

*TI Banff - May, 2000*



*The View  
From the Corporate  
Boardroom*

## *Introduction*

---



- ☉ Barriers to Investment
- ☉ Corporate View of Bribes
- ☉ OECD Convention and Its Impact
- ☉ Corporate Response to the New Rules
- ☉ International Energy Industry

## ***Barriers to Investment***

---



- ❑ Corruption
- ❑ Human Rights
- ❑ Environment & Safety
- ❑ Labour

# IMPACT OF OECD CONVENTION

---



- **International vs. American Issue**
- **Global vs. Regional Liability Exposure**
- **Need for Proactive vs. Reactive Risk Management**
- **Co-operation vs. Competition**

## POST-OECD CONVENTION ENVIRONMENT

---



- **Corruption will continue**
- **Bribery will become more sophisticated**
- **Enforcement of the new rules will be uneven**
- **Compliance will not be universal**
- **The United States will play a significant role**
- **U.S. companies may have an advantage**
- **There will be enhanced attention of the public on bribery issues**
- **Allegations of bribery may become weapons of commercial competition**

# CORPORATE RESPONSE BY REGION

---



## *U.S.*

- Business practices still determined by FCPA
- Some companies aware of OECD & other Conventions
- Not fully aware of global change in rules

## *Europe*

- Waking up to change in rules
- On steep learning curve
- Some resistance but most accept change
- Open to co-operation

# CORPORATE RESPONSE BY REGION

---



## *Canada & Australia*

- More aware of FCPA Rules
- Less prone to corrupt practices
- Open to co-operation

## *Other Regions*

- South America?
- Asia??
- FSU???

## ***ENERGY INDUSTRY'S RISK PROFILE***

---



- 15% of world's oil reserves and 48% of world's gas reserves are in 10 most corrupt countries
- 80% of world's oil and gas reserves are in countries in bottom half of the corrupt countries list
- Awarding of concessions largely depends on discretionary powers of public officials
- Energy industry has reputation for corrupt practices

# ENERGY INDUSTRY INITIATIVES

---



- **Public Statement on Corruption**
- **Corruption Forum**
- **Integrity Pact**

# **“DECLARATION AGAINST CORRUPTION”**

---



## ***Purpose***

- Public commitment to combat bribery
- Show Leadership of Energy Industry
- Peer pressure to set business standards

## ***Statements***

- Establish Corruption Forum
- Work with Host Governments
- Co-operate with NGO's
- Institute corporate programs

## ***Process***

- Signed by CEO's
- Announced at Public Venue

# CORRUPTION FORUM

---



## ***Proposal***

- Forum for energy companies & associations
- Co-operation & support on corruption

## ***Co-operation***

- Information Sharing
- Education
- Due Diligence
- Compliance Standards
- Verification

## ***Requirements***

- Support
- Commitment
- Substance



## ***Benefits***

- Level playing field
- Reduce corruption risk
- Reduce liability
- Lower costs
- Enhance reputation
- Best business practices

## ***Model***

- *Responsible Care* Program

# INTEGRITY PACT

---



- **Developed by Transparency International**
- **Contract among Government, Industry and TI**
- **Sets rules for business transaction**
- **Tool to eliminate corruption**
- **Country Specific**
- **Key companies in country need to show leadership**

## *Challenges to International Companies*

---



- ☉ Increased Accountability
- ☉ Greater Liability
- ☉ More Special Interest Groups
- ☉ Enlarged Social Responsibility