

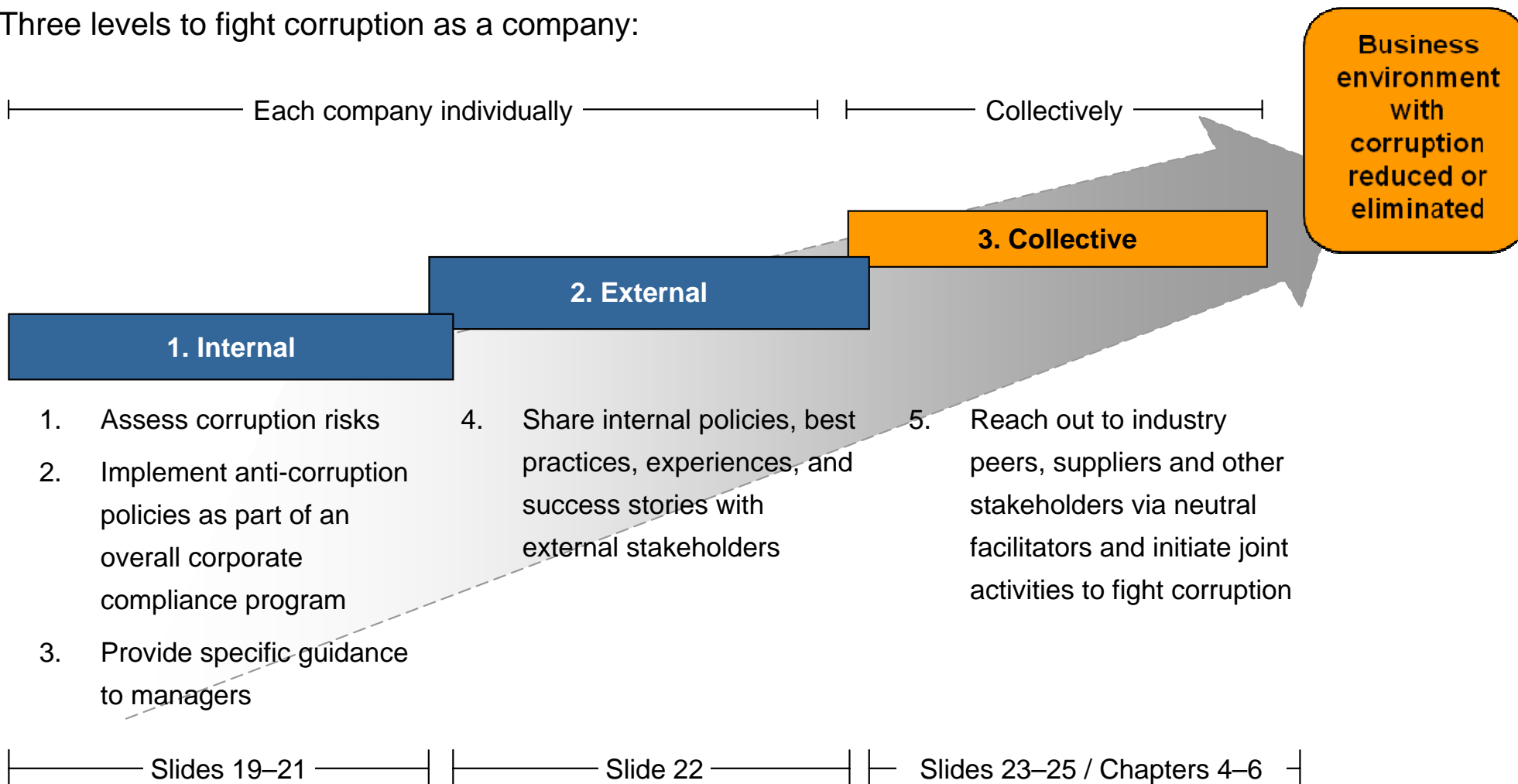
Table of contents

Fighting Corruption Through Collective Action – a Guide for business

	Page	Contents
1. Introduction	3	
2. Background	8	
3. How to fight corruption	17	<ul style="list-style-type: none">▪ Three levels to fight corruption▪ Internal corporate compliance programs▪ External communication▪ Collective Action – making compliance the norm▪ Collective Action benefits
4. Fighting corruption through Collective Action	26	
5. How to implement Collective Action	35	
6. Best practices and contact list	61	

There are three levels at which a company may fight corruption – Collective Action is an advanced step.

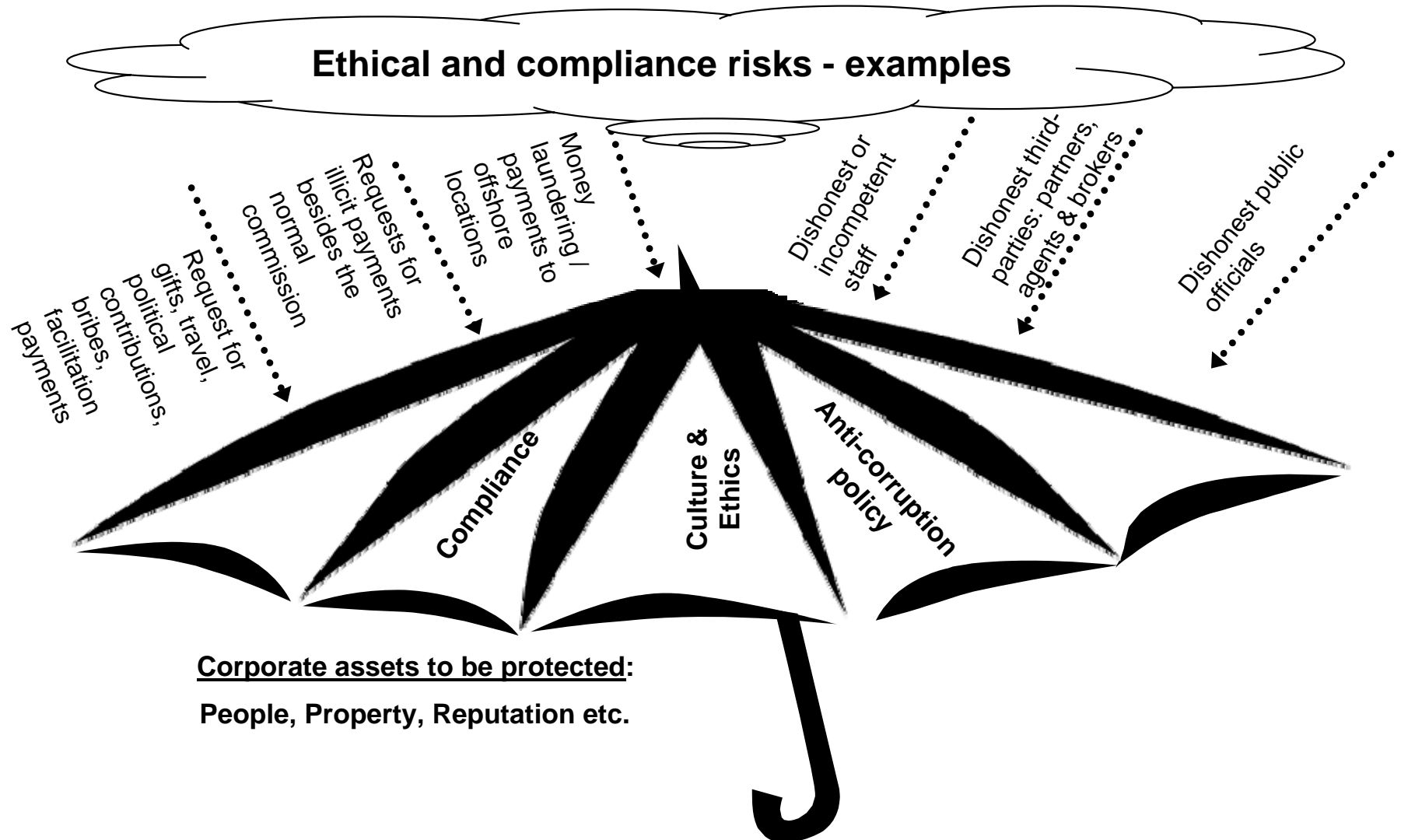
Three levels to fight corruption as a company:



Source: Global Compact – Business against Corruption, a framework for action, 2006

1. Internal

To deal with corruption risks, a company needs to establish an ethical corporate culture and implement a strong anti-corruption policy



1. Internal

‘Effective’ corporate compliance programs start with leadership commitment and include a number of general accepted principles

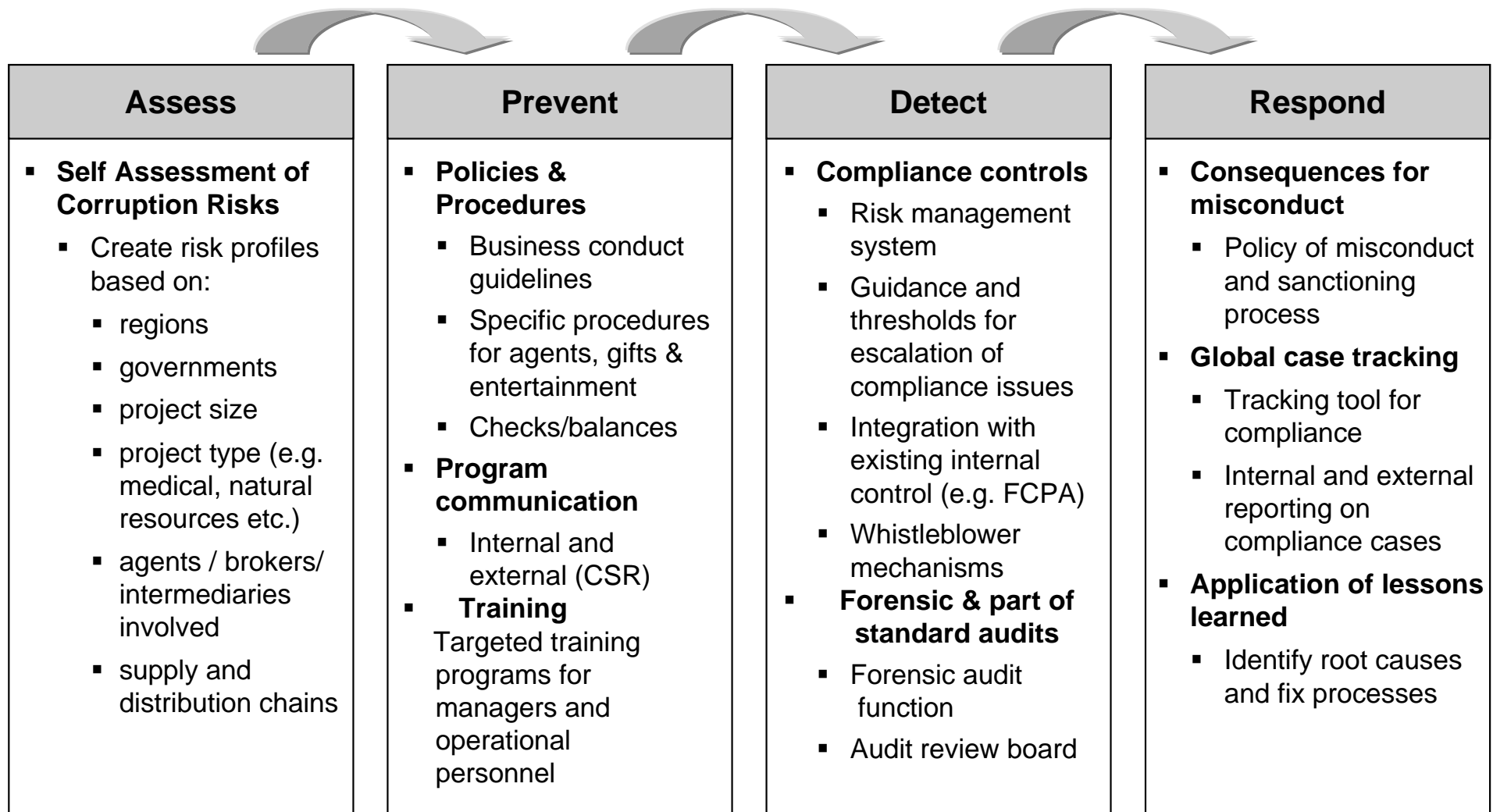
Success factors and principles of corporate compliance programs

Success Factors	Principles *
<p>Strong 'tone from the top'</p> <p>Leadership, communications, <u>and actions</u> which visibly and consistently support the program and its underlying principles. Avoid any appearance of double standards in behavior</p>	<ol style="list-style-type: none">1 Oversight from a knowledgeable Board of Directors2 Standards and procedures to prevent and detect misbehavior – and specifically prohibiting bribery in any form3 Program management by senior personnel with operational responsibility and clear lines of authority4 Preventive operational safeguards consisting of conduct codes, whistleblower “hotlines”, internal controls and audit, anti-retaliation measures and background screening of candidates for substantial authority positions, etc.5 Communications and training to support the program6 Reinforcement of appropriate behaviors through incentives and consistent discipline7 'Lessons learned' responses to discovered incidents – emphasizing root causes, process adjustments and accountability8 Engagement with other businesses and other stakeholders9 Separation of internal functions and responsibilities
<p>A business culture which values 'good sales'</p> <p>Involving compliance in operations and recognizing it as supporting, not preventing, corporate sales – so that sales are more likely to have less corruption risk</p>	
<p>Practices and processes which are practical</p> <p>A program which is prioritized, well-communicated and focused on the particular facts and circumstances of the business</p>	

* Both regulatory frameworks (OECD Convention on Combating Bribery, UN Convention Against Corruption, US Sentencing Guidelines, etc) and voluntary frameworks (TI Business Principles, among others) generally reflect many of these program principles.

1. Internal

To continuously improve a compliance program* a company should follow the practices of “Assess” – “Prevent” – “Detect” – “Respond”



* Additional compliance program information can be found at the websites of various anti-corruption and compliance related organizations.

2. External

Publicly communicating company standards and policies will help employees and business partners to resist bribery, and encourage the reporting of bribe incidents

External communication

- Make a clear and unambiguous statement of principles and policy
- Set expectations (e.g. using contractual audit clause) that business partners and supply and distribution chain participants will conform to company policy
- Report to stakeholders on internal activities to fight corruption
- Share experiences and best practices



- Annual report
- CSR report
- Case studies



- Separate section on company website



- Presentations at anti-corruption and business conferences






- Press releases
- Round table discussion with journalists

Benefits

- Might trigger interaction with other organization that can give feedback, propose changes and share best practice examples
- Contributes to mitigate risk of corruption and will help employees to withstand potential demands for bribes and have confidence to report them
- Builds reputation of being an ethical company

3. Collective

Collective Action can help to overcome corruption dilemmas by making compliance the norm and isolating bad participants

Corruption Dilemma		
<ul style="list-style-type: none">▪ Corruption has a negative impact on companies, governments, societies, and economies▪ Despite costs to some, certain individuals or groups benefit from corrupt transactions▪ Efforts by one individual organization might not be sufficient to change a corrupt environment		
<p>Governments</p> 	<p>Companies</p> 	<p>Civil Society</p> 
<ul style="list-style-type: none">▪ Officials often have discretionary authority▪ Weak governance prevents monitoring and sanctioning of corrupt behavior	<ul style="list-style-type: none">▪ Sales employees are often paid extra salary or bonuses if they win contracts▪ Companies with strong anti-corruption policies lose contracts to corrupt competitors▪ SMEs lack resources to counter demands	<ul style="list-style-type: none">▪ Civil society often lacks access to information on public procurement transactions

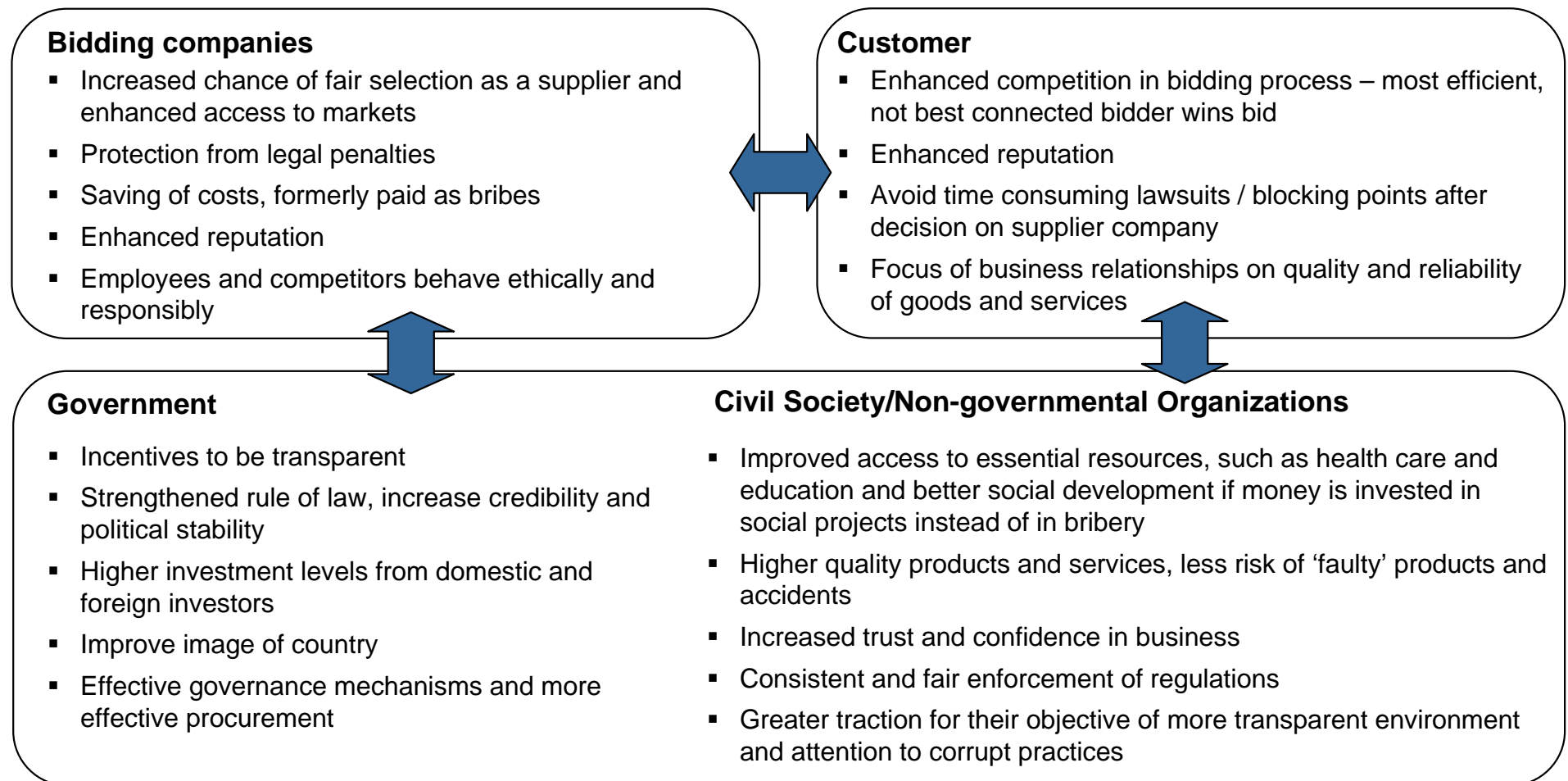


Collective Action
<ul style="list-style-type: none">▪ Collective Action:<ul style="list-style-type: none">▪ Is a collaborative and sustained process of cooperation between stakeholders▪ Increases the impact and credibility of individual action▪ Brings vulnerable individual players into an alliance of like-minded organizations▪ Levels the playing field between competitors▪ May complement, or temporarily substitute for and strengthen. weak local laws and anti-corruption practices▪ The central objectives of Collective Action are to:<ul style="list-style-type: none">▪ Strengthen anti-corruption commitments between and among different stakeholders▪ Create incentives for stakeholders to avoid bribery and corruption in transactions and eliminate violations by individual members▪ Create incentives to avoid corruption by individuals <i>within</i> companies and governments

3. Collective

All stakeholders benefit from Collective Action

Benefits of anti-corruption Collective Action from different stakeholders' perspectives*

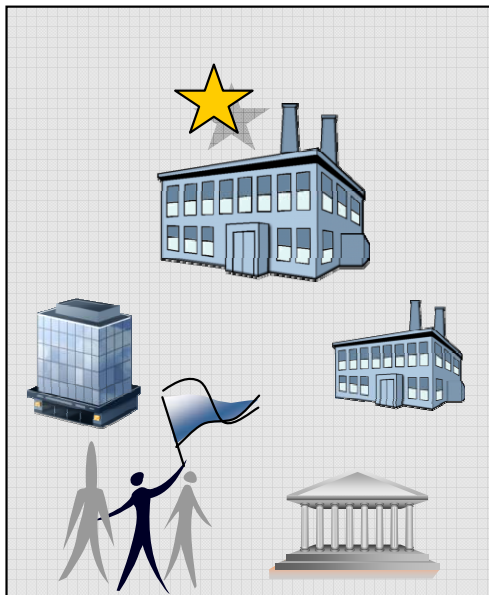


* Furthermore, Collective Action indirectly supports the internal control over decision-making processes: if bribery occurs, that also normally means that the usual controls and chains of command within one or more organizations have been avoided or manipulated, and are therefore weakened.

3. Collective

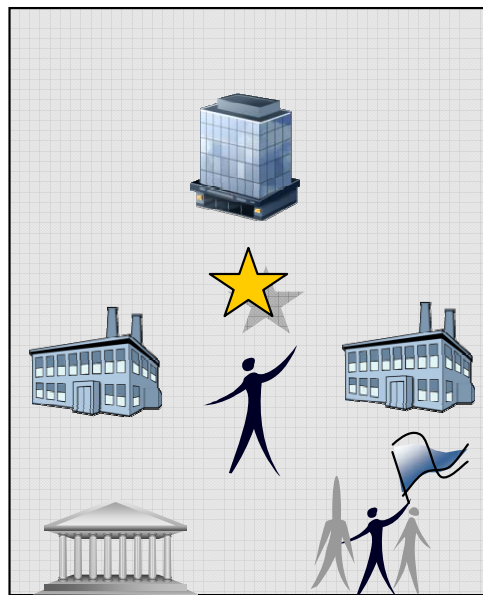
Collective Action tends to be more successful if convened and supported by a neutral facilitator

Model 1. One or more companies convene Collective Action



- May raise anti-trust/competition law concerns
- Leading role of one company may prevent other companies from participating
- If only companies participate in initiative, civil society may question the outcomes

Model 2. Facilitator convenes Collective Action



- Individual company can indirectly initiate Collective Action
- Facilitator has better opportunities to approach different stakeholders
- Increased credibility of initiative

Role of facilitator

- Bring stakeholders together and provide neutral platform
- Best-practice sharing / advice
- Nominate external monitor or auditor

Role of company

- "Make first move" and initiate action
- Act as champion

Facilitator candidates

- NGOs
- Credible individuals
- Business chambers

List of potential facilitators on slide 65

★.....convening party / facilitator