

WORKSHOP REPORT FORM

Number and title of workshop

Workshop 4.4, The Private Sector's Role in Fighting Corruption in the Wood Supply Chain: An Example from Russia

Date and time of workshop

1 November 2008, 11:00-13:00

Moderator (Name and Institution)

Reiner de Man, International Consultant for Sustainable Business Development

Rapporteur (Name and Institution)

Krina Despota, Transparency International Secretariat

Panellists (Name, institution, title)

Pirjetta Soikkeli: Communications Director, Sustainability, Wood Supply, Stora Enso
Florian Nehm: Sustainability Officer, Axel Springer
Elena Panfilova: Executive Director, TI Russia

Main Issues Covered

Corruption in forestry leads to poverty, lost incomes, underdevelopment and the lack of sustainability for the forestry sector. EU imports and export of illegal wood varies between 23-55 per cent of wood based products, depending on the region (WWF).

The workshop takes as a case study the example of Axel Springer (one of Europe's largest newspaper publishers), which worked with Transparency International and Storna Enso OYJ (a Finnish paper manufacturer) to work with Russian suppliers to end corruption and improve sustainability in two companies.

The workshop examines the success of this project, lessons learned, and possible next steps inside Russia and outside. TI Russia gave an insider's look at the challenges of improving anti-corruption in business in Russia.



Main Outcomes

- For companies like Axel Springer and Stora Enso, this is a starting point and learning experience.
- Stora Enso emphasised that they hope their experience will be picked up by other companies.
- The case study emphasised the need for companies to be proactive in their anti-corruption, pro-sustainability approaches and not to wait for others.
- Each panellist identified different approaches to make changes in the wood supply in Russia. Nehm suggested that personal relationships with the right stakeholders will lead to trust and a potential for change in other companies. Soikkeli stressed that companies should follow best practice methods and Panfilova emphasised that until systemic corruption is addressed, individual efforts will have only limited success.
- Transparency initiatives should take of a much more country-tailored approach. Counter-bribery principles should adjust to the country- circumstances. There are least five sets of rules (OECD, TI, Global Compact...); too many to expect companies to comply with all principles.
- Needs to be joint pressure from media and the business community to make Russian authorities accountable.

Main Outputs

- To ensure legal origins of wood to representatives from Transparency International, Axel Springer gained information on how to improve to approach ensuring legal wood and sustainable practices in the supply chain. Stora Enso was compelled by Axel Springer to join the effort.
- Nehm shared a film that was produced on the efforts of Axel Springer, Stora Enso, Transparency International and other stakeholders to improve sustainability conditions in the Russian towns of Tikhvin and Chalna.
- Stakeholders created benchmarks for economic, environmental, social, corporate social responsibility standards and safe working conditions. Created an interface between customers, wood suppliers, producers. Logging companies in these regions are essential to the community for jobs, education assistance, infrastructure.
- Stora Enso worked with Tivkhin and Chalna to facilitate the implementation of business practices and monitoring. Logging company Russkiy Les performed: i) gap analysis of management systems, ii) risk assessment of business activities, iii) updating of Stora Enso guidelines and iv) implementation of IT systems and technical tools for monitoring.
- Today all of Stora Enso's facilities are certified for having legal origins for their wood,



all of which is traceable. This is a first step for the company.

- Panfilova appreciated the work of Stora Enso but outlined the ways in which systemic corruption in Russia undermines the best transparency initiatives. She believes the wood tracing system is superb and can work, but good business practices depend on cooperation from the authorities.

Recommendations, Follow-up Actions

- In many regions of Russia, transparency policies will only be instituted at a local level where authorities feel that they have come up with the idea, and feel personal ownership. Civil society can help facilitate this process.
- Nehm welcomed any assistance TI Russia could offer to identify local regions where authorities might be more willing to work with businesses on increasing transparency in local sectors.
- Rather than wait for large initiatives from multilateral organisations or trade associations, the panel recommends that businesses take their own actions and in this way find best practices, get ahead of the curve, and eventually push wider transparent policies.
- The initiatives discussed are an important first step. At the next stage implementation becomes key and will be impossible if one does not address systemic corruption in countries like Russia. One must also address the receiver side. Individual initiatives from companies have to be used even if this means sometimes going first in the wrong direction. After this step companies will need more systematic, more collective initiatives that include more stakeholders. Business can contribute their best practice initiatives and others will follow.

Signed

Krina Despota _____