



United Nations Global Compact

3rd meeting of the Working Group on the 10th Principle 5-6 June, 2008 Vienna / Austria

On 5-6 June 2008, the third meeting of the Global Compact Working Group on the 10th Principle took place at the United Nations Office of Vienna. Co-convened by the United Nations Office on Drugs and Crime (UNODC) and the Global Compact Office, the meeting brought together business participants from 13 countries with representatives of civil society, labour, business associations, Global Compact Local Networks, and international organizations. The Working Group discussed implementation and reporting challenges related to the 10th principle and identified a set of concrete ideas to provide practical guidance to companies. Participants further stressed the importance of reviewing and better promoting existing tools, sharing lessons learned, improving and implementing reporting mechanisms, and creating practical incentives for business engagement.

The meeting has generated new momentum for the business community's anti-corruption collective action by re-energizing the Working Group. Members of the Working Group are committed to working towards the Third Conference of State Parties to the United Nations Convention Against Corruption (UNCAC) to be held in Doha in 2009. The meeting has further strengthened collaboration between global initiatives working in this area including International Chamber of Commerce (ICC), Transparency International (TI) and World Economic Forum's Partnering Against Corruption Initiative (PACI). The meeting concluded with the establishment of sub-working groups, taskforces, and initiatives that will look into different implementation and reporting challenges related to the 10th principle. These sub-working groups, taskforces, and initiatives will be led by the members of the Working Group and the progress will be reported back at the 4th anti-corruption Working Group meeting, to be held in February 2009.

1) Challenges & Opportunities to Implement 10th Principle

The integration of anti-corruption into the corporate citizenship agenda has been an important development as it sends a strong worldwide signal that the private sector shares responsibility for the challenges of eliminating corruption. In the last ten years, the material values of transparency and anti-corruption has been increasingly realised by the investment community, providing incentives for companies to develop thorough anti-corruption policies and strategies. Yet, anti-corruption, the issue closely linked to other GC principles, remains as the most challenging sustainability agenda for companies to implement.

On the first day, based upon their experience in the implementation of the 10th principle, the Working Group discussed the four major challenges that they have been facing to further advance anti-corruption agendas.

- Addressing Implementation Gap

The Working Group noted that there is a significant implementation gap that exists between large companies' headquarters and subsidiaries and SMEs in their supply chains. The policies and strategies adopted by companies' headquarters are not often being implemented throughout their subsidiaries and supply chains. The Group discussed how to motivate large companies to extend support for SMEs,

particularly those in their supply chain and with relationships with their subsidiaries, agents and subcontractors. As the members noted, currently very little incentive exists for SMEs and subsidiaries to publicly report their anti-corruption activities. Only a limited number of major corporations require their supply chains to disclose anti-corruption efforts. The participants agreed that large companies' commitment to spreading their policies throughout their supply chains will be a major incentive for SMEs. For this incentive to be fully effective, more than verbal encouragement is required.

- *Difficulty to Report the 10th Principle*

There has been an increasing demand for companies reporting on non-financial matters from a wide range of stakeholders and users ranging from regulators to civil society. Yet, corruption has not been prominent in corporate responsibility agenda due to practical difficulties. By its very nature, corruption is secret, hidden and viewed as sensitive by companies. The topic is complex and its scope is wide as it includes a range of areas.

When asked to share the practical challenges to reporting on anti-corruption efforts, participants identified two major difficulties facing the business community. First, they pointed out that a majority of the existing performance indicators are suitable for companies operating under the Common Law system including US. Thus, there is very little incentive for companies in the Continental Law system to disclose anti-corruption incidents because the firms reporting the case will be charged with criminal penalties. The Working Group emphasized that there is a strong need to develop a set of performance indicators that are universally applicable.

Second, compared to other sustainability issues (i.e. environmental policies), shareholders and investors pay less attention to companies' progress on the implementation of the 10th principle. Throughout the meeting, a concern was raised that a majority of non-financial reports have increasingly favored the issue of environment, neglecting transparency and anti-corruption matters. In many non-financial reports, very few items on anti-corruption are included. The participants explained that companies' strong emphasis on environment is closely linked to investors' interest on the subject as companies need to reflect the main interests of shareholders in non-financial reports. The Working Group stressed that a strong business case needs to be established for the importance of public disclosure and reporting by identifying the material values attached to transparent business operations.

Nonetheless, the participants reaffirmed that reporting on anti-corruption has tremendous value because it triggers organizational changes as well as attracts multi-stakeholder dialogues on the subjects.

- *Better Information Dissemination on Tools & Resources*

In the last five years, many tools have been developed to assist companies in the implementation of the 10th principle. During the working group meeting, three new tools (i.e. Resisting Extortion. and Solicitation in International Sales. and Transactions (RESIST), Collective Action Guide and Web Portal, Business Case against Corruption) have been introduced to the participants. The participants acknowledge the benefits of the existing tools. Nonetheless, the participants indicated that it is difficult to identify which tool is more relevant to particular challenges. The Working Group emphasized the need for easily accessible database that provides both descriptive and analytical information on the tools. Also, to ensure the accessibility of the existing tools, more innovative strategies to promote such resources need to be identified.

- Private-Public Partnerships

The Working Group agreed that one of the greatest challenges to eliminate endemic corruption is the lack of public-private partnerships. There is relatively low level of trust between the public and private actors. For instance, the both public officials and private actors blame one another for causing corruption. The participants all agreed that the business community is one of the major victims of public corruption, but it was also one of the problems and, thus, has a potential to be a powerful agent for change. The Working Group discussed how companies can join forces with public institutions of the countries where they do business and invest in public anti-corruption infrastructure as a way of safeguarding their assets.

2) Major Outcomes: Concrete Ideas & Initiatives

During the second day, the Working Group explored the ways to tackle the implementation and reporting challenges related to the 10th principle. As a result, participants agreed to work on the following sub-working groups, taskforces and initiatives, all of which aim to advance the full implementation of the 10th principle.

- **Taskforce on the 10th Principle Reporting**

Taskforce on the 10th Principle Reporting will aim to mainstream the reporting of companies' anti-corruption efforts in non-financial and/or sustainability reports. Specific timeline will be determined by the members of the Taskforce by the end of July 2008.

The *Taskforce* will be responsible for:

- Elaborating and promoting the benefits of reporting on companies' implementation efforts on the 10th principle;
- Collecting and showcasing companies' positive experience of reporting on anti-corruption efforts;
- Benchmarking how environment issues have been mainstreamed within CSR reporting
- Developing a set of anti-corruption indicators that can be used both in Common Law and Continental Law systems.

The Taskforce will be led by Sven Biermann (Accenture - TBC), Iohann Le Frapper (Alcatel-Lucent), Laure Armandon (Total), Peter Wilkinson (Transparency International), and the Global Compact Office.

- **MNCs HQ to Subsidiaries, Suppliers and Subcontractors**

The Sub-Working Group on MNC HQs to Subsidiaries, Suppliers and Subcontractors will identify how to ensure that the policies or practices of major MNC headquarters are applied to their subsidiaries, suppliers, and subcontractors for the effective implementation of the 10th principle. This Sub-Working Group will also serve as the collective action platform for SMEs.

- As an on-going initiative, the *Sub-Working Group* will promote private-to-private partnership to showcase good practices.
- In collaboration with selected Global Compact Local Networks, the Sub-Working Group will bring SMEs, subsidiaries, and MNC headquarters together to identify specific action that the Sub-Working Group can take at the country level.

The Sub-Group on MNC HQs to Subsidiaries, Supplies and Subcontractors will be led by UNODC, TI, GCO, John Drummond (IntegrityWorks) and Mark Synderman (the Coca-Cola Company - TBC).

- **Anti-Corruption Education Initiative**

In collaboration with Principles for Responsible Management Education (PRME), *the Anti-Corruption Education Initiative* aims to promote the integration of anti-corruption and ethics courses into the curriculum of business schools.

- As a long-term project, this initiative will first develop a set of strategies and modalities on how to develop and introduce anti-corruption courses into business schools' curriculum.

The Global Compact Office will lead this effort through PRME.

- **Anti-Corruption Tools and Resources**

The Sub-Working Group on Anti-Corruption Tools and Resources will develop an inventory of existing anti-corruption tools and resources that companies can easily review and access.

- The inventory will include a short description of each tool including purpose; the types of corruption the tool addresses; target audience; how the tool is related to different socio-political realities; functionality; strengths; and limits.
- As a first step, *the Sub-Working Group on Anti-Corruption Tools and Resources* will draft TOR by the end of July 2008, and identify how to avoid the duplication of similar efforts undertaken by other initiatives.

This Sub-Working Group will be led by Jens Berthelsen (Global Advice Network), James Farrar (SAP AG), John Drummond (Integrity Works), and Sven Biermann (Accenture - TBC).

- **Multi-Stakeholder Dialogue Networks Initiative**

In an effort to promote public-private partnership on anti-corruption issues, the *Dialogue Initiative* will aim to expand multi-stakeholder dialogue networks to the local level involving public counterparts.

- At the initial stage, these dialogue networks will serve to foster trusts among different stakeholders.
- Eventually, *the Dialogue Initiative* may lead into the development of a joint-training session which involves public procurement actors and bidding companies on transparency and anti-corruption in selected countries.

The Dialogue Initiative will be led by Global Compact Office, Selected GC Local Networks (e.g., Nigeria, Indonesia, Brazil), and UNODC Headquarters and Country Offices and aim to deliver a pilot joint-training session by April 2009.

Potential Members: Funmi Omogbenigun (MTN Nigeria - TBC), Soji Apampa (Convention on Business Integrity - TBC), Maria Augusta Carneiro (Petrobras - TBC), Kirstine Drew (ITUC - TBC)

- **CEO Statement Initiative**

The *CEO Statement Initiative* will develop the CEO Statement addressed to Governments on the implementation of an effective UN Convention Against Corruption (UNCAC) review mechanism.

- Through the endorsement of business leaders, the *CEO Statement Initiative* aims to increase

business's awareness on UNCAC and promote good practices.

Led by Francois Vincke (International Chamber of Commerce) in collaboration with other members, the CEO Statement will be launched by October 2008. All the WG members are encouraged to actively participate in this Initiative.

- **Media Engagement Initiative**

As an on-going project, the *Media Engagement Initiative* will identify the ways to induce more positive engagement of the media industry on companies' anti-corruption efforts.

- This Initiative specifically aims to bring media's attention to positive stories and progress that business has made in the fight against corruption.
- At the country level, media events can be organized through GC LN (collaboration should be made with other relevant UN initiatives that have worked on journalism and governance).

The initiative will be led by James Farrar (SAP AG), Soji Apampa (Convention on Business Integrity), Heidi Olsen (Statoil - TBC), Valerie Weinzierl (World Economic Forum, Partnering Against Corruption Initiative) and Birgit Errath.

3) Next Meeting

The Working Group proposed to hold the 4th meeting in **February 2009** in one of the following cities – **Brazil (Rio de Janeiro), Nigeria (Abuja) or US (New York)**. At the next meeting, each sub-working groups, initiative and taskforce will report their progress to the Group. Also, the mid-term review will be undertaken to identify what more should be done to constructively engage the Third Conference of State Parties to the United Nations Convention Against Corruption (UNCAC) which will be held at the end of 2009 in Doha.

3RD MEETING OF WORKING GROUP ON 10TH PRINCIPLE: PARTICIPANTS

COMPANY

- Mr. Christoph Schaefer, Compliance Operations Officer for Central Europe, ABB AG, Germany/Switzerland
- Mr. Sven Biermann, Accenture
- Mr. Iohann Le Frapper, VP & General Counsel FII, Middle East, Africa & India, Alcatel-Lucent, France/US
- Mr. Carlos Alonso, Compliance, Global Director of Business Integrity BBVA S.A., Spain
- Mr. Mark Snyderman, Chief Ethics and Compliance Officer & Assistant General Counsel, The Coca-Cola Company, US
- Mr. Walid Nagi, Corporate Affairs Manager Mansour Manufacturing & Distribution Group of Companies, Egypt
- Ms. Valia Chilova, Partnering Manager Marketor Ltd, Bulgaria
- Ms. Funmilayo Omogbenigun, Head of Corporate Communications, MTN Nigeria Communications Ltd., Nigeria
- Ms. Karen Schonfelder, Manager - Integrity Resource Centre Nexen Inc., Canada
- Ms. Maria Augusta Carneiro, General Ombudsperson Petrobras, Brazil
- Mr. David Jansen, Partner PricewaterhouseCoopers, US
- Mr. Ferdinand Piatti, Managing Director PricewaterhouseCoopers, Austria
- Mr. Jacques Marnewicke, Head of Group Forensic Services Sanlam Ltd., South Africa
- Mr. James Farrar, Vice President of Corporate Citizenship SAP AG, Germany
- Dr. Andreas Pohlmann, Chief Compliance Officer Siemens AG, Germany
- Mr. Roland Berner, Head of Compliance Program, Projects and Reporting, Siemens AG, Germany

- Ms. Heidi Christin Olsen, Compliance Office, International Exploration and Production, StatoilHydro, Norway
- Mr. Dominique P. Lamoureux, Vice-President, Ethics and Corporate Responsibility, Thales, France
- Ms. Laure Armandon, Legal Compliance & CSR, DG/Direction Juridique Holding, Total, France

CIVIL SOCIETY & BUSINESS ASSOCIATIONS

- Ms. Jean Rogers, Deputy Director, Center for International Private Enterprise
- Ms. Ime Olufunmilayo Engang, Chief Operating Officer
Convention on Business Integrity, Nigeria
- Mr. Jens Berthelsen, Director, Global Advice, Denmark
- Mr. John Drummond, IntegrityWorks, UK
- Mr. Francois Vincke, Chairman, Anti-Corruption Commission
International Chamber of Commerce (ICC)
- Dr. Maximilian Burger-Scheidlin, ICC Austria
- Mr. Jermyn Brooks, Director, Private Sector Programmes
Transparency International
- Ms. Birgit Errath, Transparency International
- Dr. Valerie Weinzierl, Associate Director, World Economic Forum, Partnering Against Corruption Initiative

GLOBAL COMPACT LOCAL NETWORKS

- Ms. Isabel Garro, General Director, GC Spanish Network
- Ms. Bettina Steinbrugger, Project Manager, respACT & GC Austrian Network

LABOUR

- Ms. Kirstine Drew, Coordinator, the Global Unions anti-Corruption Network International Trade Union Confederation (ITUC)

GOVERNMENT

- Ambassador Birgitta Nygren, Swedish Ministry for Foreign Affairs

INTERNATIONAL ORGANIZATIONS

- Mr. Antonio Maria Costa, Executive Director
United Nations Office on Drugs and Crime (UNODC)
- Ms. Kuniko Ozaki, Director, Division for Treaty Affairs
United Nations Office on Drugs and Crime (UNODC)

- Mr. Francis Maertens, Director, Division for Operations
United Nations Office on Drugs and Crime (UNODC)
- Mr. John Sandage, Chief, Treaty and Legal Assistance Branch, Division for Treaty Affairs, United Nations Office on Drugs and Crime (UNODC)
- Mr. Dimitri Vlassis, Chief, Crime Conventions Section
United Nations Office on Drugs and Crime (UNODC)
- Mr. Giovanni Gallo, Crime Prevention Expert, Corruption and Economic Crime Section, United Nations Office on Drugs and Crime (UNODC)
- Mr. Pius Adogbeji Otuno, United Nations Office on Drugs and Crime (UNODC)
- Ms. Caroline Nicholas, Legal Officer of the International Trade Law Division, United Nations Commission on International Trade Law (UNCITRAL)
- Mr. Mohamed Lamine Dhaoui, Director, Private Sector Development Branch, United Nations Industrial Development Organization (UNIDO)
- Ms. Giovanna Ceglie, Chief, Clusters and Business Linkages Unit, Private Sector Development Branch, United Nations Industrial Development Organization (UNIDO)
- Mr. Georg Kell, Executive Director, United Nations Global Compact
- Ms. Olajobi Makinwa, Issue Manager, United Nations Global Compact
- Ms. Dawoon Chung, United Nations Global Compact

UN GC BOARD MEMBERS RESPONSIBLE FOR ANTI-CORRUPTION

- Dr. Huguette Labelle, Chair of the Board of Directors, Transparency International

UN GC SPECIAL ADVISOR ON THE 10TH PRINCIPLE

- Mr. Francois Georges

WORKING GROUP MEMBERS UNABLE TO ATTEND THIS MEETING

- Dr. Eckart Suenner, Chief Compliance Officer, BASF
- Mr. Chen Xing, Chief Legal Officer, Broad Air Conditioning, China
- Mr. Mark Emanuelson, Manager, Commercial Sales/Central and Eastern Europe, Cisco Systems
- Mr. Claus Pedersen, Director, Sustainability Development Centre, Novozymes
- Mr. Albert Wong, Group External Relations and Policy Adviser
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- Dr. Stephan A. Mechnig-Giordano, Chief Compliance Officer, Nestlé Group
- Mr. Kim Geo-Sung, Standing Executive Officer, K-Pact, Korea (ROK)