# Global Compact
## Vigeo Communication on Progress

Edito by

Nicole Notat, Chairman

Our core profession is to measure companies and organisations performance on environment, social and governance issues, as well as to assess their level of management of the extra-financial risks they may be exposed to.

While offering products and services to companies and organisations, as well as investors and asset managers, Vigeo contributes to promote corporate social responsibility objectives as displayed in the Global Compact.

While delivering our clients and partners with information which act as a leverage for decision-making and with operational tools to be in line with the Global Compact principles, Vigeo contributes to companies and organisations performance on environment, social and governance issues. It also serves Vigeo's CSR performance.

This is especially the case this year, with the diffusion of a study on the 'Prevention of corruption', a CSR criterion analysed by Vigeo. This thematic study, launched jointly with Novethic –a research center on corporate responsibility and responsible investment– received significant media coverage, mostly in the French press.

This Vigeo study on the 'Prevention of Corruption' aims to:

- Disclose information on companies anti-corruption practices and their level of engagement towards the integration of the 10th principle of the Global Compact
- Compare 342 listed European companies performance on the issue
- Provide companies with tangible information to communicate on the issue

We strongly hope that this study will effectively contribute to the prevention of corruption, by highlighting companies' noteworthy practices and by identifying those who do not respect the 10th principle.

Vigeo CSR Thematic Studies:
# ‘Corruption Study’

### Scope of the Study

Vigeo’s corruption study was finalised in August 2006. The results of the study were presented for the first time, in September 2006, at a conference on “Corruption and CSR” organised by Novethic (a French Corporate Social Responsibility (CSR) think tank).

This study is based on the transversal analysis of Vigeo’s database on the management of corruption, from a sample of 342 European companies, representing 23 sectors and 17 countries. These companies were listed on the DJ Stoxx600 and rated by Vigeo between May 2004 and January 2006.

The study is in the process of being published, for all additional information please contact fouad.benseddik@vigeo.com

### Objectives

- Clarify the concept of corruption and its underlying principles
- Present anti-bribery instruments, on which Vigeo group’s ratings model is based.
- Identify geographical and sector trends
- Measure managerial awareness and efficiency
- Highlight best practices
- Determine risk exposure, based on the analysis of allegations

### Main Findings

Corruption is a core CSR issue, considering its unethical nature, its impacts on fair business relations and on society at large. The phenomenon covers a large number of situations, but in the private sector the most visible and harmful type is active bribery from multinationals to foreign public officials. Such practices impact fair competition and in developing countries perpetrate the unequal distribution of welfare and impede efforts to reduce poverty. The local economic development that should result from the presence of dynamic foreign companies is limited because of the constitution of parallel networks and fund evasion.

Hence, corruption represents an efficiency loss for companies, because it is not a gain-making investment. It could rather be analysed as a functional expenditure, which leads to obtaining a market or a contract, in an environment where fair competition is not the rule and where performance does not play the fundamental role in the bid selection process. Therefore, considering that competitors use bribery, companies adopt this practice as a contextual necessity.

The study highlights a global awareness of the phenomenon, but that companies’ efforts remain limited to broad declarations, while detection mechanisms are only at an early stage. Anti-bribery commitments are generally more developed in sectors, exposed to corruption situations, because of their interaction with the public sector (e.g. Gaz and Water Utilities), geographical location (e.g. Energy), or legal requirements (e.g. Banks). Thus, the visibility of the phenomenon depends on the *nature* and *localisation* of activities, and the *organisation of civil society* activism. The available information on this issue is a factor of combination between exposure and efficiency of the detection tools.

The sectors which have formalised exhaustive corruption prevention policies like Mining and Energy are generally active in developing countries and involved in public contracts. They have therefore been exposed to public criticism, which has acted as a driver for the development of public commitments. However, in terms of support measures, such as training and detection tools, Insurance and Banks are among the leaders. This can partly be explained by the presence of national regulations on money laundering, which imposed the implementation of concrete actions. Therefore, the strength of company prevention policies depends on the *activity exposure* and the presence of national *legal requirements*. In this sense, country determination may exist. However, on the basis of this global analysis no clear conclusions can be drawn on what countries are more or less advanced on corruption management.

External sources such as the press, civil society, and stakeholders have revealed that 10% of analysed companies were involved in corruption related allegations or convictions. This proportion and the importance of pending cases underline the *complex nature* of this phenomenon and the difficulty to find tangible proofs. However active corruption to foreign public agents and fraud appear to be the most easily detectable situations and are generally followed by severe sanctions such as fines.

Therefore, companies are confronted with a contextually determined phenomenon (activity, location, nature of the market), involving illegal expenditures, exposing them to potential reputation and legal risks. Therefore, corruption is problematic for all the involved actors and requires a *global prevention approach*. Consequently, initiatives have to be jointly led at industry level with all actors, so that companies do not fear unfair competition and can jointly impose ethical standards to local authorities.

## **Leading European**
## Corporate Social Responsibility
## **Ratings Agency**

**Vigeo** measures the companies' CSR performance on environmental, social and governance (ESG) criteria and identifies ESG risk factors.

Vigeo provides **two services**:

- **SRI analysis** (Socially Responsible Investment), **ratings and benchmarks**, which constitute *investment decision tools* for investors and asset managers
- **CSR Audits for companies and local governements**, which are *strategic management tools*

**The areas under review:**

- Human Rights
- Environment
- Human Resources
- Business Behaviour
- Corporate Governance
- Community Involvment

**Key Dates**

2002 : Vigeo was founded, as a limited company under French law, and took over the activities of Arese, the first SRI rating agency in France. Nicole Notat becomes President.

2003 : Launch of the CSR Audit business activity

2004 : Opening of a branch in Casablanca, Morocco

2005 : Integration of the Belgian company Stock at Stake, the leading SRI rating agency in Belgium. Stock at Stake becomes Vigeo Belgium

2006 : Integration of the Italian company Avanzi SRI Research, the leading CSR rating agency in Italy

**An expanding group:** The Vigeo teams represent 75 employees and 14 different nationalities, on 4 locations: Paris, Brussels, Milan, Casablanca.

Vigeo manages 3 **sustainable development indices** :

- the ASPI Eurozone® index
- the Ethibel Pioneer Index®
- and the Ethibel Excellence Index®.

For more information, visit: [www.vigeo.com](http://www.vigeo.com)