

Business-driven integrity in the metals technology sector

Nadine Bloxsome* spoke to the market leaders spearheading the fight against corruption.

The Metals Technology Integrity Initiative was formed in early 2013 at a time when the companies were facing an increasingly competitive environment as a result of the decline of the traditional steel producing markets in Europe, and a shift towards emerging markets including the Far East and Indian sub-continent. These new markets presented companies with increased legal and compliance risks, in particular with regard to bribery at a time when law enforcement was on the increase against companies headquartered in OECD countries. For example, the ten highest settlements under the US anti-corruption law (the Foreign Corrupt Practices Act), were all negotiated between 2007 and 2011.

The development of internal compliance programmes and the challenges of the markets where they were operating created the conditions for the senior management of the leading companies in the Metals Technology sector to take a positive step towards establishing industry-specific anti-corruption compliance commitments with a view to raising fair competition standards throughout their sector globally.

The anti-corruption Collective Action initiative brought together key global players in 2013. At the time, they comprised Siemens (now *Primetals Technologies*

Limited), *Danieli & C Meccaniche S.p.A.*, *Primetals Technologies Limited* and *SMS GmbH*, and as from the end of 2017 the newest member, *Tenova S.p.A.*

All of the companies have signed a Memorandum of Understanding (MoU) that they developed over the course of discussions in 2013 and 2014. The MoU sets out the companies' anti-corruption commitments and proposed actions to implement and promote their anti-corruption principles.

Together with the Basel Institute on Governance represented by the International Centre for Collective Action, which acts as facilitator and convener, the companies meet three times per year to address their commitments set out in the MoU. The convener is neutral, has no conflicts of interest and is external to the industry which helps to ensure that no anti-trust issues arise during the meetings. The members that participate in the meetings are senior legal and compliance officers who are also well aware of the risks of anti-trust issues and this also helps to ensure that the risks are minimised on this front.

What is Anti-Corruption Collective Action?

Anti-corruption Collective Action is 'a

collaborative and sustained process of cooperation amongst stakeholders. It increases the impact and credibility of individual action, brings vulnerable individual players into an alliance of like-minded organisations and levels the playing field between Competitors.¹

The Initiative strives to harmonise compliance in order to level the commercial playing field in a particular location or business sector. Regular forums to share experience in implementing the common standard contribute to the creation of communities of practice and enhanced capacity and knowledge across all participants.

The business case for sector-specific Collective Action

Setting up an institutionalised form of policy dialogue, with regular meetings of senior company representatives initially means costs incurred by the participating companies. So why do the member companies invest in this collective approach?

In countries where corruption is systemic or entrenched reputational risks for companies can be high. On the one hand, companies have an incentive not to pay when solicited for a bribe, particularly if they are subject to anti-corruption laws

*Editor, Aluminium International Today · ¹World Bank definition · Special thanks to Basel Institute on Governance

“The aim of the collective action is to show the market that the major companies in the metals industry have taken action to combat corruption. Collective actions in other sectors have even drawn common rules, but this is not our case. We basically sent a message to the metals industry, especially in current difficult business environment, that the main players have a tuned approach to compliance.”

ANDREA LOVATO, CEO, TENOVA

“The focus of the initiative is to prevent corruption. Therefore we address all relevant topics to achieve this goal. This contains training and awareness raising in all group entities, how to best deal with gifts and hospitality, donations or public officials but also the prevention of corruption by third parties like agents, consultants or intermediary companies.”

MEINHARD REMBERG, EXECUTIVE VICE PRESIDENT, SMS GROUP

that are enforced in their home countries. At the same time, companies fear the loss of business if they fail to pay bribes and risk becoming uncompetitive in emerging markets. In the Collective Action approach, stakeholders work together to lift themselves out of this corruption dilemma.

When companies work together to establish common standards this can lead to a leveling of the playing field as competitors agree not to use improper means to obtain or retain business. A clear industry commitment to clean business as good business can also increase investor and customer confidence and reinforce a positive focus on the companies' reputation in the wider market. Companies

engaged in Collective Action often find that sharing and benchmarking of internal anti-corruption principles and practices enables peer companies to improve their compliance programme on an ongoing basis and enables companies to work towards establishing best practices in the market.

Active involvement in Collective Action is cited in the UK Ministry of Justice's Guidance 2010, as being evidence of top-level commitment to fight bribery within their institution and beyond. Acting collectively has also become a reinforcing pillar of an effective internal compliance management system for the member companies.

Since the Initiative went public in 2016

it has attracted the interest of another key market player, Tenova S.p.A., who joined the Initiative in 2017. When asked about the reasons for engaging in a Collective Action Andrea Lovato, CEO of Tenova S.p.A. commented that "all companies in the metals industry face similar corruption risks around the world. We immediately saw the benefits of joining forces with other industry leaders in harmonising our anti-corruption management approach".

The members are looking forward to the new perspectives Tenova S.p.A. will bring to the table, and fresh impetus for all Initiative members to continuously improve their anti-corruption compliance systems and work towards positively impacting the wider market. ■