

CLEAN BUSINESS IS GOOD BUSINESS

The Business Case against Corruption

A joint publication by the International Chamber of Commerce, Transparency International, the United Nations Global Compact and the World Economic Forum Partnering Against Corruption Initiative (PACI).



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IMPROVING THE STATE
OF THE WORLD



United Nations Global Compact

Facts & Figures*

Corruption, the abuse of entrusted power for private gain, is the single greatest obstacle to economic and social development around the world. It distorts markets, stifles economic growth, debases democracy and undermines the rule of law.

- Estimates show that the cost of corruption equals more than 5% of global GDP (US \$2.6 trillion), with over US \$1 trillion paid in bribes each year.
- Corruption adds up to 10% to the total cost of doing business globally, and up to 25% to the cost of procurement contracts in developing countries.
- Moving business from a country with a low level of corruption to a country with medium or high levels of corruption is found to be equivalent to a 20% tax on foreign business.

International Law

The international legal framework that companies are facing is changing fast and has been strengthened during recent years. It now includes the following intergovernmental instruments:

- Inter-American Convention Against Corruption (1996)
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)
- European Union Instruments on Corruption
- Council of Europe Conventions on Corruption (1997-1999)
- The African Union Convention on Preventing and Combating Corruption (2003)
- United Nations Convention Against Corruption (2003)

Governmental instruments are also increasingly being adopted at the national level; sometimes with global implications to companies, i.e. the Foreign Corrupt Practices Act and the Sarbanes-Oxley Act in the US.

Why Should Your Company Engage?

Companies are subject to extortion and some play a role in paying bribes. Accordingly, the private sector is also part of the problem and can also be part of the solution (for example, by sharing responsibility for finding ways to effectively fight corruption).

What Can Your Company Do?

An increasing number of companies are demonstrating leadership by implementing effective anti-corruption programmes within their companies. Common features of such programmes include:

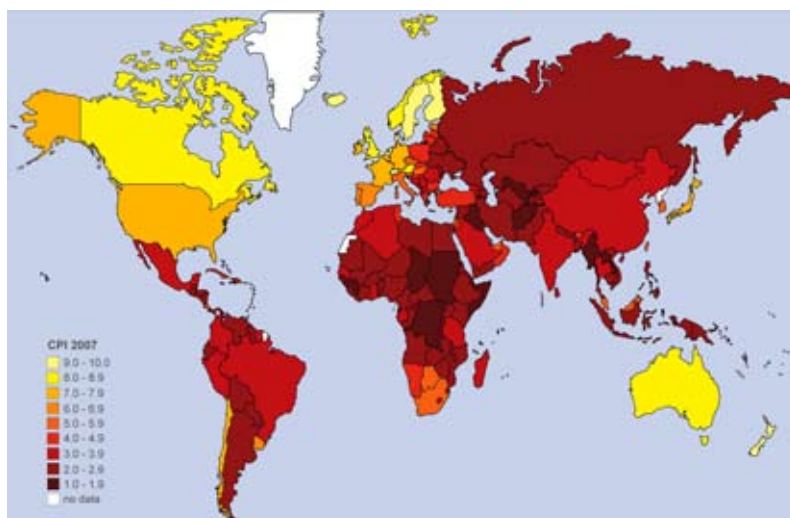
- Detailed policies on company-specific bribery issues such as kickbacks, extortion, protection money, facilitation payments, conflicts of interest, gifts and hospitality, fraud and money laundering, and political and charitable contributions
- Management systems and procedures outlining frameworks for risk assessment, training, sanctions, whistleblowing, continuous internal self-review and external reporting Companies are increasingly engaging in sector-specific or multi-industry initiatives, locally, regionally and/or globally, to share their experiences, learn from peers and, in partnership with other stakeholders, contribute to leveling the playing field.

There are a number of principles, recommendations and guidance and implementation tools available to companies. They have been developed in cooperation with companies and tested in real corporate environments. See the back of the leaflet for further information.

*Source: World Bank

Corruption Remains a Serious Problem for Companies in Most Parts of the World and across Industries

Countries Particularly Prone to Corruption



Industries Particularly Prone to Corruption

- Public works/construction (1.3)
- Arms and defense (1.9)
- Oil and gas (2.7)
- Real estate/property (3.5)
- Telecommunications (3.7)
- Power generation/transmission (3.7)
- Mining (4.0)
- Transportation/storage (4.3)
- Pharmaceuticals/medical care (4.3)
- Heavy manufacturing (4.5)
- Banking/finance (4.7)
- Civilian aerospace (4.9)
- Forestry (5.1)
- IT (5.1)
- Fisheries (5.9)
- Light manufacturing (5.9)
- Agriculture (5.9)

Note: The map is based on Transparency International's 2007 Corruption Perceptions Index. The score relates to perceptions of the degree of corruption ranges between 10 (highly clean) and 0 (highly corrupt). The Industries ranking is drawn from Transparency International's 2002 Bribe Payers Index. The scores, similarly from 0 to 10, reflect the propensity of companies in different sectors to pay bribes.

The Business Rationale for Fighting Corruption

	Benefits of Engaging	Risks of Not Engaging
Individual Company Action	<ul style="list-style-type: none"> • Reduce the cost of doing business • Attract investments from ethically oriented investors • Attract and retain highly principled employees, improving employee morale • Obtain a competitive advantage of becoming the preferred choice of ethically concerned customers/consumers • Qualify for reduced legal sanctions in jurisdictions like the US and Italy 	<p>Criminal prosecution, in some jurisdictions both at company and senior management levels which can lead to imprisonment</p> <ul style="list-style-type: none"> • Exclusion from bidding processes, e.g. for international finance institutions and export credit agencies • "Casino risk" – no legal remedies if a counterpart does not deliver as agreed and/or keeps increasing the price for doing so • Damage to reputation, brand and share price • Tougher fight for talent when hiring new employees • Regulatory censure • Cost of corrective action and possible fines
Collective Action by Business	<ul style="list-style-type: none"> • Create a level playing field overcoming the "prisoner's dilemma" • Improve public trust in business • Influence future laws and regulations 	<p>Missed business opportunities in distorted markets</p> <ul style="list-style-type: none"> • Increased magnitude of corruption • Policy-makers responding by adopting tougher and more rigid laws and regulations – internationally, regionally and nationally

"MWH has a core value to be a trustworthy business partner. Honesty, professionalism, ethical behaviour and integrity with our staff, clients and supply chain are integral to the way we do business."

Robert Uhler, *Chief Executive Officer, MWH Global, USA*

"MTN subsists on five brand values – integrity, leadership, relationships, innovation and can-do. These values are the essence of MTN, defining our people, policies and practices. Integrity is a promise that we have made to all our stakeholders – of fairness, transparency, honesty and accountability in all our dealings. As we maintain our leadership position in Nigerian telecommunications, we are committed to also leading the way in zero tolerance for corrupt practices."

Ahmad Farroukh, *Chief Executive Officer, MTN Nigeria, Nigeria*

"There is no business which is so important that we will jeopardize our business ethics."

Lars Rebien Sorensen, *President and Chief Executive Officer, Novo Nordisk, Denmark*

"Corruption is the single greatest obstacle to economic and social development, and the fight against it is imperative. With our considerable resources, practical experience and front line position, international business must take a stand, for it is no longer enough to simply be against corruption or other unethical business practices. Global business leaders must be fully engaged in eradicating them and leveling the competitive playing field for all."

Alan L. Boeckmann, *Chairman and Chief Executive Officer, Fluor Corporation, USA*

"Good governance is a requirement for sustainable development and effective markets. StatoilHydro supports the global fight against corruption."

Helge Lund, *President and Chief Executive Officer, StatoilHydro, Norway*

"Our objective in this area is to make it clear to governments that the business interest lies in the widest possible international commitment to anti-corruption rules, so that we may compete on a level playing field on a sound ethical and legal basis."

Paul Skinner, *Chairman, Rio Tinto, United Kingdom*

Global, Multi-industry Initiatives

Even companies demonstrating anti-corruption leadership are facing challenges that they cannot effectively solve themselves, i.e. eliminating facilitation payments and the prisoner's dilemma. Four mutually supportive global, multi-industry initiatives work together with companies to address such collective business challenges:

International Chamber of Commerce (ICC)

ICC speaks with authority on behalf of enterprises from all sectors around the world. In 2005, it issued a revised version of its Rules and Recommendations to Combat Extortion and Bribery, first published in 1977. The ICC Commission on Anti-Corruption brings together experts from a wide range of business sectors and national backgrounds. It promotes self-regulation by enterprises in confronting extortion and bribery and provides business input into international initiatives to fight corruption. For more information, visit www.iccwbo.org or contact viviane.schiavi@iccwbo.org.

Transparency International (TI)

TI, the global coalition against corruption, addresses corruption through a wide range of tools and over 90 national chapters. In 2002, it worked with a multistakeholder and international steering committee of companies, business associations, academics, union representatives and civil society organizations to publish an anti-corruption code entitled Business Principles for Countering Bribery. This code formed the basis for the PACI Principles, developed with the World Economic Forum. Since then, insights gained from workshops held around the world have led to the development of a suite of tools to support companies in developing and implementing anti-corruption policies, monitoring their effectiveness and publicly reporting their results. For more information, visit www.transparency.org or contact businessprinciples@transparency.org.

United Nations Global Compact (GC)

In 2004, a 10th Principle was added to the United Nations Global Compact, a multistakeholder initiative, sending a strong signal that the private sector shares responsibility for eliminating corruption. The principle states: "Businesses should work against corruption in all its forms, including extortion and bribery." The adoption of the 10th Principle commits the almost 8,000 Global Compact participants not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programmes to address it. The United Nations Global Compact is a voluntary initiative with a mandatory requirement for business participants to disclose, on an annual basis, performance changes in the issue areas. For more information, visit www.unglobalcompact.org or contact makinwa@un.org.

World Economic Forum Partnering Against Corruption Initiative (PACI)

PACI is a platform for companies to commit themselves to develop, implement and monitor their anti-corruption programmes through peer network meetings and provision of private sector-driven support tools. Driven by the private sector, the initiative helps to consolidate industry efforts in fighting corruption and shape the evolving regulatory framework. PACI was initiated by World Economic Forum member company CEOs in Davos in 2004. Since then, the PACI Principles for Countering Bribery have been developed, and the nature of the initiative has become multi-industry and multinational. The Principles have received CEO commitment from almost 150 companies, representing an annual turnover of more than US\$ 800 billion. For more information, visit www.weforum.org/paci or contact paci@weforum.org.

"Falck Group believes in and operates for a sustainable development and growth based on ethics principles. Falck Group has in place a full system of corporate governance to obtain such goals and, furthermore, shares these cultural values with all employees."

Achille A. Colombo, *Managing Director*,
Falck Group Italy, Switzerland

"Corruption not only attacks the moral fibre of our society and the integrity of our markets, but it also conflicts with the core principles on which Sanlam's business strategy is based. Our commitment to our ethical values and our strategic vision demand that we shall not tolerate any form of corruption in our business dealings."

Johan van Zyl, *Group Chief Executive*,
Sanlam, South Africa