Stand Together Against Corruption – How to Prevent Corruption in the Supply Chain

25 November – 9 am EDT
Questions

Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What is Human Trafficking?
Agenda

Welcome and Introduction
Anita Househam, Policy and Legal Adviser, UN Global Compact
Moramay Navarro Perez, Programme Manager, UN Global Compact

Anti-Corruption in Supply Chain – Telenor Perspective
Cecilie Hersleth, Legal Manager, Telenor Group

Supply Chain Issues in Emerging Economies
Ayotola Jagun, Chief Compliance Officer, Oando PLC

The need to address anti-corruption in the supply chain
Gro Skaaren-Fystro, Special Adviser, Transparency International Norway

Q & A: Remaining Time
Stand Together Against Corruption – A Practical Guide to Help Prevent Corruption in the Supply Chain

- Developed by the Anti-Corruption Task Force of the UN Global Compact Supply Chain Sustainability Advisory Group, headed by Telenor Group.
- Launched at the UN Global Compact Leaders Summit in September 2013.
- Responds to the need for short and pragmatic guidance to companies on managing anti-corruption in the supply chain.
Structure of the Guide – Introduction and Background

- Short and practical guidance on managing anti-corruption in the supply chain (not internal compliance)
- Focus on preventive measures (not reactive measures)
- Provide company practices and selected references to relevant anti-corruption guidance material
- Link to other UN Global Compact resources
  - “Fighting corruption in the supply chain: A guide for customers and suppliers”, developed by the UN Global Compact 10th Principle Working Group, serves as main reference for this tool.
The Business Case for Anti-Corruption in the Supply Chain:
- It improves and protects brand reputation
- It reduces financial costs
- It reduces legal risks
- It creates trust

Further, if companies engage in collective action:
- It sets the standard for honest business and increases certainty in commercial transactions
Structure of the Guide – How to get started?

1) Within your own Organization
   - Commitment and policy
   - Implementation
   - Monitoring

2) In the supply chain
   - Identify your suppliers
   - Develop your requirements
   - Implement your Supplier Code of Conduct
   - Adopt a risk-based approach and monitor compliance
   - Establish a pro-active dialogue with suppliers
   - Provide support with training
   - Company response to corruption

3) Take Collective Action
   - Training and awareness at the industry level
   - Compliance Pacts
Stand Together Against Corruption – Engagement Opportunities

- Customers and suppliers can use the guide for training and awareness, within the organization and at the industry level.

- Engage with Local Networks to bring suppliers together for relevant trainings or engage in dialogue for further initiatives.

- Companies and Local Networks are invited to propose a translation of the Guide in foreign languages to raise awareness.

- To suggest further engagement opportunities please contact Elena Bombis, bombis@unglobalcompact.org.
Fighting corruption in the supply chain

- Businesses are exposed to corruption risks in the supply chain. There are associated costs and risks

- *Fighting corruption in the Supply Chain: A guide for Customers and Suppliers*
  - Gap in guidance on how to prevent corruption and respond to corruption demands or acts of corruption in the supply chain.
  - The Guide:
    - Outlines the business case for fighting corruption in the supply chain
    - Provides a framework for customer-supplier engagement
    - Addenda: Code of conduct for suppliers / AC contract language / Due diligence protocol / Supplier questionnaire / Anti-Corruption Education and Communication for Suppliers / Anti-Corruption Resources

- Significant gap in resources and capacities between large companies and SMEs
  - External supply chain partners are often SMEs that may lack resources and knowledge on how to manage risks
  - Training supplier personnel is key but also collective action:
    - Promoting Collective Action Project – Egypt: aim is to establish an AC and transparency standard tailored to the needs and challenges of SMEs in Egypt (SMEs account for 80% of its economy) and create incentives for SMEs
Anti-Corruption in Supply Chain - Telenor perspective
November 2013
Cecilie Hersleth, Group Sustainability
My objective today is that you leave with an understanding of

- How we can work preventive to mitigate the corruption risk
- How we can make use of the new Guide
- How we have integrated anti-corruption in global supply chain
About Telenor

- Mobile operations 12 markets
- Top performer Dow Jones Sustainability Index
New Guide from UNGC

Short and practical guide to companies, step by step guidance

Preventive day to day work

Managing anti-corruption in the supply chain, striving for minimizing corruption risk

Focus on preventing corruption in the supply chain (not on reactions to misconduct)

Supplementing other UNGC documents and references
How to use the Guide

• Dialogue with suppliers
• Capacity building/training & awareness of suppliers
• Distribute on supplier conference, breakfast meetings & panel discussions
• Sets out clear expectations to our suppliers
• Reference document in dialogue with stakeholders
Anti-corruption and human rights in global supply chain

- 15,400 suppliers
- 2,230 supplier sustainability inspections
- 950 HSSE supplier training sessions

• Our Supplier Conduct Principles shall be met by all our suppliers
• Our ABC agreements are used to ensure compliance and respect for human rights

Corporate governance
HSSE standards
Environment
Decent work

2012
Anti – Corruption: Daily work - supply chain

- Integrated in day to day work
- Internal training and awareness
- Corruption risk assessment tool
- Integrated in regular inspections
- Increase visibility in the marketplace
- Foster local initiatives
Capacity building of suppliers
Thank you
“Stand Together Against Corruption - How to Prevent Corruption in the Supply Chain”

25 November, 2013
Unique Supply Chain issues in Emerging Economies

Collaborative Action Opportunities

Incentives & Sanctions
Supply Chain Issues in Emerging Economies

- Pass the Parcel
- Corruption of Need vs. Corruption of Greed
- Culture of Silence
- Local Content
Collaborative Action Opportunities

- Bringing the Anti-Corruption agenda to the forefront of emerging market growth:

  - Birthing ethical business from inception
  - Embedding clean business in Local Content criteria
  - The Role of the Banking Sector - Going beyond basic KYC
Incentives & Sanctions

- Incentives
  - Preferred vendor designation
  - Better Credit/payment terms
  - Clean business Investment Fund

- Sanctions
  - Blacklisting – Implementation of an effective policy
The need to address anticorruption in the supply chain

Gro Skaaren-Fystro
Special Adviser
Transparency International Norway
Corruption damages

- **Reputation:**
  - Unattractive as business partner
  - Unattractive as employer

- **Value:**
  - Bid uncertainty
  - Wasted bid expenses
  - Increased project cost
  - Extortion / black-mail
  - Black-listing
  - Share price drop

- **Financing:**
  - Unattractive to investors
  - Unattractive to lenders

- **Legal:**
  - Criminal liability
  - Civil liability

- **Cost:**
  - Fines
  - Compensation
  - Lawyer fees
The buyers’ ethical requirements

• The serious consequences of corruption lead to ethical requirements that are stricter than in the laws

• Buyers want to be on the safe side, in front of the legal development and operate on a high ethical level

• Will expect suppliers to respect the same level of ethics code of conduct and anticorruption programs

• So far, buyers have mostly required suppliers to sign a declaration or accept contract clauses on ethics

• Now buyers will ask for documentation of codes of conduct and anticorruption programs (education, training, awareness making) and control of sub-suppliers
The procurement process

(pre-qualification – invitation to bid – bid evaluation – award of contract – contract administration)

Pre-qualification

• Integrity due diligence
• Gap analysis and improvement plan

Invitation to bid

• A satisfactory code of conduct
• A good anticorruption programme involving own employees and sub-suppliers

Contract Administration

• Supply Chain Management System (ethics and a-c)

BEST TO HAVE THE ETHICS IN PLACE FROM BEGINNING
Code of conduct

• Suppliers are strongly recommended to study the code of conduct applying for buyers, or customers, with whom they have a business relationship. They must ensure that their own code of conduct is in accordance with those. Also, they must ensure that their sub-suppliers have similar codes of conduct.

• Important to engage own organisation in this work

• Responsibility for maintaining and follow-up the code of conduct must be clearly defined.

• COMMITMENT FROM THE TOP IS ESSENTIAL
Implementation of an anticorruption program

• Risk analysis:
  – Which part of the organisation is most exposed for corruption? (Procurement? Marketing? Subsidiaries?)
  – And in which way? (Facilitation payments? Hospitality? Use of agents?)

• Training programs:
  – Should include all employees, also management
  – Tailormade for the relevant business
  – Use dilemmas! Open discussions create awareness and good company culture - helps in making the right judgement/decisions when ethical dilemmas occur
Thank you for joining us today.
Presentation slides and a recording of the webinar will be available on the UNGC website.

If you have any additional questions, please contact:

Supply Chain Sustainability Workstream:
Anita Househam, househam@un.org

Anti-Corruption Workstream:
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