

United Nations Global Compact

10th Principle against Corruption

Sport Sponsorship and Hospitality

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United Nations Global Compact

Recent Developments – New Attention

- Sports is about power, glory, money, influence!
- Sport sponsorship is an area where companies have been supporting sports - a powerful impetus to sports
- Are companies' internal processes adequate to handle sports sponsorship in view of recent developments in legislation?
- UK Bribery Act has put a new focus on Sports and on companies to look at their policies and practices risk especially when a 3rd party is involved
- Companies need to recalibrate their process
- Sport sponsorship and hospitality should be like any other compliance risk of a company



Sports as the driving force of the world economy

- Sports is driven by emotions and the power of emotions makes the CEO!
- Sports has one of the most expensive exclusive rights in the world – super bowl, world cup, etc.
- World cup final is a moment of no return
- Relation between sports and industry to buy and engage
- Overall spending worldwide – tickets, sales, etc. is huge
- Many of the most valuable brands are engaged in sport sponsorship
- It is important and necessary to keep sports clean because people are looking up to sports heroes



Time to change

- What can sports do to change corporate governance?
- Sports is a driving force to change peoples minds
- There is a lack of guidance when there are conflicts between decision-makers and marketing division of companies, hence the UN Global Compact guideline
- No other global organization that can provide such guidelines- It is only the UN Global Compact!



Gift and hospitality

- Flights, accommodation, tickets can be used to disguise as gifts and hospitality, when in actual fact, they form corruption
- Need for putting in place a system where employees register all forms of gifts and hospitality
- Not only policies in place, but systems and processes where you can register/ record all forms of gift and hospitality received
- Due diligence as a strong internal process
- Culture of integrity is important



Rationales for Guide on 'Sport Sponsorship and Hospitality' (1/2)

Sport

- catches the **attention of hundreds of millions** of people around the world and unites them to share the passion for a favorite player, team or club.
- represents **values**, such as fairness, performance, teamwork **and responsibility**, **breaks down barriers** of social status, of mentality, culture, questions of faith, physical handicaps.
- provides **role models**, idols and heroes, to which entire generations look up to (especially young people).

Sport sponsorship and hospitality can help

- **companies** to enter new markets, to create a certain image of a brand and to establish a positive, emotional link to their products and services, and
- **sport entities** in achieving peak performance (besides governmental support) and in supporting the youth and developing the educational values of sport.



Rationales for Guide on 'Sport Sponsorship and Sport-Related Hospitality' (2/2)

- With the benefits for companies there are also risks that such involvement could be **tainted by corruption**.

Sport sponsorship

- Typical high monetary value – most expensive and exclusive rights in the World cup, Super bowl)
- Emotional topic (perceived as 'outside the rules'). Driven by emotions and the power of the CEO
- Tangible and intangible values are difficult to measure
- Sport entities rely on volunteers in senior positions; driven more by a sport-fan attitude than by business principles (e.g. not the same level of awareness and governance mechanisms
- Close-knit relationships between sporting officials, politicians, companies, media, etc.

Hospitality

- Uncertainty of what is considered to be reasonable and bona fide and what is inappropriate
- Awareness of negative consequences of inappropriate hospitality is low
- Sport-related hospitality may provide a high emotional value for low costs
- Operational difficulties in tracking the final receiver of hospitality



Objectives of the Guide

- A practical framework on how to approach Sport Sponsorship and Hospitality
- Guidance for companies of all sizes, with or without an established overall anti-corruption programme
- Guidance for approaching sport sponsorship and hospitality in a transparent and accountable manner
- Addresses associated major risks of corruption in sport sponsorship and hospitality
- Global guide – considers different situations globally
- A non-mandatory best practices guidance



Global Multi-stakeholder Taskforce

To address these potential challenges, the United Nations Global Compact Working Group on the 10th Principle appointed a taskforce to develop a practical guide for companies that would like to engage in sport sponsorship and hospitality with integrity and thus prevent corruption.

Members of the Taskforce:

- ENI
- Microsoft
- MTN Nigeria
- Petrobras
- Sanlam
- System Capital Management
- The Coca-Cola Company
- Fachverband für Sponsoring und Sonderwerbeformen e.V.
- HUMBOLDT-VIADRINA School of Governance
- Transparency International
- Instituto Ethos Brazil
- UN Global Compact
- UN Office on Drugs and Crime

Observers of the Taskforce:

- Companies and Investors
National Committee Brazil
- UNI Global Union



Practical Guidance for companies



Three Principle Sections:

1. The Business Case for Fighting Corruption in Sport Sponsorship and Hospitality

2. Sport Sponsorship Viewed as Part of the Supply Chain

3. Preventing Corruption in Sport Sponsorship and Hospitality



1. The Business Case for Fighting Corruption in Sport Sponsorship and Hospitality

Benefits (Examples)

Important tool in marketing, business development, and relationship building strategy:

- Possibility to reach large audiences, be it on a local or global level
- Advantage from the positive image of an athlete, team, federation or event
- Opportunity of supporting the local community and/or social issues
- Networking opportunities
- Great benefits to sport entities
- Brings sports to new regions and/or target groups

Risks (Examples)

Corruption in the relationship

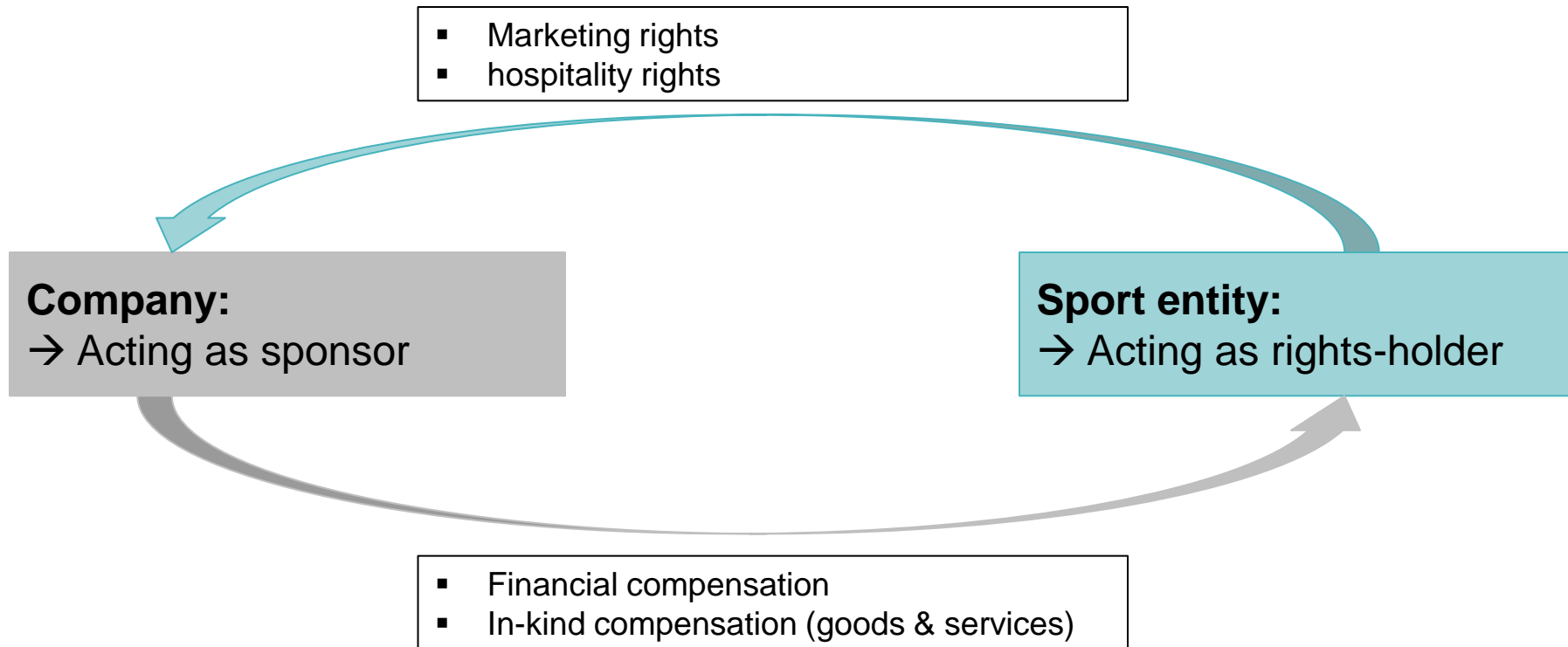
- Bribes to obtain sponsorship
- Misuse of sponsorship / hospitality to obtain an undue business advantage
- Extortion
- Conflicts of interest

Corrupt and other unethical behavior by the sport entity

- Doping
- Match-fixing
- Racism
- Violence /Hooliganism
- Corruption, etc.



2. Sport Sponsorship and Hospitality as Part of the Supply Chain



- The reduction of corruption risks should not be treated as a separate exercise but build upon existing processes and experiences of regular supply chain management.



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 1: Commit



- Commitment **within the company**:
 - Ideal way to combine business opportunities with social responsibility
 - Part of the company's Code of Ethics
 - Active and visible support from senior management
 - 'Zero tolerance' of corruption
- Commitment from the **sponsored sport entities** (e.g. Integrate ethical sponsorship into Code of Conduct, anti-bribery policy, etc. for sport entities)
- Commitment to support **collective action initiatives**



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 2: Assess



- Based on UN Global Compact **Guide for Risk Assessment**
- Examples of **high risk areas**:
 - Business functions that require extensive relationship building
 - Third party agents (sponsorship broker)
 - Sport sponsorship agreements with high monetary value, complex commercial terms, or high public exposure
 - Launch of new products or services that require brand building
 - Processes to track and document the final receiver of hospitality



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 3: Define



- **Policy** for sport sponsorship
- **Procedures** for sport sponsorship, e.g.
 - Due diligence of sponsoring request
 - Due diligence of sport entity
 - Contractual requirements
 - Monitoring KPIs and processes
- **Policy** for hospitality (giving and receiving)
- **Procedures** for hospitality, e.g.
 - Assessment of hospitality request
 - Internal Hospitality Register



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 4: Implement



- Implement procedures **within the company**, e.g.
 - Communication and training
 - Internal controls and record keeping
 - Guidance and reporting channels
 - Sanctions and incentives
- Support the implementation of procedures at the **sport entity**, e.g.
 - Regular meetings
 - Training and education
 - Expertise with regards to anti-corruption strategy and tools
 - Dealing with objections
- Implement procedures through **collective action** initiatives



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 5: Measure



- Measure adherence to the **company's policies and procedures**
- Measure adherence to the **contractual terms**
 - *Tangible values*: media rights with logo integration (e.g. press, ads in stadium magazines, live broadcasting), ticket contingents, etc.
 - *Intangible values*: qualitative benefits offered, such as prestige, competitive promotional stimuli, networking options, etc.
- Measure adherence to **the Code of Conduct for sport entities**



3. Preventing Corruption in Sport Sponsorship and Hospitality

Step 6: Communicate



- Public disclosure of the company's **sports policies and procedures- in an accessible manner. This enables public scrutiny and avoid that sport sponsorship is perceived as obtaining an undue advantage**
- Without prejudice to the respect of confidentiality obligations, data protection, competition/anti-trust and other applicable law, Sponsors may consider public disclosure of **sport sponsorship**, e.g.
 - Publish the *names of the sponsored sport entities*
 - Publish the *overall amount spent on sponsorships*
 - Publish *details about individual sponsorships*
- Public disclosure of **hospitality**



The Guide...

- ... has undergone **public consultation**:
 - Expert consultation (companies as well as sport entities)
 - Public request for consultation
 - Individual consultations with the UN Global Compact Local Networks
- ... will be **launched** at the upcoming UN Global Compact Working Group meeting in New York (**December 9, 2013**):

