Combating Bribery in the Supply Chain: Multi-National Companies and the UN Global Compact

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“A strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.”

Over 5500 corporate participants and stakeholders from over 130 countries


Principle 10: “Businesses should work against corruption in all its forms, including extortion and bribery.”
UNGC Working Group on 10th Principle

- UNGC business participants, representatives of civil society, labour, and international organizations (~50 members)

- Third meeting in Vienna, June 2008

- Following meeting, formed sub-working group on Multi-National Company (MNC) dealings with suppliers and contractors (supply chain)
MNCs and Corruption in the Supply Chain

- MNCs seem to have less urgency about corruption in the supply chain than about the other nine UNGC Principles.

- Many MNCs have robust programs for dealing with human rights, labour, and environmental issues among suppliers (see Nike), but much less concerning corruption.

- Less stakeholder (consumer, shareholder, NGO, media) interest and pressure on MNCs about corruption than about human rights, labour and the environment.
Corruption in the Supply Chain

The supply chain generally has the highest risk for corruption:

- Supply chain has more touch points with loci of corruption (more temptation, opportunity)
- Supply chain often are small and medium size local businesses that may be awash in a corrupt culture
- Small and medium size businesses have less leverage than MNCs to resist corruption and influence institutions
MNCs and Corruption in the Supply Chain

- MNCs have incentive and opportunity to influence and support their supply chain to combat corruption

- MNCs are victims of corruption in their supply chain
  - Corruption in the supply chain contributes to locally corrupt business environment
  - Increases costs of doing business

- Cooperation among MNCs is key
  - Level Playing Field — Avoid free riders and holdouts
  - Efficiency — Common suppliers often face inconsistent requirements, repetitive monitoring activities
  - Leverage — Common action by purchasers reduces ability of suppliers to reject tough standards from one purchaser
Sub-working group to develop a common framework for dealing with corruption in the supply chain

Proposed deliverables:
- Set of guidelines and working principles (global and industry specific), as well as tools, including:
  - Code of business conduct for suppliers
  - Recommended contract language
  - Due diligence and qualification standards
  - Auditing and questionnaire protocols
  - Training materials
Common guidelines and tools are just one element of collective action to fight corruption.

Sub-working group will liaise with industry associations and other groups promoting cooperation and collective action to fight corruption. For example:

- UNGC Local Networks
- AIM-PROGRESS
- Partnering Against Corruption Initiative
- World Bank Institute
- Center for International Private Enterprise
Actions taken and next steps:

- Benchmarking of MNC best practices
  - questionnaire and call for materials
- Share best practices, practical concerns and obstacles
- Finalize deliverables and work streams
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