



Business Principles for Countering Bribery Quarterly Update

July 2006, Issue 2

International Codes

.....

Inside this issue:

International Codes

United Nations Global Compact	1
Launch of Principles for Responsible Investment	2
ISO 26000 Guidelines on Social Responsibility	2

Inter-Governmental Organizations

OECD Mid-Term Study	3
OECD publishes Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones	4
OECD Export Credit Group Anti-Bribery Action Statement	4
OAS: Private Sector Dialogue	4

Socially Responsible Investment:

Business Principles for Countering Bribery

Tools	5
Steering Committee Meeting	5
BPCB Workshops and Presentations	5

BPCB Country Engagement

Train-The-Trainers Workshops in China	5
TI - Italy Facilitates Enel's Adoption of Anti-Bribery Measures	
Request for Content	5

UN Global Compact



Huguette Labelle Named to New Global Compact Board

In April 2006, TI Chair, Huguette Labelle, was invited by United Nations Secretary General Kofi Annan to join the inaugural Board of the United Nations Global Compact. Labelle is one of four civil society representatives on the 20-person Global Compact Board, which also includes members from business, business associations and labor groups. Labelle's presence on the Board will ensure a continued focus on countering corruption in the Global Compact following the previous work by Peter Eigen, Transparency International's founding chairman, who successfully pressed on the UNGC to include transparency and anti-corruption as the 10th principle of the Global Compact. The first meeting of the UNGC Board took place in New York on 28 June 2006.

Members of the Global Compact Board

Business

Mr. Talal ABU GHAZALEH
Chairman and CEO, Talal Abu-Ghazaleh Organization, Egypt
Professor José Sergio Gabrielli de AZEVEDO
President and CEO, Petrobras, Brazil
Mr. Guillermo CAREY
Senior Partner, Carey & Allende Abogados, Chile
Mrs. CHEN Ying
Deputy Director General, China Enterprise Confederation, China
Mrs. Suzanne Nora JOHNSON
Vice Chairman, Goldman Sachs Group, USA
Ms. Anne LAUVERGEON
Chair of the Executive Board, Areva, France
Ms. Ntombifuthi MTOBA
Chair of the Board, Deloitte, South Africa
Mr. B. MUTHURAMAN

Managing Director, Tata Steel, India
Professor Mads OEVLISEN
Adjunct Prof. and Chair, Lego, Denmark
Mr. Hiroyuki UEMURA
President, Mitsui Sumitomo Insurance Co., Japan

International Labour and Business Organizations

Mr. Fred HIGGS
General Secretary, Int'l Fed. of Chemical, Energy, Mine and Gen. Workers' Unions
Mr. Antonio PENALOSA
Secretary-General, International Organization of Employers
Mr. Guy RYDER
General Secretary, International Confederation of Free Trade Union
Mr. Guy SEBBAN
Sec-General, Int'l Chamber of Commerce

Civil Society

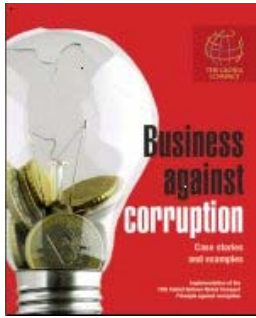
Mrs. Habiba AL MARASHI
Chair, Emirates Environmental Group
Mr. Oded GRAJEW
Chair of the Board, Instituto Ethos de Empresas e Responsabilidade Social
Dr. Huguette LABELLE
Chair, Transparency International
Mrs. Mary ROBINSON
Chair, Realizing Rights - The Ethical Globalization Initiative

Ex-Officio

Sir Mark MOODY-STUART
Chairman, Foundation for the Global Compact
Mr. Georg KELL
Executive Head, UN Global Compact Office

Business Principles Secretariat Contacts:

Susan Côté-Freeman
scotefreeman@transparency-usa.org
Peter Wilkinson
wilkinsonconsult@aol.com



UN Global Compact Publication on Implementation of 10th Principle Against Corruption

TI has contributed to an informative United Nations Global Compact document, *Business against corruption – case studies and examples*, on implementing anti-corruption policies and procedures.

More than 3,200 companies and organizations are now signatories to the United Nations Global Compact. For participating companies the implementation of the Global Compact voluntary principles is a task that has become even more challenging since the addition of the 10th Principle against Corruption two years ago. To help business with the concrete implementation of the 10th Principle, the Global Compact and UNODC joined forces in producing this publication which highlights some 25 examples drawn from business and civil society illustrating the challenges and dilemmas faced by business in dealing with bribery and corruption as well as some of the strategies adopted by business to cope with these challenges.

Business against corruption – case studies and examples deals with topics including:

- the implications of the UN Convention against Corruption
- the correlation between corruption, development and governance
- the implementation of anti-bribery programs
- selection criteria for agents and consultants
- how to handle facilitation payments and gifts
- corruption in partnership projects
- whistle-blowing and external reporting on corruption
- collective action against corruption
- engaging in national and regional initiatives against corruption

Transparency International contributed to this publication with articles on the need for a UN Convention monitoring mechanism, the TI Integrity Pacts, the basic elements of corporate anti-bribery codes and an overview of emerging practices in company reporting on bribery and corruption.

http://www.unglobalcompact.org/NewsAndEvents/recent_publications.html

Launch of Principles for Responsible Investment



In April 2006, United Nations Secretary General Kofi Annan and a group of the world's largest institutional investors launched the Principles for Responsible Investment (PRI). The PRI reflect the understanding that investment decisions

should reflect more strongly environmental social and corporate governance considerations. The institutional investors that participate in this initiative represent more than \$2 trillion in assets and include a number of public pension funds. The six broad principles are supported by 35 actions that could be undertaken by institutional investors

to integrate environmental, social and corporate governance in their investment decisions.

Transparency International welcomes the PRI for the important step they represent on the part of the mainstream investment community but cautions that the voluntary and aspirational nature of the Principles means that they could remain well-meaning measures unless stakeholders periodically remind participating firms of their commitments and ultimately participants accept that they should assure their performance.

<http://www.unpri.org/>

ISO 26000 Guidelines on Social Responsibility



The development by the International Standards Organization (ISO) of ISO 26000 on Social Responsibility promises to be an important step in formalizing expectations of companies and

organizations in this area.

Some 320 people from 55 countries and 26 international organizations attended the third plenary meeting of the ISO Working Group on Social

Responsibility (WG SR) on May, 15-19 2006 in Lisbon, Portugal. K M Loi of TI Malaysia represented TI. One of the main tasks of the meeting was to review some 2,100 comments from WG SR members on a first working draft. This work will continue in order to produce a second working draft for circulation and comment before the next WG SR meeting in early 2007. The third plenary meeting made three important decisions:

- a provisional agreement on a working definition of the term 'social responsibility';
- a draft definition of scope

- an agreement that the Guidelines will be for all types of organizations and will not have a particular focus on the private sector. From the BPCB perspective the focus on all organizations is disappointing as it will mean that the ultimate Guidelines will be generalized, providing a lower level of specific guidance for the private sector and good practice that will go beyond that required in the guidelines. However, taking a wider perspective, the focus on organizations of all types should encourage other companies and organizations to introduce social responsibility policies and practices. A positive step for the BPCB at the Lisbon meeting was that ad hoc working and drafting groups were agreed by delegates to develop the section of the Guidelines dealing with fair trading (the title of section will be decided by the breakout groups). TI will be participating in the ad hoc groups.

Two sections of the planned standard are directly relevant to TI's work i.e. organizational governance and fair business practices. ISO 26000 is intended for use by organizations of all types, in both public and private sectors, in developed and developing countries.

ISO 26000 will contain guidelines, not requirements. It is not a management system standard

and will not be for use as a certification standard like ISO 9001:2000 and ISO 14001:2004.

The objective of the Working Group is to produce "a guidance document" written in plain language that is understandable and usable by non-specialists, and not a specification document intended for third party certification."

ISO plans to produce the guidelines by 2009, an ambitious deadline given the complexity of the development and consultation process of ISO standards.

TI is accredited to ISO as a "category D Liaison Organization" which allows TI to nominate two experts and two observers who can attend the plenary workshop meetings. The TI experts are Peter Wilkinson from the BPCB Secretariat and Mr K M Loi from TI Malaysia. The next plenary working group is planned to be held in Sydney, Australia in early 2007.

www.iso.org/sr

If a TI chapter has someone with expertise in CSR or standards development who is interested in attending meetings as an observer, please inform Susan Côté-Freeman. We regret that BPCB Secretariat is unable to fund travel costs of observers.

(scotefreeman@transparency-usa.org)

Inter-Governmental Organizations

Organization for Economic Cooperation and Development



OECD Mid-Term Study of Phase II Report

On May 22, the OECD issued a Mid-Term Study of Phase II Reports on implementation and enforcement of the OECD Anti-Bribery Convention. Among the areas covered by the Mid-Term Study are country approaches to implementing the Convention, co-ordination of enforcement efforts, available resources, reporting mechanisms, private sector compliance efforts and whistleblower protection.

The Mid-Term Study highlights the strong connection between vigorous enforcement of domestic foreign bribery laws and the effectiveness of company compliance programs. The OECD reports that "In the United States where the DOJ (Department of Justice) and the SEC are strongly committed to enforcing the FCPA, corporate-wide compliance programs are an integral part of good corporate housekeeping." The report also points to the growing importance for companies of being socially responsible as a result of some OECD governments' promotional efforts which specifically refer to foreign

bribery laws.

The Report indicates, however, that this is generally not the case for SMEs where size and resources impact compliance. To address this problem, the OECD Working Group on Bribery has recommended "that the United States develop compliance programs tailored to the needs of SMEs doing business abroad."

On June 27, TI published its own second Progress Report on the enforcement of the OECD Convention which indicated that in spite of some progress enforcement generally remains deficient with no prosecutions in a number of key G7 countries. The TI Progress Report underscores that only a third of OECD member states have taken significant enforcement action and that two-thirds of the 31 signatory countries surveyed had achieved little or no enforcement since the Convention came into force in 1999.

Reports from the OECD and TI provide a check on lessons and progress for the OECD Convention.

OECD Publishes Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones

The OECD has published a useful tool for companies that have activities in countries where corruption is a risk. TI, along with a number of other stakeholders from OECD and non-OECD countries, gave input during the development process of the Tool.

The OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones was developed to help companies that are active in countries where governments are “unwilling or unable to assume their responsibilities.” The Tool addresses risks and ethical dilemmas that

companies are likely to face in weak governance zones, with a focus on “heightened care in managing investments, knowing business partners and clients, dealing with public sector officials, and speaking out about wrongdoing.”

The Risk Awareness Tool was developed in line with the objectives and principles of the OECD Guidelines for Multinationals. It is expected that in a further phase, OECD will work with business and stakeholders to identify sources of practical experience in addressing the challenges highlighted by the Tool.

www.oecd.org/document/6/0,2340,en_2649_34889_36887622_1_1_1_1,00.html

OECD Action Statement “Encourages” Anti-Bribery Management Control Systems

The OECD Export Credit anti-bribery working group issued in May 2006 its “Action Statement on Bribery and Officially Supported Export Credits”. This requires all OECD export credit agencies to enhance their anti-corruption actions. Among the actions are requirements on export credit agencies to:

- encourage applicants for export credits to develop, apply and document appropriate anti-bribery management control systems;

- require applicants to provide undertakings that neither they, nor anyone acting on their behalf, has or will engage in bribery;
- verify whether applicants appear on an MDB debarment list, or are being investigated, or have been convicted, of bribery;
- require disclosure of agents and their commissions;
- obtain recourse from an applicant in the event of bribery.

[http://www.ois.oecd.org/olis/2000doc.nsf/LinkTo/td-ecg\(2000\)15](http://www.ois.oecd.org/olis/2000doc.nsf/LinkTo/td-ecg(2000)15)

Organization of American States: Private Sector in “Dialogue” with the 36th General Assembly



The Business Principles Secretariat and staff of the Americas department participated in a business leaders’ meeting convened by Private Sector of the Americas on 2-3 June, in the Dominican Republic. The Private

Sector Forum immediately preceded the 36th General Assembly of the Organization of American States (OAS). Private Sector of the Americas is an organization that comprises Inter-American, regional and national business associations in the Americas and seeks to harmonize the dialogue and joint efforts between the public and the private

sectors to enhance development on the continent. In a formal dialogue with OAS foreign ministers, the business leaders presented an overview of the recommendations developed during the Private Sector Forum, including initiatives related to corporate social responsibility, the fight against corruption and the promotion of transparency and corporate codes of ethics. A number of these recommendations were drawn from TI’s input into the meeting.

The full text of the recommendations is available at: http://www.privatesectoramericas.org/eng/documentos_oficiales.htm

Socially Responsible Investment

FTSE4Good



As previously reported in this newsletter, FTSE4Good, the UK SRI index, launched earlier this year anti-bribery criteria that were developed with advice from the Business Principles Secretariat.

A conference, SRI Fund Management: New Trends and Innovations, is being organized by Sunrise Advisers Co., Ltd on July 13, 14 in Tokyo, Japan which

will include a presentation by Will Oulton, Strategic Adviser, FTSE Group on the new criteria. Professor Toru Umeda, Deputy Director, Business Ethics and Compliance Research Center, Reitaku University and Vice Chair, Transparency International Japan will be speaking about the Business Principles for Countering Bribery. The conference details can be found at:

<http://www.sunrise-advisors.jp/products/conference/>

Business Principles for Countering Bribery

Tools: TI Self-Evaluation Module

The TI Self-Evaluation Module (SEM) is a self-assessment tool that is being developed as part of a suite for tools for the BPCB.

The tool has been drafted and subjected to review in four focus groups. It is now being field tested to assess its robustness and usefulness. The SEM is a checklist comprising some 400 indicators in three categories (core, secondary and performance) with the aim to assist companies in assessing the completeness and performance of their anti-bribery policies and systems. Two European companies volunteered to be hosts of SEM field tests that took place in March and May. At least two other pilots are planned in the coming months, with one in a US-based company where a review will be carried at headquarters and another

will be integrated into the SEM which is expected to be in a foreign operation. Feedback and lessons from the pilots completed by December 2006. An independent assurance tool is also being developed with the support of the accountancy profession. TI is grateful to the contribution of PricewaterhouseCoopers to the field testing of the SEM and to the development of the assurance tool.

TI national chapters in Italy and in the Czech Republic have begun work on the development of simplified checklists for company self-assessment of anti-bribery. The BPCB Secretariat is working with both chapters to help develop consistency in the tools.

Chapters wishing to receive a copy of the draft SEM should contact Susan Côté-Freeman.

BPCB Steering Committee

The Business Principles Steering Committee met in London on May 23, 2006. The main focus of the meeting was on the progress achieved in the development of the BPCB tools and updating members on TI industry sector work and initiatives such as the UN Global Compact, the WEF PACI initiative. Neill Stansbury of TI (UK) made a

presentation on recent developments in Export Credit Agencies with particular emphasis on the OECD action statement (see item on page 4). The next meeting of the Steering Committee is tentatively scheduled to take place in early December in Washington, D.C.

BPCB Workshops and Presentations

World Economic Forum, Egypt, May 20-22: Jermyn Brooks participated in a meeting organized by the World Economic Forum on the Middle East in Sharm el Sheikh, where some 1,100 participants committed to increase the role of the private sector in driving the Arab world's development agenda.

Ethos Brazil, June 21-22: Jermyn Brooks, TI Private Sector Leader and board member participated in a meeting

organized by Instituto Ethos in Sao Paolo, Brazil.

Forestry Integrity Initiative, July 18: The Business Principles Secretariat will be presenting the Business Principles at a meeting in London, on July 18, 2006 to a UK-based group of **lumber traders** who have been developing transparency principles in their companies. There will also be a FIN presentation at a conference on July 21 to be held by the Royal Institute of International Affairs in London.

BPCB Country Engagement

Train-The-Trainers Workshops in China

In the coming year, two train-the-trainers workshops will be taking place in China where the Ministry of Supervision has committed to the implementation of the Business Principles in state-owned enterprises (SOEs). Associated activities include assessment visits, training mod-

ules development, field tests and post-workshop evaluations. This program which has been made possible by a grant from the UK Foreign and Commonwealth Office will also include public procurement workshops.

TI Italy Works with Enel

Enel, Italy's largest supplier of electricity, reported in its latest sustainability report that it had adopted a policy of zero tolerance to bribery and corruption. Enel's new policy is based on the Business Principles for Countering Bribery and TI Italy has worked closely with Enel to assist

in the implementation of the BPCB-based policy.

For more information on this initiative contact: Quintiliano Valenti (qvalenti.mia@libero.it)

Request for Content:

We would welcome chapter contributions on private sector related issues and/or activities. Please forward contributions to Susan Côté-Freeman.