As is the case for all international instruments, the OECD Convention on Combating Bribery¹ requires the development of regulatory frameworks by national governments for its effective implementation. One of the strengths of this convention is that it is equipped with a detailed monitoring system. In order to complement this regulatory framework, the OECD has developed soft law instruments for business - the OECD Guidelines for Multinationals. As part of the implementation mechanism for the Guidelines, national focal points have been established in all OECD countries to receive and investigate complaints related to abuses and transgressions. In its effort to reach out to non-OECD countries, a series of regional roundtables have been set up to discuss participation or association with these instruments.

The UN Convention against Corruption (UNCAC) is seen as a global innovative instrument that is built on a four-pillar structure of prevention, criminalization, international cooperation and asset recovery. Ratification is proceeding at a fast pace and

¹ OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997



is expected to meet the required threshold for it to enter into force (30 countries) by mid-2005. UNODC is promoting ratification (e.g. during the UN Congress on Crime Prevention in April in Bangkok) as well as offering technical assistance to governments by developing a legislative guide, which will be published in February 2005.

The OECD and the UN have had a close cooperation since the inception of the negotiations for the UN Convention Against Bribery and Corruption. This cooperation will continue as both organizations share knowledge gained in the process of implementation and monitoring.

The private sector is invited to participate in the process of facilitating the implementation of the UNCAC. The main interest of the business community is to obtain a level playing field through a broad international instrument and harmonious national regulatory frameworks. ICC is planning to develop a briefing paper on how the private sector can promote the implementation of the UNCAC.

3. Tools and Examples of Company Policies

All participants agreed that the fight against corruption cannot focus exclusively on legal compliance but must also have a value-based approach. It was underlined that voluntary initiatives are particularly important in those countries where no legislation is in place or is not effectively enforced.

Transparency International (TI) presented its Business Principles which were developed by a multi-stakeholder group and will soon be supported by a 6-step implementation program. TI is also working with the World Bank to include anti-corruption certification in its procurement process. More recently, TI has partnered with the World Economic Forum in the development of sectoral initiatives starting with the construction and the metal and mining industries (PACI principles).

The International Chamber of Commerce (ICC) presented its Rules of Conduct² and its Corporate Manual³ to fight corruption. This year, the Rules of Conduct will be updated to reflect recent development such as the UNCAC, the 10th principle etc.

Novozymes outlined the process for the development of the company's anti-corruption policies. They initiated this process by benchmarking the existing practices and experiences of the company against TI Business Principles. Based on this assessment, further workshops with employees were used to develop the companies own anti-corruption program. This program was based on an incremental approach, where goals were set and the companies performance would improve continually.

² ICC Rules of Conduct to Combat Extortion and Bribery.

³ Fighting Corruption: A Corporate Practice Manual

One way to bridge the gap between legal compliance and adherence to values could be by establishing an Integrity Committee. ISIS presented the example of a bank in which an Ethics Committee was set up to review items submitted through a robust whistle blowing mechanism. Resolutions and good practice stemming from the complaints are then published anonymously on the bank's website.

Labor Unions have taken an active role in trying to solve cases related to employees that have been ignored by whistle blowing schemes or situations in which whistle blowers have been punished for revealing cases of corruption.

4. Collective Action

IBLF presented two examples of collective action, one in Kenya and another in China. In Kenya the vehicle industry and the port of Mombassa were brought together with the help of the Center for Corporate Citizenship. The main lesson learnt was that the business case for collective action has to be made in order to bring all the actors to the table.

Furthermore, the discussion should avoid considerations related to corruption in general, and focus on specific issues that affect the companies themselves. Once the actors were at the table, they were quickly able to identify specific issues they were all facing and whose solution would be of benefit to all. It became clear that competition had led to lack of communication among the key actors. The success of such efforts also depends on the availability of financial resources.

In China, a business leader forum was created, with important CEOs interested in the fight against corruption. They plan to organize a meeting on corruption with companies from various sectors in Beijing in March 2005. These activities have been possible through the critical support of the Chinese Agency for State Owned Enterprises.

When collective action is organized, it is necessary that the local business community is closely involved. A "parachuting in" with foreign solutions should be avoided. The discussion very often has to start at a very basic level to reach understanding on the definition of the topic. The development of platforms for discussions or mechanisms such as ethics committees were seen as an important element for they create necessary safe havens where problems can be identified, joint efforts can be developed and a culture against corruption can be nurtured.

5. Local action

- **Nordic network meeting:**

The implementation of the 10th principle was discussed during the Nordic network meeting on 13/14 January 2005. Among the many issues discussed were the definition of bribery, how to avoid a "Nordic crusade" while supporting local actions, how to deal with facilitation payments, and how to include the value chain. It was proposed to exchange experiences and ideas with other networks and to collect good practices.

- German network meeting

The German network organized a workshop on the 10th principle on 16/17 November 2004. Examples of company practices were exchanged and the main discussion points were how to define corruption, how to deal with facilitation payments, the importance of coalition building and cooperation between business and government to overcome the prisoner's dilemma, how to support the implementation of the UNCAC into German law, and the position of the compliance officer within a company. Participants expressed interest to conduct similar workshops in other countries and to use the GC as platform for discussion.

6. Recommendation for work plan of the Global Compact Office

- Work plan of GC Office on the 10th principle:

The current Global Compact Office (GCO) action program on the 10th principle focuses on (i) providing / recommending tools and background on the fight against corruption, collection of good practices as basis for learning, harmonization of efforts and cooperation with existing initiatives and partners, (ii) awareness raising, (iii) moving beyond awareness raising to concrete local and industry specific actions through establishment of working groups on the local level, and (iv) establishing links to public policy through the cooperation with UNODC. On 9 December, a first primer and guidance package was sent to all GC participants recommending tools from ICC, TI, EITI and WEF PACI and providing recommendations of basic steps for the implementation of the 10th principle. A series of meetings on the regional level are planned for next year (see document "events"). Furthermore, consideration is being given to the development of a collection of good practices to be published in November 2005. The 10th principle was also featured in the first Global Compact Quarterly which was sent on 25 January (www.enebuilder.net/globalcompact).

- Recommendations by working group members to GCO:

- (i) Do not engage in the development of new tools, but harmonize activities with other initiatives, e.g. TI, ICC, engineering and construction sector, facilitate coordination, provide overview and recommend different tools (add e.g. Whistle blowing Guide by ISIS, IBLF, TRACE);
- (ii) Focus on learning and the collection of good practices of company policies (whistle blowing, pre-whistle blowing safe havens, training...) and specific dilemma situations (facilitation payments, off-shore instruments, joint ventures, influence of Sarbanes Oxley Act, requirements by export credit agencies, political donations, agents, experiences in defense industry, informal sector, money laundering);
- (iii) Discuss and collect good practices on how companies deal with sphere of influence and the supply chain (get company input for tools/publication for SMEs);
- (iv) Focus on leadership and compliance;

- (v) Focus on specific sectors for regional meetings (e.g. extractive industry in Africa, finance sector in Asia, construction and infrastructure in Egypt);
- (vi) Get the financial sector involved (eg.g FATF, Wolfsberg Principle banks, Equator banks...);
- (vii) Engage in local activities and involve local business community, do not conduct a “Nordic crusade” – e.g. exchange of experience between GC networks, mapping of local anti-corruption initiatives with national GC networks, involvement of governments in local activities;
- (viii) Consider a global campaign by CEOs of GC participants, e.g. Advertisement against corruption in FT;
- (ix) Include anti-corruption provisions in Tsunami relief efforts.

7. Next steps and next meeting

- It was proposed to keep personal meetings to a minimum, but rather to continue the dialogue via conference calls and email.
- The Global Compact Office will approach the group with further proposals respectively individual members for different parts of the work plan.
- In the second half of 2005 a second meeting will be organized, dates will be proposed at a later stage. The Danish Federation of Industries proposed to host the meeting in Copenhagen.

II. Agenda: see document “agenda”

III. Attendees:

Company name	Name of Attendee
BBVA Banco Bilbao Vizcaya Argentaria SA	Gabriel Palafox
EDC – Export Development Canada	Rosemarie Boyle
IBLF	Peter Brew
ICC	Bill Stibravy
ICEM	Fred Higgs
ICFTU	Gemma Adaba
ISIS Asset Mgmt.	Alexis Krajewski
Nexen Inc.	John B. McWilliams
Novozymes	Michael Hougaard Pedersen
OECD	Rainer Geiger
PricewaterhouseCoopers	Nick Shufro
Respect Europe	Jens Berthelsen
Royal Dutch/ Shell Group	Albert Wong
Statoil	Michael Price
Tata Incorporated	Bharat Wakhlu
The Conference Board	Ronald Berenbeim
Transparency International	Susan Cote-Freeman
University of Ottawa	Errol Mendes
UNODC	Dimitri Vlassis
UNODC	Johana de Winter
UN Global Compact	Georg Kell
UN Global Compact	Denise O'Brien
UN Global Compact	Birgit Errath
UN Global Compact	Nessa Whelan
UN Global Compact	Helen Schulte
US Chamber of Commerce	Ann Nicocelli
USCIB	Adam Greene