

Shell

Integrating Transparency and Anti-corruption throughout its business in Nigeria

The Company

Royal Dutch Shell (Shell) is the second largest multinational energy corporation in the world, with wide scale operations and activities, a diversity of different business units and has over 102,000 employees in more than 100 countries and territories (<http://www.shell.com/>). It is a world leader in its field, recognised for its operations in exploration and the production, processing, transportation, and marketing of hydrocarbons (oil and gas).

Its global operations and business units cover many areas where there are huge disparities of wealth, and where social, economic and environmental dilemmas are ever present. As a result, Shell's activities impact (both negatively and positively) on a significant number of stakeholders in a large number of ways. For an organisation of this size and scope, it takes a large number of strategies, policies and initiatives to integrate transparency and anti-corruption into all areas of the business.

This case study focuses on Shell's Transparency and Anti-corruption approach in its operations in Nigeria

The key drivers for change

Nigeria is Africa's most populous country with over 250 ethnic groups. Nigeria's past has been chequered by political instability, corruption, bad governance, inadequate infrastructure and macro-economic mismanagement. Nigeria's economic stability relies heavily on the exploration, production, and trade in oil. For example, 40 percent of Nigeria's Gross Domestic Product (GDP) is driven by oil production and it depends on crude exports for more than 90% of its foreign income. As a result there are heightened risks (e.g. human rights abuses) associated with the production and trade in oil.

According to Transparency International's corruption perception Index (http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table), corruption has a significant role in day-to-day business transactions, which has hugely damaging implications on the ethical fabric, social development and economic growth of the country. Fossil-fuel and mining companies have been criticised in the past for making undisclosed payments to governments and for causing major environmental damage in Nigeria. Actual corruption and accusations of corruption, are very damaging to a corporation and the wider society, through impeding investment, undermining economic growth, diverting humanitarian assistance and reducing market opportunities for legitimate business.

There has been a call from Nigerian communities, NGOs and the Nigerian Government for more openness, transparency, resource governance and

accountability. Both investors and Nigerian communities have much to gain by insisting on transparency. Based on much research and influential writing, and in observation of business activities, doing business ethically, pays in the form of cost efficiency and returns on shareholder investment, improves the livelihoods of many stakeholders and encourages economic development.

It has been reported that Shell accounts for more than 40 percent of Nigeria's total petroleum production. Shell's operations and activities have wide scale implications. For example, mismanagement of oil production, through an increase in oil spills and gas flaring, can have major economic, environmental and health implications in Nigeria. It is of great importance that Shell adopts transparent and anti-corruption measures. Shell's high status and primary position in Nigeria places a responsibility on it to share information and avoid corruption at all levels.

Taking action

Core values

In many reports published by Shell, it identifies its core values as integrity, honesty and respect for people. These values are said to build the foundation of Shell's General Business Principles and code of conduct, and are in line with the business principles set out by the United Nations Global Compact (UNGC) and the OECD guidelines for multinational enterprises.

Communication

Shell communicates its General Business Principles, standards, anti-corruption principles, values and initiatives, through regular training programs, induction programs, employment contracts and various communication tools. Shell assures the application of the Shell General Business Principles through making staff aware of its operations and activities through clear guidelines. Additionally, to support the policies and guidelines, Shell devised a document for management to identify ethical dilemmas and understanding of what dealing with corruption entails, which used problem solving exercises and case studies.

Policies and initiatives

Shell co-operates closely with NGOs, industrial organisations and international bodies to tackle collectively the problem of corruption. It has signed up to international agreements such as the UNGC 10th Principle and Transparency International's Business Principles on Countering Bribery. It has become part of a major international initiative, the Extractive Industries Transparency Initiative (EITI).

Major principles and codes supported by Shell are:

- Transparency International Business Principles on Countering Bribery
- Principles for countering bribery (PACI)
- United Nations declaration on Human Rights
- Voluntary Principles on Security and Human Rights

Shell publishes how much money from its oil and gas activities it pays to governments. As far back as 2003, Shell's subsidiary company Shell Petroleum Development Company of Nigeria (SPDC) was the first organisation to disclose how much money it paid to the Nigerian government. Shell, continues to disclose

revenues paid to the Nigerian government. In 2008, \$1.8 billion was paid to the government in taxes and royalties from Shell-run operations (<http://www.shell.com>)

Reporting

It has been widely publicised in Shell's most recent reports, and in external reports from well established NGOs, and news articles, that Shell has made strategic changes to its business model, supply chain and operations, in order to incorporate strong principles of transparency, anti-corruption and business responsibility.

Transparency International identified in its ['2008 Report on Revenue Transparency of Oil and Gas Companies'](#) that Shell is a globally high performer in the promotion of revenue transparency and has a very high, above country-average, score in Nigeria. It praised Shell for the transparency of its dealings, after analysing Shell's publicly available company records. The report scored Shell on payments to host governments, operations, contributions to corporate anti-corruption programmes, good practice and regulatory approaches.

Shell demonstrated its reporting transparency in its sustainability report which identified that it still needs to take action on corruption, with a reported 112 violations of bribery and fraud in 2007.

Working with the community

Shell has made it a priority in Nigeria to employ 95% of its staff locally, which supports local economic and social development.

Challenges

Shell's huge stake in Nigeria's national oil reserves means that its activities face wide scale challenges on a regular basis. Some of the challenges facing Shell are as follows:

1. Poor track record:

Shell has a poor track record in Nigeria for its earlier perceived lack of responsibility and accountability with operations and activities. It could take considerable time for Shell to change its tainted public perceptions and be considered a responsible, ethical, accountable and transparent organisation in Nigeria.

2. New challenges

Operating in a developing country with huge disparities of wealth and high levels of corruption, Shell is regularly facing difficult and complex challenges, which require Shell to adapt and evolve their policies on anti-corruption.

3. Corporate citizenship

Shell's high profile and powerful position in Nigeria, means they assume the role of a corporate citizen. It can be said, that the reason for this, is because the Nigerian Government somewhat struggle to adequately meet the needs and fulfill the basic rights (human, labour and basic) of a large proportion of the Nigerian population. Shell, on the other hand, is in the position where they are able to impact on a high the majority of the population. As a result, Shell is constantly under pressure from a wide range of stakeholders (including activists, environmentalists, NGO's, the general public etc).

Conclusion

To conclude, Shell is in the process of accounting for the past, while trying to shape the present and facing the challenges of the future. Shell is working to integrate and implement transparency and anti-corruption in to their activities, through collaborative arrangements with NGOs, adopting initiatives, policies and communicating their new approaches, values through various communication tools (e.g. regular training programs, induction programs, and employment contracts).

For more information please contact Fiona Banyard on fionab@article13.com or call 020 8840 4450. Please also see Article 13's website www.article13.com.
