

Sectoral initiative in business ethics: the example of Aerospace & Defence Industries

Seminar on Ethics and Anti-Corruption



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A new management paradigm

International corporations are facing new constraints:

- **A 'tsunami' of regulations**
 - *Companies are confronted with growing and fragmented regulatory environments...*
 - *...made of multi-national regulations which are heterogeneous and even sometimes conflicting...*
 - *...but are strictly enforced by multi-jurisdictional bodies*

- **A proliferation of standards**
 - *International organisation, NGO's and large consulting groups produce numerous standards...*
 - *...whilst demand increases for more transparency and traceability (reporting)...*
 - *...when notoriety and image become company 'goodwill'.*

A daily challenge for compliance

How can Corporations contribute to the definition of integrity standards?

- **Business is discovering that it can become more and more often the 'victim' of corruption**
- **'Responsible' companies are willing to promote proactive actions to develop international norms**
- **The Legislator needs to say 'Why' and 'What' but Companies are often better qualified to say 'How'**
- **Large corporations have an invaluable experience useful for conducting international and global operations**
- **Business can also develop self-regulation processes**

At the same time, an integrity program must be shared by all competitors

- **Distortion of competition can not be tolerated, for obvious economic effects**
- **A level playing field is essential offering:**
 - *International, coherent and harmonised norms...*
 - *...enforced by all exporting countries...*
 - *...and implemented by all companies starting with OECD countries*

An appropriate answer: Sectoral Initiatives

The AeroSpace & Defence ethics initiative

A first step : An European initiative

A proactif and effective process

- 2002** Preliminary discussions between BAE Systems, Dassault, EADS and Thales
- 2003** Talks and debates with Transparency International (UK)
- 2006** Creation of the Aerospace and Defence Industries Association of Europe (ASD) Anti-Corruption Task Force
- 2007** Elaboration of the '*Common Industry Standards*' adopted by more than 400 European companies



Common Industry Standards for European Aerospace and Defence

A collaborative approach

- Exchanges of best practices
- Document built-up by European industries with help of an expert (*F. Vincke - Chairman of ICC Anti-Corruption Commission*)

.... producing strict standards

- A zero tolerance commitment
- Detailed process for selecting and managing advisers
- Training and awareness of collaborators, etc.

....easy for SME to handle

- Elaboration of a user friendly tool-kit
- Help provided

An updated version in process

- *OECD Best Practices Guidelines, UK 'Adequate Procedures'*

A second step : A transatlantic initiative



June 2007

- A proposed comparison between EU Common Industry Standards (CIS) and US Defence Industry Initiative (DII)

July 2008

- High level decision to launch 'International Forum on Business Ethical Conduct' (IFBEC)
 - *Exchange of best practices*
 - *Identify convergence on ethical standards*

October 2009

- Signature of a Joint Statement of Adherence to the Global Principles of Business Ethics by both ASD and AIA CEO's
 - *Encourage EU and US member companies to endorse Global Principles on a voluntary basis*

To enlarge European approach to international level

- Demonstrate that international companies operate with the highest ethical standards
- Force every exporting country to abide by the same anti-corruption standards
- Lobby democratic governments not to buy from countries which have not adopted similar rules : « label concept »
- Four initial issues :
 - *Zero tolerance for corruption*
 - *Use of advisers*
 - *Managing conflicts of interest*
 - *Respecting proprietary information*

First '*International Forum on Business Ethical Conduct*' in 2010

First international Forum – January 2010 in Berlin

- **60 participants**
 - *from US and EU companies but also from Japan, Australia, etc.*
 - *High level representatives from NATO, OECD, European Defence Agency, and NGO (Transparency International)*
- **Exchanges of best practices and requests from IGOs, NGOs and customers**

Two meetings (Washington / June 2010 and London / May 2011)

- **Institutionalisation and promotion of the sectoral initiative**

Second Forum – October 2011 at Washington

- **More than 100 delegates**
- **Development of 'best practices' and implement of the outreach process to other worldwide companies (*Japan, Canada, China*)**

The Business 20 initiative



- **An obvious challenge for world governance**
 - *Bribery is still endemic despite 30 years of FCPA and more than 10 years of OECD Convention*
 - *Solicitations and extortion are not effectively tackled*
 - *Difficulties encountered by IGO's, national governments and NGO's calls for new action and new actors....*

- **The B20: a very well managed process for 3 months delivery**
 - *An efficient process : 'straw-man proposals' – conference calls - B20 Sherpas meetings – Discussion and evaluation with G20 Sherpas and government representatives*
 - *An unexpected cohesion between the 20 Business Associations, International Chamber of Commerce and World Economic Forum*
 - *20 concrete and pragmatic proposals for a voluntary action plan*

First private / public platform for this sensitive issue

Context and issues of the Anti-corruption topic

- Corruption is an intolerable impediment to the efficiency of the global economy, to fair competition among companies of all sizes and nationalities, and to sustainable global development.
- Failure to address corruption undermines the effectiveness of G20 efforts across its entire agenda.
- To combat both the demand and supply sides of corruption, four recommendations are key to success:

Top 4 Proposals

- **Proposal 1 - B20 recommends creating a G20/ B20 joint platform**, accountable to G20 and B20 leaders to maintain an on-going multi-year dialogue
- **Proposal 2 - Building on the Seoul Action Plan, G20 Governments should:**
 - Accelerate their commitments to ratify, enforce and monitor the implementation of the OECD and UN Conventions
 - Support the negotiation within the WTO of an agreement on standards for procedures and transparency in government procurement
 - Incentivize enterprises to establish effective policies and procedures to prevent corruption, and recognize public bodies and officials that demonstrate leadership in fighting corruption.
- **Proposal 3 - Business must also play its part:**
 - To promote and implement voluntary compliance programs and sectoral standards
 - To share best practices, training materials and resources: among the various sector-specific initiatives;
 - To launch collective actions with public sector entities.
- **Proposal 4 - Business and government must work together to raise awareness of the costs and risks of corruption**, especially by promoting education on ethics and business integrity at all levels of public and private education.

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