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Transparency International is a not-for-profit, non-government organisation, which aims to counter corruption in international and national business transactions and government decision making.

Transparency International is politically non-partisan and does not undertake direct investigation of alleged corruption or expose individual cases.

There are over 90 National Chapters of TI worldwide. Each chapter is an autonomous body supported by a global Secretariat based in Berlin

## Transparency International (NZ) Releases NZX 50 Study.

### Media Release 31 January 2009

"Only 44% of NZX 50 companies have specific policies prohibiting bribery", said Gerald McGhie, Chairman of Transparency International New Zealand today. "This compares", he said, "with 72 per cent in the United Kingdom, 69% in the United States and 50% in Europe as a whole".

Mr McGhie was commenting on a TINZ Report issued today entitled "As Good As We Are Perceived?"

The Report's contents were developed from data collected by the Australian Think Tank, Corporate Analysis. Enhanced Responsibility (CAER)

Gerald McGhie added

"NZ has compiled an excellent record as a country relatively free from bribery and corruption.

TI(NZ) is, however, concerned that complacency about our performance has the potential to damage NZ's reputation".

*As Good As We Are Perceived* raises concerns about the performance of New Zealand's major companies and concludes that many of our leading firms may be falling behind international best practice."

*As Good As We Are Perceived* finds that only 18% of NZX50 companies have policies regulating facilitation payments and 24% of companies fail to meet even a limited rating for codes of conduct and ethics.

Twenty NZX50 companies are operating in what are considered high risk bribery and corruption sectors but nearly half of those companies have no policy guidelines for dealing with corruption or bribery.

Less than half of the companies involved in high risk sectors or countries provided training for its employees on the company's code of conduct.

Mr McGhie congratulated those companies who were already recognising the need for effective corruption and bribery policies for business practice when operating in New Zealand or overseas. But McGhie also noted;

"There are a significant number of our NZX50 companies which do not adequately recognise the seriousness or impact of corruption. Corruption is a major cost carried by international commerce.

A conservative estimate of the cost of corruption is more than US\$1 trillion per annum and the majority of that cost is being carried by the world's poorest citizens."

ENDS

For additional comment, contact TI(NZ) Directors; **Alex Tan**, 04 471 2299 or **Rodger Spiller** (09) 366 1672

Copies of the Report *As Good As we are Perceived* may be obtained from Transparency International (New Zealand), [executive@transparencynz.org.nz](mailto:executive@transparencynz.org.nz) or downloaded from the Transparency International (New Zealand) Inc website <http://www.transparency.org.nz/>



# Reporting Guidance on the 10th Principle Against Corruption



## The Global Compact Group and its Anti-corruption Principle

The United Nations Global Compact Group was set up in July 2000 as both a policy platform and a working framework that is designed to assist businesses in aligning their operations and strategies with ten principles. The ten principles form the foundation of the Global Compact initiative and companies are asked to embrace them as well as adhere to them. The ten principles are as follows:

### Human rights

**1<sup>st</sup> Principle:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**2<sup>nd</sup> Principle:** make sure that they are not complicit in human rights abuses.

### Labour

**3<sup>rd</sup> Principle:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**4<sup>th</sup> Principle:** the elimination of all forms of forced and compulsory labour;

**5<sup>th</sup> Principle:** the effective abolition of child labour; and

**6<sup>th</sup> Principle:** the elimination of discrimination in respect of employment and occupation.

### Environment

**7<sup>th</sup> Principle:** Businesses are asked to support a precautionary approach to environmental challenges;

**8<sup>th</sup> Principle:** undertake initiatives to promote greater environmental responsibility; and

**9<sup>th</sup> Principle:** encourage the development and diffusion of environmentally friendly technologies.

## Anti-corruption

**10<sup>th</sup> Principle:** Businesses should work against corruption in all its forms, including extortion and bribery.

In December 2009 the group released its “Reporting Guidance” on the Global Compact Group’s 10<sup>th</sup> Principle. The guidance has been created through a task-force which Transparency International and other entities had formed in conjunction with the U.N.

The guidance is made up of two main sections. The first focuses on outlining the advantages of reporting on the 10th principle, the second section provides a set of ‘Basic and Desired Reporting Elements’ that by 2011 all companies that are Global Compact participants will be required to report on. There are a total of seven basic reporting elements and fifteen desired reporting elements, these are divided into three separate categories;

- 1) Commitment and Policy,
- 2) Implementation, and
- 3) Monitoring

All participant companies must report on all of the basic elements and may choose to report on one or more of the 15 desired elements.<sup>1</sup>

This guidance comes at a time in which companies’ reporting accountability and transparency has taken centre stage post global financial crisis. The importance of detailed, precise and transparent company reporting can not be overemphasised. In a modern world companies and their financial transactions play a key role on a global scale and their actions affect all countries. Since the year 2000 the UN Global Compact group has gained 6700

participants, including more than 5200 businesses in 130 countries. Currently, only six New Zealand companies are registered with the group and one of these is indicated as “non-communicative”. The six NZ companies are as follows:

- ASB Community Trust Foundation
- Concrete Campus Limited
- EDL Fasteners Ltd \* ‘non-communicative’ for failing to develop a Communication on Progress by the relevant deadline.
- Longitude 174
- New Zealand Post Group
- Tridonic Atco NZ Limited

The small number of New Zealand companies participating is disappointing and TI(NZ) would like to see this figure markedly growing throughout the year as adherence and support for the principles outlined by the Global Compact Group will help to create a more stable and equitable international business environment.

To download the full report follow this link:

[http://www.unglobalcompact.org/docs/issues\\_doc/Anti-Corruption/UNGC\\_AntiCorruptionReporting.pdf](http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf)

The Global Compact Group’s webpage can be found at:

<http://www.unglobalcompact.org/AboutTheGC/index.html>

**\*On the following page there are three tables detailing the necessary steps for adherence to the 10th principle.\***



# 10th Principle Against corruption Cont..



The three tables below outline the necessary steps that companies need to adhere to and report on in order to meet the requirements of Global Compact Group membership.

## Commitment & Policy

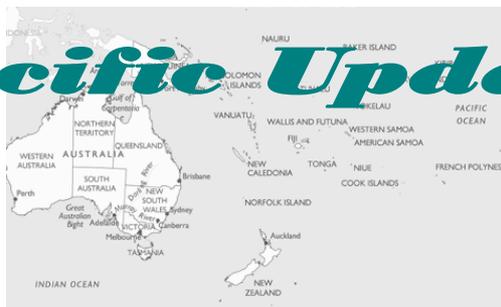
Basic Reporting Elements		Desired Reporting Elements	
<b>B1</b>	Publicly stated commitment to work against corruption in all its forms, including bribery and extortion	<b>D1</b>	Publicly stated formal policy of zero-tolerance of corruption.
<b>B2</b>	Commitment to be in compliance with all relevant laws, including anti-corruption laws	<b>D2</b>	Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption
		<b>D3</b>	Carrying out risk assessment of potential areas of corruption
		<b>D4</b>	Detailed policies for high-risk areas of corruption
		<b>D5</b>	Policy on anti-corruption regarding business partners

## Implementation

Basic Reporting Elements		Desired Reporting Elements	
<b>B3</b>	Translation of the anti-corruption commitment into actions	<b>D6</b>	Actions taken to encourage business partners to implement anti-corruption commitments
<b>B4</b>	Support by the organization's leadership for anti-corruption	<b>D7</b>	Management responsibility and accountability for implementation of the anti-corruption commitment or policy
<b>B5</b>	Communication and training on the anti-corruption commitment for all employees	<b>D8</b>	Human Resources procedures supporting the anti-corruption commitment or policy
<b>B6</b>	Internal checks and balances to ensure consistency with the anti-corruption commitment	<b>D9</b>	Communications (whistle blowing) channels and follow-up mechanisms for reporting concerns or seeking advice
		<b>D10</b>	Internal accounting and auditing procedures related to anticorruption
		<b>D11</b>	Participation in voluntary anti-corruption initiatives

## Monitoring

Basic Reporting Elements		Desired Reporting Elements	
<b>B7</b>	Monitoring and improvement processes	<b>D12</b>	Leadership review of monitoring and improvement results
		<b>D13</b>	Dealing with incidents
		<b>D14</b>	Public legal cases regarding corruption
		<b>D15</b>	Use of independent external assurance of anti-corruption programmes



TI (NZ) forms part of the 'Pacific Support Programme' (PSP) which is an NZAID funded initiative that includes Vanuatu, Papua New Guinea, Fiji and the Solomon Islands. The main objective of the programme "is to contribute to long-term economic development and the reduction of poverty by reducing the level of corruption in the Pacific region". TI(NZ) takes great pride in its involvement in the programme and feels that it is important that Members' Update readers are aware of some of the fantastic work that TI chapters in the Pacific are undertaking. Therefore, starting from this month the TI(NZ) Members' Update will include a "Pacific Update" section, highlighting the important issues and activities that TI chapters around the Pacific are involved in.

## TI Fiji Launches Youth Drama Competition

**By TI Fiji**

Youths take centre stage this year with the drama competition titled 'The Challenge Youth Drama 2010'. As an implementing partner for the UNDP-funded National Initiative on Civic Education (NICE), TI Fiji launched the drama competition in the presence of the national media on Wednesday December 23 at the TI Fiji office in Suva.

The competition requires participants between the ages of 16 and 25 to write and perform a 20-minute play exploring the topics of Democracy, Democratic Governance, Human Rights and Constitution and Constitutionalism.

At the launch, UNDP NICE Project Manager Mark Borg said this drama initiative marked an increased focus on youths as agents of change in civic education.

"Youths tend to be idealistic. In the current world we live in, perhaps a little more idealism is needed," Mr. Borg told journalists at

the launch.

Competitions will be held in Suva, Nadi, Labasa and Savusavu with youth groups at each location vying for cash prizes of \$4000 (First Prize), \$2000 (Second Prize) and \$1000 (Third Prize). Auditions began in Suva and Nadi on Saturday January 16. Further auditions will be held in Suva and Nadi on Friday February 6 and also in Labasa and Savusavu on Friday February 20. The final competitions in each of the 4 locations are to be held in late-February.

## Will Air Vanuatu recover debts owed by former Chairman?

**By TI Vanuatu**

It was reported in the Media that the former chairman of Air Vanuatu, Mr. Charles Lini has outstanding debts with the airline of around Vt32 million when he was still at the Chairmanship position.

This amount was said to have accumulated from personal travelling expenses as well as ticket sales where the money has not been accounted for. TIV has previously raised this issue last year and were approached by his legal representative stating that the allegations are defamatory and demanded an apology.

However, it is now clear that TIV concerns were well founded. Vt32 million is still

owed to the airline (ie : the public) by Mr. Charles Lini. This sort of abuse of office should not be tolerated in any institution. It must be asked why under his chairmanship, Charles Lini has failed to abide by the principles of transparency and good governance so often preached by the government and government leaders? Isn't this an abuse of privilege and position?

Shouldn't he be prosecuted under the Leadership Code Act

What the people of Vanuatu should be asking now is if any steps have been taken by Air Vanuatu to make Charles Lini repay these public funds? What is the arrangement to repay this money if any? If there is an arrangement already agreed then it should be made public so that the reputation of the airline does not suffer further.

Or will this like so many other debts and misdeeds simply have nothing done about it

and slowly fade away as just one more example of waste of public funds?

If the VCMB and other statutory entities have been investigated, why is the same thing not happening with Air Vanuatu? We have witnessed so many times leaders who have been implicated in public reports or for alleged corrupt practices still holding high positions without facing any consequences. We hope that this will not be another one added to the growing list.

At a time when the Government is raising taxes on ordinary law abiding business owners who contribute daily to the public purse, sure a similar effort should be made to collect the outstanding money owed to the Government by leaders and other public officials – as well as by anyone else!

We will continue to raise these concerns in the public interest.



## China Fights to Curb Corruption

Over the past month China has played a dominant role in corruption news. On the 1<sup>st</sup> of January this year the New York Times reported that the American telecommunications company UTStarcom had recently been fined \$3 million after U.S law enforcement accused them of bribing Chinese officials. The case included holidays for Chinese clients and their families in Las Vegas disguised as “training sessions” and the bribing of at least one Mongolian official.<sup>1</sup>

The case is a good example of just how many companies working within China see fraud and corruption as a necessity to doing business there. By conducting a quick internet search it becomes apparent that the Chinese is currently engaged in a full scale battle against corruption which has cost China billions of dollars. According to the China’s National Audit Office \$34.4 billion (U.S) of misused funds in government accounts has been uncovered.<sup>2</sup> The non profit research institution the Carnegie Endowment for International Peace in a 2007 report found that corruption costs China an estimated \$86 billion (US) a year and represents “one of the most serious threats to the nation’s economic and political stability”.<sup>3</sup> China’s state media reported on the 11<sup>th</sup> of January 2010 that over the last 30 years as many as 4000 officials have fled China taking with them a reported \$50 billion (U.S) of public funds.<sup>4</sup> All this flies in the face of the Chinese President Hu Jintao’s long run effort to curb corruption,

which appears to have made little or no progress. An interesting facet of China’s campaign against corruption is that harsh punishments do not appear to be working as a deterrent. In 2000 former vice chairman of China’s parliament was executed following his conviction on \$4.8 million (U.S) worth of bribery charges. Only last year the former head of major Chinese oil company was found guilty of receiving nearly \$30 million (U.S) in bribes and sentenced to death. However, despite the risks if caught officials and executives of state owned corporations continue to engage in corrupt activities on a regular basis. The Carnegie Endowment report in 2007 argued that although harsh penalties and plenty of anti-corruption legislation exist, the probability of getting caught remains low. The report goes on to say that the lack of competitive political process and the inability for the press and NGOs to act as watchdogs mean that corruption will continue to exist at extremely high levels.<sup>5</sup> Nonetheless it looks as though since the report the Chinese government has stepped up its anti-corruption efforts. In 2009 there was a 2.5 per cent increase in corruption convictions and a 19 per cent increase in officials caught embezzling compared to 2008.<sup>6</sup> Perhaps the strongest weapon that China has against corruption is in the growing dissatisfaction of its own people. There is an obvious widespread anger towards corrupt officials. In a survey run by a state owned newspaper the China Daily 60 per cent of respondents saw corruption as the number one most damaging factor to China’s international reputation.<sup>7</sup> A further indication of the Chinese public’s dis-

satisfaction is the June 2009 whistleblower website designed to encourage members of the public to come forward and report corruption. Able to handle up to 1000 simultaneous complaints the site was inundated with complaints and crashed shortly after being launched.<sup>7</sup>

China obviously faces an up hill battle to curb corruption levels and it will be interesting to see over the next few years how the government continues to tackle the issue.

<sup>1</sup> NY times, 01/01/2010, <http://www.nytimes.com/2010/01/02/business/global/02bribe.html>

<sup>2</sup> Business Week, 29/12/2009, <http://www.businessweek.com/news/2009-12-29/china-steps-up-scrutiny-of-state-finance-to-curb-wastage-graft.html>

<sup>3</sup> As above

<sup>4</sup> Canada Free Press, 11/01/2010, <http://canadafreepress.com/index.php/article/18864>

<sup>5</sup> [http://www.carnegieendowment.org/events/?fa=eventDetail&id=1079&zoom\\_highlight=China+2007+corruption](http://www.carnegieendowment.org/events/?fa=eventDetail&id=1079&zoom_highlight=China+2007+corruption)

<sup>6</sup> BBC, 08/01/2010, <http://news.bbc.co.uk/2/hi/asia-pacific/8448059.stm>

<sup>7</sup> BBC, 24/06/2009, <http://news.bbc.co.uk/2/hi/asia-pacific/8117297.stm>



## TI Expresses Concerns Over Siemen's Fund

In July 2009 Siemens reached an agreement with the World Bank as a result of an investigation into corrupt practices that focussed on a project in Moscow financed by the Bank. As part of the agreement Siemens has committed to pay \$100 million over the next 15 years to help support anti-corruption work. On December 9, 2009 Siemens officially announced the establishment of its *Siemens Integrity Initiative* whose main objective (according to the

Siemens’ website) is to “create fair market conditions for all market participants by fighting corruption and fraud through collective action, education and training. “ The company is currently calling for proposals from non-for-profit organisations around the globe.

However, the TI Secretariat has expressed concerns in regards to chapters accepting funds from Siemens without adequate risk analysis. The Secretariat’s main concern is in regards to the potential for TI’s reputation to be harmed by accepting funds from a company that is currently under investigation for some questionable business activi-

ties. It has asked national chapters to be wary of this and to only apply for funds in areas that chapters assess to be as high priority national anti-corruption projects. The secretariat has specific concerns over accepting funds for projects that are of commercial benefit to Siemens.

*You can read more about the settlement reached between the World Bank and Siemens at the following link:*

[http://siteresources.worldbank.org/INTDOI/1/Resources/Siemens\\_Fact\\_Sheet\\_Nov\\_11.pdf](http://siteresources.worldbank.org/INTDOI/1/Resources/Siemens_Fact_Sheet_Nov_11.pdf)

# Links & Papers of Interest



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

“Tiri is an independent non-governmental organisation that works with governments, business and civil society to find practical solutions to making integrity work. Improvements in integrity offer perhaps the single largest opportunity for sustainable and equitable development worldwide.” In 2003 TI New Zealand founder Mr. Jeremy Pope left TI and alongside Fredrik Galtung co-founded Tiri.” Tiri was specifically designed to deal with what the organisation calls the third (and last) phase of the global movement; namely, the “implementation and enforcement of standards” “Tiri was created out of the recognition that the time for awareness raising and general advocacy of the need for reform has now moved on to the determined reduction and control of corruption by the application of practical knowledge and skills”. To find out more about this interesting and relevant organisation just follow the link and have a browse around the side contents bar to get a more detailed idea of what exactly Tiri is involved in.



<http://www.business-anti-corruption.com/>

## **Business Anticorruption Portal**

Is run by the Global Advice Network and funded by the Austrian, Danish, German, Dutch, Norwegian, Swedish and the UK governments. The idea behind the portal is to provide small and medium sized companies operating in developing countries with information and support “in order to help them avoid and fight corruption.” The website features a very interesting “Anti-Corruption Tools Inventory” with precise links to anti-corruption information such as international conventions and anti-corruption Guidelines and integrity systems. There is also a quite useful country profile section outlining national issues and developments in the prevention of corruption.



<http://www.whitehouse.gov/blog/2009/12/08/promoting-transparency-government>

## **Open Government Initiative**

This blog is an Obama led initiative intended to increase government transparency. A variety of information some of which was previously classified is now available online through the blog. Names of all visitors to the Whitehouse are now published as well as previously unavailable data about federal spending and research. The blog is the result of the “Open Government Initiative”. Launched in May of last year and lasting three months the initiative asked for general public input and successfully created dialogue between the U.S government and its citizens. As a result of this dialogue the government released the following documents:

1. The Open Government Directive
2. The Open Government Progress Report to the American People

The blog is innovative, interesting and easily navigated. Although it is far from perfect the blog does set a good International example for an accessible, open and accountable government.