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- PRESS RELEASE -

Transparency International Files Complaint against 57 German Companies over UN Oil for Food Scandal in Iraq

- **Companies have violated OECD Guidelines for Multinational Enterprises by allegedly paying \$11.9 m in 'kickbacks' says anti-corruption watchdog**
- **German Economics Ministry should ensure the companies take steps to avoid paying bribes in the future, TI argues**

Berlin, 5th June 2007 - The German chapter of the anti-corruption organisation Transparency International (TI) today lodged a complaint with the German Federal Ministry of Economics and Technology (BMWi) against 57 German companies for allegedly paying \$11.9m in kickbacks in the United Nations' Oil for Food Programme in Iraq.

TI accuses the companies of violating OECD Guidelines – adopted by Germany and 38 other governments – that set social, environmental and anti-corruption standards for Multinational Enterprises.

The BMWi has the responsibility under international agreements to promote adherence to the Guidelines and when called upon to examine alleged abuses by German companies.

The filing of the complaint marks the first time in any country that a government has been asked to take action under the OECD Guidelines regarding the corruption that occurred in the Oil for Food programme.

TI-Germany chairperson Hansjoerg Elshorst said "The abuse of the Oil for Food Programme was one of the largest corruption scandals of our time, involving thousands of companies. Action is necessary to ensure, especially for the companies concerned, that they draw consequences out of this scandal".

Shirley van Buijen, chairperson of TI-Germany's Corporate Accountability working group said: "Our aim with this complaint is not to just look back at why and how the corruption occurred, but to look forward – to help ensure that the companies involved have procedures in place to stop them becoming involved in such a scandalous behaviour again".

The complaint makes specific recommendations that companies improve the management of their corruption prevention systems based on the OECD Guidelines, in a process overseen by the BMWi.

The 57 German companies, which include Linde, Babcock Borsig, DaimlerChrysler, and Siemens, are among the 2253 businesses worldwide cited in the independent 'Volcker' report into violations of the Oil for Food Programme.

Between 1999 and 2002 the former regime of Saddam Hussein collected \$1.8 bn in kickbacks from companies, distorting a programme designed to ease the suffering of ordinary Iraqis under UN sanctions.

The Volcker report – named after Paul Volcker, chair of the investigation and former chairman of the US Federal Reserve – presented authoritative, detailed financial evidence of the kickbacks (illicit or disguised payments) paid by German companies and others to gain contracts to supply food,

medicines and humanitarian goods to Iraq. TI's complaint is based on the Volcker report findings published 2005.

TI-Germany noted that state prosecutors in several German states have launched investigations into the role of some of the 57 German companies in the UN Programme. TI-Germany welcomed the investigations but considers the complaint necessary to supplement these legal proceedings.

Even if a German company – or a member of its staff - is found guilty in these investigations it is under no legal obligation to establish mechanisms to prevent bribes being paid in future. Yet the UN scandal was so serious that we must ensure the companies involved intensify their efforts to abide by the high anti-corruption standards in the OECD Guidelines and take constructive action in this respect.

TI submitted its complaint, known as a 'specific instance' under rules governing the OECD Guidelines, to the 'National Contact Point' in the BMWi. The NCP is tasked with dealing with alleged violations of the guidelines. TI expects the NCP to agree procedures with the 57 companies to ensure repeat Guideline violations do not occur.

Notes to editors:

- **TI-Germany's complaint** includes names and contact details of the 57 German companies, and information from the Volcker report of the kickbacks they allegedly paid. See TI-Germany website www.transparency.de for full complaint.
- **OECD Guidelines for Multinational Enterprises** comprise the most comprehensive set of standards governing the operations of multinational companies based in the 39 signatory countries. Revised most recently in 2000, the Guidelines have been endorsed by 30 member states of the Organisation for Economic Co-operation and Development, and nine other governments, including Argentina, Brazil and Israel. See http://www.oecd.org/topic/0,2686,en_2649_34889_1_1_1_1_37461,00.html for the Guidelines. TI-Germany is a member of OECD Watch, an international alliance of over 50 non-governmental groups that campaigns for full implementation of the Guidelines. See www.OECDWatch.org.
- **OECD Guidelines and G8 summit:** The OECD Guidelines for Multinational Enterprises are on the agenda of the G8 summit from June 6-8 in Heiligendamm. G8 labour ministers, at a meeting from May 6-8 in Dresden, agreed in a communiqué to be presented to the G8 summit that: "We strongly encourage companies in the G8 countries and beyond to observe the OECD Guidelines for Multinational Enterprises and commit ourselves to actively supporting the dissemination of these Guidelines and promoting a better governance through OECD Guidelines' National Contact Points". See www.bmas.bund.de for the communiqué.

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