International business, social responsibility and corruption

Manuel Castelo Branco *
Faculty of Economics and EDGE (Research Centre in Management Studies), University of Porto, Portugal
e-mail: mcbranco@fep.up.pt

Catarina Delgado
Faculty of Economics and EDGE (Research Centre in Management Studies), University of Porto, Portugal
e-mail: cdelgado@fep.up.pt

* contact author

36th Conference of the European International Business Academy
Porto, Portugal, December 9-11, 2010.
Conference Track 8: Corporate social responsibility, governance and ethical issues related to International Business

Abstract

This paper explores the role of corporate social responsibility (CSR) and the reporting thereof in the fight against corruption. The importance of the United Nations Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises and the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines is highlighted. Voluntary initiatives, such as the UNGC, the OECD guidelines and the GRI guidelines, are considered to play an important role in this respect in providing the trust-based informal social norms, without which markets and societies cannot function.

Key words: Corporate social responsibility; corruption; Global Reporting Initiative; sustainability reporting; OECD Guidelines for Multinational Enterprises; United Nations Global Compact.

1. Introduction

Recent initiatives of national and international organizations and interest by large companies in instruments such as codes of conduct or sustainability reports are evidence of a growth in importance of corporate social responsibility (CSR) and the reporting thereof. Some international organizations have launched important initiatives to promote them, such as the OECD Guidelines for Multinational Enterprises (first adopted in 1976), the United Nations Global Compact (UNGC) (officially launched in 2000), the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (first issued in 2000) or the International Organization for Standardization's (ISO) standard ISO 26000 giving guidance on social responsibility (to be published in 2010).

CSR is related to issues such as environmental protection, health and safety at work, relations with local communities and relations with consumers. It may be defined as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment" (European Commission, 2001: p. 5). Companies are thus supposed to voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders (European Commission, 2001: p. 8).

CSR reporting is associated mainly with voluntary disclosures of information pertaining to several economic, social and environmental aspects upon which companies' activities may have an impact: employee-related issues, community involvement, environmental concerns, other ethical issues, etc. This information may be qualitative or quantitative, made in financial or non-financial terms, and seek to inform or influence readers.

Nowadays, the rejection of corruption is an integral part of any company's social responsibility. Corruption is deemed incompatible with sustainable development in view of the social, economic and environmental damages caused by it. However, the fight against corruption has been considered as a fundamental part of CSR and the reporting thereof only very recently. An OECD survey on codes of corporate conduct showed that in the beginning of this century less than a quarter (23 per cent) of the codes covered in the study addressed bribery and corruption (Gordon & Miyake, 2001; OECD, 2001). It was only in June 2004 that the fight against corruption was added as the 10th principle of the UNGC. Indicators pertaining to the issue of corruption were proposed only in the second version of the GRI Guidelines (GRI, 2002). Countering bribery criteria were introduced in the FTSE4Good criteria only in 2005-2006 (FTSE Index Company, 2006).

One might conclude that combating corruption in all its forms has now become an integral part of CSR policies. However, the few recent studies on anti-corruption reporting (Gordon & Wynhoven, 2003; Novethic/SCPC, 2006; Transparency International, 2009) show that, overall, such reporting is not satisfactory, whether in annual or sustainable development reports or in corporate website postings.

Some authors consider that corruption still is a neglected social issue among CSR priorities (Hills, Fiske, & Mahmud, 2009). Others argue that CSR issues with a potentially large impact on market functioning, such as corruption, should get a more prominent place on the CSR agenda (Weyzig, 2009). This would imply restoring the focus to multinational enterprises (MNEs), which have more economic and political power than smaller enterprises (ibid.). The potential of MNEs in being not only part of the problem, but also perhaps part of the solution, is increasingly recognised (Kolk & van Tulder, 2010).

This paper explores the role of CSR and the reporting thereof in the fight against corruption. It focuses on the UNGC, the GRI guidelines and the OECD guidelines. Both the first two of these three instruments have recently been considered the two most important CSR-related instruments (Chen & Bouvain, 2009). CSR has gained higher profile and more applicable direction for organizations with them (Breitbarth, Harris & Aitken, 2009). More importantly, these two instruments are susceptible of integration and there have been some collective efforts to establish such integration (UNGC/GRI, 2007).

Although not as widely used, the OECD guidelines are also analysed in this paper given its importance to MNEs. Whereas the OECD guidelines are addressed mainly to multinational enterprises, the UNGC and the GRI Guidelines are for use by all organisations. The UNGC and the OECD guidelines have been considered to complement and reinforce each other in many ways (OECD, 2005). The OECD guidelines are also susceptible of integration with the other two instruments, and there have been some collective efforts to establish integration with the UNGC (OECD, 2005) and the GRI Guidelines (GRI, 2004).

This work outlines the importance of anti-corruption CSR policies and the reporting thereof as a basis for an effective fight against corruption. We highlight the importance CSR-related instruments, in particular codes of conduct (through the UNGC and the OECD guidelines) and sustainability reporting (through the GRI sustainability reporting guidelines). We argue that regulation does not provide for the trust-based informal social norms, without which markets and societies cannot function, and that voluntary initiatives, such as the UNGC, the OECD guidelines and the GRI guidelines, can play an important role in this respect (Kell, 2006).

In the following section, an account of what CSR and the reporting thereof are is offered. Thereafter follow sections on corruption and its consequences and a discussion of how CSR-related instruments may help in the fight against corruption. Finally, some conclusions are drawn.

2. CSR and the reporting thereof

The notion of CSR is related to ethical and moral issues concerning corporate decision making and behaviour. Knowing if a company should undertake particular activities or refrain from doing so because they are beneficial or harmful to society, is a central question. A much cited definition relates CSR to a company's commitment to contribute to sustainable economic development, working with employees, their families, local communities and society at large to improve the general quality of life (Holme & Watts, 2000: p. 10).

This definition has the merit of relating the concepts of CSR and sustainable development. Although the latter concept originally only included environmental issues, more recently it has expanded to simultaneously integrate the consideration of economic growth, environmental protection, and social equity. These two concepts may be considered as being "intrinsically linked" and CSR can be seen as the business contribution to sustainable development (European Commission, 2002: p. 7). Companies are seen as contributing to sustainable development "by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interests." (ibid.)

CSR is the concept used most widely to address the relationships between business and society. However, recently some concepts have been proposed to conceptualize business and society relations, such as corporate sustainability, and corporate citizenship. Some authors propose distinctions between them (see, for example, van Marrewijk 2003, for distinctions between CSR and corporate sustainability, and Matten, Crane, & Chapple, 2003, and Valor 2005, for distinctions between CSR and corporate citizenship). In this paper such concepts are considered to address the same basic issues as CSR, in the sense that they all are about companies' impacts on, relationships with, and responsibilities to, society.

The acknowledgement of CSR implies the need to recognize the importance of disclosure of information on companies' activities related to such responsibility. Although other terms, such as corporate social reporting, social responsibility disclosure or simply social accounting, may be used to describe this accounting about companies' performance in these areas, the term sustainability reporting (SR) will be the one used in this paper. SR may be broadly defined as the "the preparation and publication of an account about an organisation's social, environmental, employee, community, customer and other stakeholder interactions and activities and, where, possible, the consequences of those interactions and activities" (Gray, 2000: p. 250). Thus, it seeks to reflect several economic, social and environmental aspects upon which companies' activities have an impact: employee related issues, community involvement, environmental concerns, other ethical issues, etc.

According to the "KPMG International Survey of Corporate Responsibility Reporting 2008" (KPMG, 2008), which analyzed more than 2,200 of the world's largest companies, by selecting the top 250 from the Global Fortune 500 (G250) and the top 100 companies in 22 nations (N100), CSR reporting has now become mainstream among G250 companies and is fast becoming so among N100 companies. CSR reporting has been rising steadily since 1993 (KPMG, 2005, 2008). In 2008, 79 percent of G250 and 45 percent of N100 companies issued separate corporate responsibility reports, compared with 52 percent and 33 percent, respectively, in 2005 (KPMG, 2005, 2008). A noticeable point is the change that occurred in the type of disclosure: from purely environmental reporting up until 1999, to sustainability (social, environmental and economic) reporting (KPMG, 2005).

The "CSR movement" benefited immensely from the efforts of several international public and private organisations which have launched important initiatives to promote CSR and the reporting thereof. In view of their recent role in developing CSR, the European Union, the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Organization for Standardization (ISO) are among the most important of such organisations.

Although the advent of CSR in the European Union can be traced to 1993, when Jacques Delors (then President of the European Commission), called on European businesses to help combat social exclusion, the debate resurged in 2000/2001 (Orbie & Babarinde, 2008). The first important policy document to be published was the 2001 Green Paper entitled "Promoting a European framework for Corporate Social Responsibility", intended to launch a wide debate on how the European Union could promote CSR (European Commission, 2001). This document has been followed by two important communications of the European Commission: "Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development" (European Commission, 2002) and "Implementing the partnership for growth and jobs: Making Europe a pole of excellence on Corporate Social Responsibility" (European Commission, 2006).

In 1999, the UN Secretary General, Kofi Annan, proposed the UNGC at the World Economic Forum in Davos. It was officially launched at UN Headquarters in July 2000. The purpose of the GC was to encourage companies to embrace nine principles of CSR, relating to human rights, labour and the environment. A tenth principle, relating to corruption, was added in 2004. With more than 6,500 signatories in more than 135 countries in 2008, it is the world's largest corporate responsibility initiative (UNGC, 2008b).

The United Nations Environment Programme (UNEP), in partnership with the Coalition for Environmentally Responsible Economies (CERES), created the GRI in 1997 with the mission of develop and disseminate globally applicable guidelines for companies to use when reporting on economic, environmental, and social performance. A first draft of the GRI Guidelines was proposed in March 1999 and a pilot test programme was immediately launched. The first official edition of the GRI Guidelines was released in July 2000, the second edition of the Guidelines was released in August 2002 and the current version of the guidelines (GRI-G3) was released in October 2006. It is arguably the best known and most widely used set of guidelines for sustainability reporting worldwide (Brown, de Jong, & Lessidrenska, 2009; Isaksson & Steimle, 2009).

The OECD Guidelines for Multinational Enterprises, created in 1976 and substantially revised in 2000, are recommendations by governments to multinational enterprises (MNEs) operating in or from the countries that adhere to the Guidelines (Murray, 2001; OECD, 2000). They contain voluntary principles and standards for responsible business conduct in a variety of areas, including information disclosure, employment and industrial relations, environment, combating bribery, consumer interests, competition, taxation, and science and technology. While observance of the recommendations by enterprises is purely voluntary, adhering governments make a formal commitment to promote their observance among MNEs operating in or from their territory. The most concrete expression of this commitment is the National Contact Point (NCP), often a government office, which is responsible for encouraging observance of the guidelines and for ensuring that the guidelines are well known and understood by the national business community and by other interested parties. The Guidelines help ensure that MNEs act in harmony with the policies of countries in which they operate and with societal expectations.

The ISO has decided to launch the development of an International Standard providing guidelines for social responsibility (Schwartz & Tilling, 2009). The process has begun in 2004. The guidance standard will be published in 2010 as ISO 26000 and be voluntary to use. It will not include requirements and will thus not be a certification standard. The ISO 26000 guidance standard is intended to complement existing social responsibility instruments. It is anticipated that it will have significant impact in view of the dominant position ISO has already established via the widespread use of its 14001 environmental management standard (KPMG, 2008).

3. Corruption and its consequences

One of most widely accepted definitions of corruption is the one adopted by the World Bank: "the abuse of public power for private benefit". This definition is also adopted by several influential studies, such as Doh, Rodriguez, Uhlenbruck, Collins, & Eden (2003) and Tanzi (1998). However, it has been criticized because it excludes discussion of corruption taking place solely within the private sector (Habib & Zurawicki, 2001). The number of studies analysing corruption within the private sector is increasing (see, for example, Aguilera, 2008; Argandoña, 2005; Dion, 2010; Gopinath, 2008; Halter, Arruda, & Halter, 2009).

Rodriguez, Siegel, Hillman, & Eden (2006) suggest the replacement of the word "public power" by "authority" to include corruption that arises strictly between private parties. This has been the solution of the United States Agency for International Development (USAID, 2005). A similar definition is proposed by the nongovernmental organization Transparency International, according to which "corruption is the abuse of entrusted power for private gain" (Errath, Brew, Moberg, & Brooks, 2005: p. 7). The

Draft International Standard ISO 26000 defines corruption in the same way, and explicitly recognizes that it not only includes bribery (soliciting, offering or accepting a bribe) of or by public officials but also bribery in the private sector (as well as conflict of interest, fraud, money laundering and trading in influence) (ISO, 2009).

However, these latter definitions may also be criticized for portraying corruption as a one-way process driven by the greed of corrupt officials (UNDP, 2008). Almost all corrupt transactions have two players, the person who is receiving the bribe and the corporation or individual who is offering it, and the balance of power is not necessarily on the side of the corrupt person with "entrusted power" (ibid).

A more complex definition of corruption is necessary to address all these questions. A possible solution is the definition proposed by Argandoña (2005: p. 252): corruption is "the act or effect of giving or receiving a thing of value, in order that a person do or omit to do something, in violation of a formal or implicit rule about what that person ought to do or omit to do, to the benefit of the person who gives the thing of value or a third party".

Corruption has characteristics that distinguish it from other social problems. Unlike children in sweatshops or toxins being dumped in rivers, the clandestine exchange of cash or property for a favourable decision from someone in power is rarely photographed or measured (Hills et al., 2009). It is a phenomenon "which by its very definition takes place out of sight" (Fisman & Miguel, 2008: p. 18). If both parties involved in corruption are doing "a halfway decent job of it, there's no obvious paper trail of what took place" (ibid.).

Although the act of bribery itself is not directly damaging to lives or the environment, the resulting outcomes can have devastating effects on competition and human development (Hills et al., 2009). On the other hand, issues such as human rights or fighting corruption do not readily generate reporting information and data in the way environment or health and safety issues do (Wilkinson, 2006).

Hills et al. (2009) contend that managers of companies operating in developing countries have always been concerned about negative PR from corruption. However, they are increasingly becoming aware of the additional costs and risks they face, including (ibid.):

- Operational costs: corruption adds additional expense throughout the corporate value chain [current studies suggest that corruption adds more than 10 percent to the cost of doing business in many countries (Errath et al., 2005)].
- Legal risks: consequences of engaging in corrupt business conduct include large fines and disqualification from future government procurement.
- Competitive risks: companies which refuse to pay bribes may be at a competitive disadvantage and lose business to less ethical competitors who are willing to pay to influence the procurement process.

In addition to having consequences to businesses, corruption is an obstacle to social, political and economic development (USAID, 2005). There are significant costs to society associated with corruption, namely those pertaining to (Hills et al., 2009; USAID, 2005):

- reduced government services;
- constrained economic growth;
- decreased trust in government;
- reduced legitimacy of market economy and democracy.

First, corruption leads to reduced government services, particularly for the poor. Corruption skews public investment choices away from service delivery, such as health and education, toward areas where opportunities to collect bribes may be more abundant, such as large construction and infrastructure projects (Mauro, 1998; Tanzi, 1998). The general environment of scarcity in public services may even create incentives for providers to demand payments for services that should be free or low cost to the poor (USAID, 2005). Some studies suggest that in many countries corruption adds as much as 25 per cent to the cost of public procurement (Errath et al., 2005). All this is likely to result in lower quality services, which also become more expensive and often unaffordable for the poorest citizens (Hills et al., 2009).

Second, corruption constrains economic growth, namely by distorting public investment, deterring foreign direct investment, and encouraging firms to operate in the informal sector (USAID, 2005). Investors typically avoid environments in which corruption increases the cost of business and undermines the rule of law (Hill et al., 2009). Johnson, Kaufmann, McMillan, & Woodruff (2000) found that corruption increases the incentive to divert activities underground.

Third, in societies where bribery persists and corrupt officials are not held accountable, citizens lose faith in their government (Hills et al., 2009). A lack of public trust undermines the rule of law, which can lead to increased crime, reduced safety, and further instability (ibid.).

Finally, some authors argue that corruption reduces the legitimacy of the market economy (Tanzi, 1998) and perhaps also of democracy (Tanzi, 1998; USAID, 2005). In particular, it undermines both the legitimacy and effectiveness of new democracies (USAID, 2005).

4. CSR and the fight against corruption

There are authors who find some kind of ethical justification for corrupt actions. Linder & Linder (2008) argue that corruption does not always equate to a moral problem. They distinguish two kinds of corruption: one that leads to personal enrichment and another which aims to increase the competitive ability of the company. In countries where corruption is a common phenomenon and there is no penalization for it, a company must act in accordance with existing conventions. In these situations, corruption may be considered as a competitive requirement.

Nevertheless, firms are dependent for their success not only on the existence of a functioning market system but also on a state that facilitates market activity and maintains order and stability (Rose-Ackerman, 2002). Because firms are beneficiaries of the market system and the normative justification of markets rests on their efficiency, they have an obligation to act in ways that improve the efficient functioning of the market (ibid.). Fighting corruption is an important part of CSR.

Because they are the typical source of bribes, corporations are a significant part of the problem and could benefit measurably from progress toward solutions, namely in terms of reduced costs, greater operational efficiency and improved reputation (Hills et al., 2009). Therefore, the fight against corruption offers a major opportunity for strategic CSR programs to address an issue that is inherently linked with both corporate and societal interests (ibid.).

Nowadays, the rejection of corruption is an integral part of any company's social responsibility. Corruption is deemed incompatible with sustainable development in view of the social, economic and environmental damages caused by it. Rodriguez et al. (2006: p. 739) argue that "CSR practices that promulgate anti-corruption norms hold promise for dealing with corruption's frustrating persistence". Over the last two decades there has been a significant growth in the development of CSR-related instruments which consider the fight against corruption as an important aspect of corporate social performance. The OECD Guidelines for MNEs, the UNGC and the GRI Guidelines are examples of such instruments (OECD, 2001).

The OECD Guidelines, created in 1976 and substantially revised in 2000, state that companies should not "directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage." (OECD, 2000: p. 21) These guidelines also encourage companies to communicate social, ethical, and environmental policies, codes of conduct, and material information concerning governance structure and policies and employee and stakeholder relations (OECD, 2000, pp. 15-16). However, there is a relatively limited awareness by companies of their existence (van Buiren, 2010), which limits severely its implementation.

The UNGC and the GRI Guidelines are probably the two most important CSR-related instruments. Williams (2004) argued that for the UNGC to be a significant force, either the GRI or something similar to it will be a necessary complement. Isaksson & Steimle (2009) consider that in the context of a comprehensive CSR approach it can be seen as strength that GRI guidelines are compatible with the principles of the UNGC.

The original nine principles of the UNGC cover topics in human rights, labour and environment (UNGC, 2008a). A tenth principle relating to anti-corruption was added in 2004, providing that "businesses should work against corruption in all its forms, including extortion and bribery" (ibid.).

The UNGC suggests to participants to consider the following three elements when fighting corruption and implementing the 10th principle (Errath et al., 2005):

- Internal: as a first and basic step, introduce anti-corruption policies and programmes within their organisations and their business operations.

- External: report on the work against corruption annually and share experiences and best practices through the submission of examples and case stories.
- Collective: join forces with industry peers and with other stakeholders.

The UNGC has been criticized mainly for the inexistence of verification and independent monitoring and of penalization for infractions, being used in many cases as a marketing tool and providing legitimacy for some of the violators of the principles (Deva, 2006; Nason, 2008; Ruggie, 2002; Williams, 2004).

Public reporting is a formalization of transparency and transparency is a first line defence against corruption (UNGC, 2009). Reporting on the efforts on countering corruption does not have such a rich history as environmental reporting has (Wilkinson, 2006). Not only corruption is by its very nature secret, hidden and viewed as sensitive by companies, but also its scope is wide (including such areas as bribery, conflict of interest and money laundering) (ibid.). In addition, from the perspective of the general public, the topic is complex and does not carry the same emotive weight as human rights (ibid.).

Several reasons have been adduced to explain why the reporting progress against corruption is challenging (Wilkinson, 2008):

- Outcomes cannot be measured directly for activities which are preventive, and when corruption occurs it may remain undetected;
- Countering corruption is complex and related issues are often technical;
- There are many forms of corruption;
- Companies can find it difficult to discuss countering corruption publicly for fear that raising the topic may generate suspicions of problems; and

- Differences exist in reporting practices across cultures and business sectors.

Nevertheless, the credibility of CSR initiatives that address corruption requires companies to communicate and be more transparent about their efforts pertaining to the fight against corruption with internal and external stakeholders (Côté-Freeman & Fagan, 2010).

Hills et al. (2009) argue that corporate responsibility reports should include a section on anti-corruption activities. Companies should discuss what they are doing and track evidence of success (ibid.). Furthermore, they exhort organizations like the UNGC to encourage corporations to include standard anti-corruption reporting frameworks in their annual communications.

Wilkinson (2008) suggests that companies should consider five main reporting components when reporting their practices to combat corruption:

- <u>Meeting stakeholders' expectations</u>: Companies should focus the content and scope of their reporting on matters of material interest to stakeholders.
- <u>Disclosing polices and management systems</u>: Whatever the size of company, there must be an anti-corruption policy supported by implementation systems.
- <u>Reporting on effectiveness of implementation</u>: given that it is not possible to offer direct measures for effectiveness of anti-corruption activities, proxy measures should be used, such as employee and associate training. However, these proxy measures should provide information about the depth and quality of the approach rather than just bare measures of inputs, such as hours of training given.

- Making external reporting credible: for example, by publishing results of stakeholder consultation, reporting results of self-assessments, and using an external assurer.
- Standardizing reporting frameworks and indicators: by providing content in an easily accessible and comparable manner, companies can better inform stakeholders on their actions.

The UNGC originally required that participating companies submit an annual "net report" to show their commitment towards the Compact principles. Nowadays, since January 2003, companies are expected to communicate publicly on their progress through a document entitled Communication on Progress (COP). This COP may be included in their sustainability or annual report (or other media, such as websites, press releases, official statements, company notices). A failure to provide the COP may result in that corporation being listed on the Compact's website as a "non-communicating" participant.

Since 2005, when the UNGC introduced the policy for enforcement of the COP, more than 1,000 companies have been listed as non-communicating, which indicates that they had failed to develop a COP by the relevant deadline, and more than 250 have been labeled as inactive participants, suggesting a failure to submit a COP within 3 years of joining the UNGC (Jamali, 2010). These events are considered to magnify the importance of transparency and accountability (KPMG, 2008).

The COP is expected to include three elements:

- First, a statement of continued support for the UNGC from the Chief Executive Officer, Chairman or other senior executive.
- Second, a description of practical actions taken to implement the principles during the previous year.

- Third, the measurement of outcomes or expected outcomes using, as much as possible, indicators or metrics such as the GRI Guidelines.

Numerous companies communicate their CSR programs and performance using the GRI Guidelines to produce their sustainability report. According to KPMG (2008), 79 percent of the top 250 companies from the Global Fortune 500 issued separate corporate responsibility reports, and 77 percent of these companies use the GRI Guidelines to produce the report.

GRI Guidelines propose a set of indicators which may be used by companies to communicate their economic, environmental and social performance. In the first version of the GRI Guidelines (GRI, 2000) the issue of corruption was not treated. In the second version only one indicator related to corruption was proposed: description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption (including a description of how the organisation meets the requirements of the OECD Convention on Combating Bribery) (GRI, 2002). In the latest version the importance of this issue has increase and 5 indicators are now proposed (GRI, 2006).

Corruption related indicators are considered indicators of social performance. They include explicit measures (such as the percentage and total number of business units analyzed for risks related to corruption) as well as implicit measures (such as the total value of financial and in-kind contributions to political parties, politicians and related institutions by country) (Table 1).

Table 1:
UNGC 10th principle, OECD Guidelines for MNEs and GRI indicators

GC principles		OECD Guidelines for MNEs		GRI – G3 indicators	
GC10	Businesses should work against corruption in all its forms, including extortion and bribery.	VI. Combating Bribery	Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage.	SO2	Percentage and total number of business units analyzed for risks related to corruption.
				SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.
				SO4	Actions taken in response to incidents of corruption.
				SO5	Public policy positions and participation in public policy development and lobbying.
				SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.

GRI has made an initial effort to provide guidance on integrating the OECD guidelines with the GRI guidelines, offering a guide to help organisations communicate their use of the OECD guidelines using the 2002 version of the GRI guidelines (GRI, 2004). It seems to have been a one-time only effort instead of an ongoing project. Although the third version of the GRI guidelines exists since 2006, the 2004 document has not been updated until now.

On the contrary, the project on making the connection between the GRI guidelines and the UNGC seems to be an ongoing project. An important effort to provide guidance on integrating the COP with sustainability reports elaborated in accordance with the latest version of the GRI Guidelines has been published (UNGC/GRI, 2007). In May 2010 UNGC and GRI announced an agreement to align their work in advancing corporate responsibility and transparency and further develop their combined strengths (the GC's strategic advancement of key sustainability issues, and GRI's reporting framework). Under the terms of the agreement, GRI will develop guidance regarding the UNGC's ten principles and issue areas to integrate centrally in a next iteration of its Sustainability Reporting Guidelines. At the same time, the UNGC will adopt the GRI Guidelines as the recommended reporting framework for the businesses that have joined its corporate responsibility platform.

More recently, in its report on corporate responsibility indicators in annual reports, the United Nations Conference on Trade and Development (UNCTAD) has also recognized the importance of this issue and proposed as single indicator the number of convictions for violations of corruption related laws or regulations and amount of fines paid/payable (UNCTAD, 2008).

In spite of all these developments, few studies on anti-corruption reporting practices have been made thus far. Gordon & Wynhoven (2003), *Novethic/SCPC* (2006) and *Transparency International* (2009) are among the most important studies published on the matter.

Gordon & Wynhoven (2003) analysed anti-corruption material published on the websites of companies in UNCTAD's list of top 100 non-financial multinational enterprises. They concluded that, in contrast to their extensive environmental reporting, few companies report on their performance in this area. Although forty three of the top 100 non-financial multinational enterprises presented anti-corruption material on their websites, only 12 provided some sort of report on corruption related performance. In contrast, well over half of the companies published environmental reports. Gordon & Wynhoven (2003) adduced two possible explanations of the differences between environmental and anti-corruption reporting. First, the availability of standards that facilitated environmental reporting made it easier for firms to undertake such reporting (while little guidance is available for anti-corruption reporting). Second, companies may see little "up side" to reporting on corruption and might feel more at ease with reporting on environmental matters. Whereas the first reason may not be true nowadays, given the development of the GRI Guidelines pertaining to indicators on corruption and the recent guidance offered by the UNGC on this matter (UNGC, 2009), the second is likely to be still an important reason for not disclosing.

Novethic/SCPC published in 2006 the results of a study on "Transparency of French multinational corporations on fight against corruption" (Novethic/SCPC, 2006). The study analysed reporting on the commitment to, and implementation of, anti-corruption policies within the CAC 40 companies in 2004 and 2005. According to the study, corruption control does not generally give rise to satisfactory reporting, whether it be in annual reports, sustainability reports or on institutional websites. 80% of CAC 40 companies seem to be lagging behind in terms of transparency of their corruption control policies, while only 20% provide substantial information in their public reports or on their websites. Global transparency increased very little in the two years analysed. The companies which present a more developed reporting operate in sectors that are sensitive to the corruption challenge (such as hydrocarbons, armament, utilities and major equipments). The type of countries where they operate and the sometimes huge sums involved in the markets concerned are also risk factors, generating special awareness.

Transparency International published in 2009 a report on the extent to which leading global companies report that they have in place strategies, policies and management systems for combating bribery and corruption (Transparency International, 2009). 486 of the world's largest publicly-traded companies were analysed. The study analysed public company documents including those on company websites, as well as the latest annual reports and sustainability reports. Results indicate that companies tend to report on the presence of high-level policies addressing anti-bribery and corruption but are mostly silent on the systems that support them. Each company was assessed against a maximum possible score of 50 points. Point scores were then converted into a star category (where 5 stars represent the highest standard and 1 star the lowest). In spite of some exemplary practices, only seven of the 486 companies reviewed achieved the top score while 151 received the lowest. The average company analysed scored only 17 out of a possible 50 points (which corresponded to 2 stars out of a possible 5). No company achieved the maximum possible score of 50 points. 75 companies scored zero points; they were awarded one-star.

5. Concluding remarks

It is a widespread belief that the sustainability of business depends on free and fair competition. Corruption in all its forms, such as extortion and bribery, not only undermine business success but also contribute to poverty, inequality, crime, and insecurity. It is an obstacle to political, social and economic development (USAID, 2005).

There are situations in which the costs of corruption lead to reduced profits. In these cases companies' own interests may be a reason for fighting corruption. However, in a lot of other situations, self-interest is not sufficient for companies to promote the fight against corruption. A collective change in behaviour by most firms in the market is required and some kind of collective action at the international level is also needed (Rose-Ackerman, 2002).

According to Kell (2006), the role that voluntary business-led initiatives, such as the UNGC, may have is primarily related to the provision of the trust-based informal social norms, without which markets and societies cannot function. These voluntary initiatives will certainly help to make the case for good corporate performance and, thereby, can provide an impetus for broad-based change, especially if good performance is rewarded and established as a de facto behavioural norm (ibid.).

The CSR practices referred in this paper may be of great assistance in the fight against corruption, in particular because they will make it easier to hold firms and those who work within them accountable. The engagement of a company in the fight against corruption and the reporting thereof makes it easier to hold it and those who work within them accountable for acts of corruption.

According to Hess (2009), including anti-corruption indicators in sustainability reports should serve multiple purposes, which includes internally directed goals as well as externally directed goals. Regarding internally directed goals, the disclosures will help to ensure that the corporation is committed to anti-corruption. The disclosure process will assist companies in implementing the necessary changes and ensure their effectiveness over time, and also assist members of the organization to hold each other accountable. Second, the disclosures have an external purpose of holding leaders of companies accountable to the public and improve the understanding of what works in combating corruption and developing better risk assessments.

However, reporting on the fight against corruption is clearly an underdeveloped practice. The absence of detail of corporate anti-corruption reporting depicted in the few studies made thus far weakens the credibility of such reporting and can throw into question company commitment to broader corporate responsibility efforts towards internal and external stakeholders (Côté-Freeman & Fagan, 2010). Although the rejection of corruption is now an integral part of any company's social responsibility, it appears to remain a neglected social issue among CSR priorities (Hills et al., 2009).

There is still a lot of work to be done, both in the development of practices which will lead eventually to the eradication of corruption and in the development of reporting instruments which will allow companies to adequately communicate their anti-corruption efforts.

6. References

Aguilera, R., & Abhijeet, V. (2008). The dark side of authority: Antecedents, mechanisms, and outcomes of organizational corruption. *Journal of Business Ethics*, 77(4), 431–449.

Argandoña, A. (2005). Corruption and companies: The use of facilitating payments. *Journal of Business Ethics*, 60(3), 251-264.

Breitbarth, T., Harris, P., & Aitken, R. (2009). Corporate social responsibility in the European Union: a new trade barrier? *Journal of Public Affairs*, 9, 239-255.

Brown, H. S., de Jong, M., & Lessidrenska, T. (2009). The rise of the Global Reporting Initiative: a case of institutional entrepreneurship. *Environmental Politics*, 18(2), 182-200.

Chen, S. & Bouvain, P. (2009). Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany. *Journal of Business Ethics*, 87, 299-317.

Côté-Freeman, S. (2006). Overview of corporate anti-corruption programmes. In B. Errath (ed.), *Business Against Corruption: Case Stories and Examples*. New York: United Nations GC Office, pp. 47-50.

Côté-Freeman, S., & Fagan, C. (2010), *Corporate responsibility & anti-corruption: the missing link?*, Transparency International Working Paper # 01/2010

Deva, S. (2006). Global Compact: A critique of the U.N.'s "public-private" partnership for promoting corporate citizenship. *Syracuse Journal of International Law and Commerce*, 34(1), 107-151.

Dion, M. (2010). Corruption and ethical relativism: what is at stake? *Journal of Financial Crime*, 17(2), 240-250.

Doh, J., Rodriguez, P., Uhlenbruck, K., Collins, J., & Eden, L. (2003). Coping with corruption in foreign markets. *Academy of Management Executive*, 17(3), 114-127.

Errath B., Brew P., Moberg J., & Brooks J., (2005). *Business Against Corruption – A Framework for Action*. United Nations Global Compact/Prince of Wales International Business Leaders Forum/Transparency International.

European Commission (2001). *Promoting a European Framework for Corporate Social Responsibility – Green Paper*. Luxemburg: Office for Official Publications of the European Communities.

European Commission (2002). *Corporate Social Responsibility – A Business Contribution to Sustainable Development*. Luxemburg: Office for Official Publications of the European Communities.

European Commission (2006). *Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee: Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility*. COM (2006) 136 final.

Fisman, R., & Miguel, E. (2008). *Economic Gangsters: Corruption, Violence, and the Poverty of Nations*. Princeton University Press.

FTSE Index Company (2006). *FTSE Index Series: Inclusion Criteria*. Available at http://www.ftse.com/FTSE4Good_Inclusion_Criteria_Brochure_Feb_06.pdf

Gopinath, C. (2008). Recognizing and Justifying Private Corruption. *Journal of Business Ethic*, 82, 747-754.

Gordon, K., & Miyake, M. (2001). Business Approaches to Combating Bribery: A Study of Codes of Conduct. *Journal of Business Ethics*, 34, 161-173.

Gordon, K., & Wynhoven, U. (2003). Business Approaches to Combating Corrupt Practices. In OECD, *Annual Report on the OECD Guidelines on Multinational Enterprises: Enhancing the Role of Business in the Fight Against Corruption*. Paris: OECD, pp. 127-152.

Gray, R. H. (2000). Current developments and trends in social and environmental auditing, reporting and attestation: A review and comment. *International Journal of Auditing*, 4, 247-268.

GRI (Global Reporting Initiative) (2000). *Sustainability Reporting Guidelines*. GRI.

GRI (Global Reporting Initiative) (2002). *Sustainability Reporting Guidelines*. GRI.

GRI (Global Reporting Initiative) (2004). *Synergies between the OECD Guidelines for Multinational Enterprises and the GRI Sustainability Reporting Guidelines*. GRI.

GRI (Global Reporting Initiative) (2006). *Sustainability Reporting Guidelines*. GRI.

Habib, M., & Zurawicki, L. (2001). Country-level investments and the effect of corruption – some empirical evidence. *International Business Review*, 10, 687-700.

Halter, M. V., Arruda, M. C. C., & Halter, R. B. (2009). Transparency to Reduce Corruption? *Journal of Business Ethics*, 84, 373-385.

Hess, D. (2009). Catalyzing Corporate Commitment to Combating Corruption. *Journal of Business Ethics*, 88, 781-790.

Hills, G., Fiske, L., & Mahmud, A. (2009). *Anti-Corruption as Strategic CSR: A Call to Action for Corporations*. FSG Social Impact Advisors.

Holme, R., & Watts, P. (2000). *Corporate Social Responsibility: Making Good Business Sense*. World Business Council for Sustainable Development.

Isaksson, R., & Steimle, U. (2009). What does GRI-reporting tell us about corporate sustainability? *The TQM Journal*, 21(2), 168-181.

ISO (International Organization for Standardization) (2009). *Draft International Standard ISO/DIS 26000*. ISO.

Jamali, D. (in press). MNCs and International Accountability Standards Through an Institutional Lens: Evidence of Symbolic Conformity or Decoupling. *Journal of Business Ethics*.

Johnson, S., Kaufmann, D., McMillan, J., & Woodruff, C. (2000). Why do firms hide? Bribes and unofficial activity after communism. *Journal of Public Economics*, 76, 495-520.

Kell, G. (2006). Anti-Corruption and Corporate Citizenship. *Development Outreach*, World Bank Institute, 8-11.

Kolk, A. and van Tulder, R. (2010). International business, corporate social responsibility and sustainable development. *International Business Review*, 19, 119-125.

KPMG (2005). *KPMG International Survey of Corporate Responsibility Reporting 2005*. KPMG.

KPMG (2008). *KPMG International Survey of Corporate Responsibility Reporting 2008*. KPMG.

Matten, D., Crane, A., & Chapple, W. (2003). Behind the mask: Revealing the true face of corporate citizenship. *Journal of Business Ethics*, 45(1/2), 109-120.

Murray, J. (2001). A New Phase in the Regulation of Multinational Enterprises: The Role of the OECD. *Industrial Law Journal*, 30(3), 255-271.

Nason, R. W. (2008). Structuring the Global Marketplace: The Impact of the United Nations Global Compact. *Journal of Macromarketing*, 28(4), 418-425.

Novethic/SCPC (Service Central de Prévention de la Corruption) (2006). *Transparence en matière de lutte anti-corruption – Le traitement de l'enjeu "corruption" dans le reporting développement durable des entreprises du CAC 40 en 2004 et 2005.* Novethic/SCPC.

OECD (Organisation for Economic Co-operation and Development) (2005*). Annual Report on the OECD Guidelines for Multinational Enterprises – Corporate Responsibility in the Developing World, 2005*. OECD.

OECD (Organisation for Economic Co-operation and Development) (2001), *Corporate Responsibility: Private Initiatives and Public Goals*, OECD.

OECD (Organisation for Economic Co-operation and Development) (2000). *OECD Guidelines for Multinational Enterprises.* OECD.

Orbie, J., & Babarinde, O. (2008). The Social Dimension of Globalization and EU Development Policy: Promoting Core Labour Standards and Corporate Social Responsibility. *Journal of European Integration*, 30(3), 459-477.

Rodriguez, P., Siegel, D. S., Hillman, A., & Eden, L. (2006). Three Lenses on the Multinational Enterprise: Politics, Corruption and Corporate Social Responsibility. *Journal of International Business Studies*, 37(6), 733-746.

Rose-Ackerman, S. (2002). “Grand” corruption and the ethics of global business. *Journal of Banking and Finance*, 26, 1889-1918.

Ruggie, J. G. (2002). The theory and practice of learning networks: Corporate Social Responsibility and the Global Compact. *Journal of Corporate Citizenship*, 5, 27-36.

Schwartz, B., & Tilling, K. (2009). “ISO-lating” Corporate Social Responsibility in the Organizational Context: A Dissenting Interpretation of ISO 26000. *Corporate Social Responsibility and Environmental Management*, 16, 289-299.

Tanzi, V. (1998). Corruption Around the World – Causes, Consequences, Scope, and Cures. *IMF Staff Papers*, 45(4), 559-594.

Transparency International (2009). *Transparency in Reporting on Anti-Corruption – A Report of Corporate Practices (TRAC)*. Transparency International.

UNCTAD (United Nations Conference on Trade and Development) (2008). *Guidance on Corporate Responsibility Indicators in Annual Reports*. United Nations.

UNDP (United Nations Development Programme) (2008). *Asia Pacific Human Development Report: Tackling Corruption, Transforming Lives – Accelerating Human Development in Asia and the Pacific*. United Nations Development Programme.

UNGC (United Nations Global Compact) (2008a). *Corporate Citizenship in the World Economy: United Nations Global Compact*. United Nations Global Compact.

UNGC (United Nations Global Compact) (2008b). *United Nations Global Compact Annual Review*. United Nations Global Compact.

UNGC (United Nations Global Compact) (2009). *Reporting Guidance on the 10th Principle Against Corruption*. United Nations Global Compact.

UNGC/GRI (United Nations Global Compact/Global Reporting Initiative) (2007). *Making the Connection: The GRI Guidelines and the UNGC Communication on Progress*. UNGC.

USAID (United States Agency of International Development) (2005). *Anticorruption Strategy*. USAID.

Valor, C. (2005). Corporate social responsibility and corporate citizenship: Towards corporate accountability. *Business and Society Review,* 110(2), 191-212.

van Buiren, S. (2008). *Using the OECD Guidelines to Tackle Corporate Corruption*. Transparency International Working Paper # 03/2008.

van Marrewijk, M. (2003). Conceptions and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics,* 44(2/3), 95-105.

Weyzig, F. (2009). Political and Economic Arguments for Corporate Social Responsibility: Analysis and a Proposition Regarding the CSR Agenda. *Journal of Business Ethics*, 86, 417-428.

Wilkinson, P. (2006). Reporting on Countering Corruption. In B. Errath (ed.), *Business Against Corruption: Case Stories and Examples*. New York: United Nations GC Office, pp. 96-107.

Wilkinson, P. (2008). Improving Corporate Reporting on Corruption. *Compact Quarterly*, available at http://www.enewsbuilder.net/globalcompact/e_article001147087.cfm?x=b11,0,w)

Williams, O. F. (2004). The UN Global Compact: The challenge and the promise. *Business Ethics Quarterly*, 14(4), 755-774.