

by Jeffrey Alan Thinnas

# Corporate sponsors and FIFA share reform accountability

- » Companies should be held accountable for their actions if they sustain corrupt organizations with sponsorship money, especially when they reap significant economic benefits.
- » An independent ethics and compliance oversight committee—comprising respected leaders from outside the soccer world—should drive FIFA reform.
- » FIFA needs a global ethics and compliance program modeled on proven best practices, mapped to FIFA risks, and with sufficient independence to operate effectively.
- » World Cup tournaments are the epicenter of FIFA corruption. A World Cup oversight committee with independent participation should manage host country selection, media and licensing rights, and infrastructure development.
- » FIFA must put teeth into its 2017 Human Rights Policy as well as use its influence to fight corruption and environmental degradation associated with its activities.

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“We will restore the image of FIFA and the respect of FIFA...We need to implement good governance and transparency.”<sup>1</sup> Those were the words of Gianni Infantino in



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February 2016, as he succeeded the beleaguered Sepp Blatter as president of FIFA, the international governing body of football (soccer). Less than two months later, hopes of long-awaited reforms were already dashed.

Still in his infant shoes, Infantino whined about his \$2 million salary offer (remember that FIFA is a nonprofit organization). He also insisted on the right to fire nominally independent Ethics Committee members who oversee FIFA officials and who investigate corruption claims. This led to the resignation of Domenico Scala as head of FIFA Compliance. In his resignation statement, Scala said, “It

will henceforth be possible to impede [ethics] investigations against a single member at any time, by dismissing the responsible committee members or by keeping them acquiescent through the threat of a dismissal.”<sup>2</sup> So much for restoring the image of FIFA.

Infantino’s disdain for independent ethics and compliance oversight has continued unabated. More recently, he fired three Ethics Committee members, including the chairman, who were raising concerns about corruption—and about Infantino himself. How does he get away with it? Like Blatter before him, he keeps the people around him fat and happy. In addition to jet-setting on lavish expense accounts to exotic places around the world, the 37 members of his executive council receive, on average, \$250,000 per year for attending three meetings annually. This is roughly equivalent to what independent board members of S&P 500 companies earn, although FIFA is a fraction of their size.

**Corporate partners ignore their own standards of integrity in feeding the FIFA beast**

More than 40 FIFA-related individuals and entities have been charged with wire fraud, racketeering, bribery, money laundering, and more since May 2015. Twenty-four have since pleaded guilty, while others still await trial. This certainly qualifies FIFA as the world’s number one sports organization when it comes to corruption. Senior US prosecutors accused FIFA officials of hijacking international football in “a World Cup of Fraud” that pocketed them \$150 million.

Yet, corporate sponsors and media companies have committed billions of dollars to keep FIFA alive, accounting for roughly 80% of FIFA’s overall budget. True, a few companies like Sony, Emirates, and Johnson & Johnson turned off the tap. But in the eyes of other big brands (e.g., Adidas, Coca-Cola, Visa, and McDonalds), the risk/reward calculation is favorable enough to keep them paying to play.

FIFA’s major activity and revenue source has long been the World Cup tournament. Accusations of major bribery, fraud, corruption, and waste are a regular part of these quadrennial showcases. Three years after the 2014 World Cup in Brazil, the country is still rocking from corruption claims related to stadiums, roads, building contracts, and more. Six of the 12 stadiums built for Brazil’s World Cup are subjects of investigations for bribery and other crimes. In December 2017, the former heads of Brazil’s soccer federation and South American soccer were convicted in US federal court for accepting millions of dollars in exchange

for the media and marketing rights to FIFA tournaments.<sup>3</sup>

Recently, the Russian opposition party, Yabloko, suggested that of the \$3.5 billion in Russian infrastructure investments to prepare for the 2018 World Cup, \$1.6 billion went illegally into the pockets of Putin cronies. Additionally, human rights groups accuse Russia and Qatar (the controversial host of the 2022 World Cup) of using slave labor to build the needed World Cup infrastructure under life-threatening conditions.<sup>4,5</sup> But when FIFA is kept fat with a constant flow of funds, it has no real impetus to bring true reforms to

these tournaments. Instead, large sums from the billions of sponsor and media dollars that could be used to improve lives in troubled societies pad personal bank accounts and feed the bloated egos of the elite officials looking out primarily for each other.

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**Current FIFA corruption investigation: A yellow card to corporate enablers?**

Considering anti-corruption trends of the past 5 to 10 years, the lack of rigorous enforcement against corporate enablers of FIFA is perplexing. Increasingly, regulators expect large companies to use their economic throw-weight to fight corruption within broadened spheres of influence. More precisely, they can no longer use unscrupulous suppliers or dodgy consultants to do their dirty work to win business. Somehow these same companies get a pass when it comes to infusing billions of dollars into the murky world of global sports organizations like FIFA.

The International Olympic Committee (IOC), another prominent global sports organization accused of corruption in the past, recently banned Russia from this year's Winter Olympics. Its decision was based on a 2016 World Anti-Doping Association (WADA) investigation that uncovered a state-sponsored doping scandal involving more than 1,000 athletes, including soccer players.<sup>6</sup> The IOC also banned for life the mastermind behind the doping scandal, Russia's Deputy Prime Minister Vitaly Mutko.

Infantino, however, refused until late January of this year even to inquire into whether some of Russia's national soccer team players were among the dopers. Against the advice of his ethics advisors, he insisted that Mutko sit on the FIFA Council despite clear language in FIFA's own statutes prohibiting government officials from doing so. When three Ethics Committee members challenged him, Infantino fired them. Miguel Maduro, a respected Portuguese attorney who chaired the Committee, explained that FIFA General Secretary Fatma Samoura tried to persuade him to declare Mutko eligible. She apparently argued that the World Cup in Russia would otherwise be a disaster, and she feared Infantino's presidency could be endangered. The ousted trio warned that their removal "incapacitated FIFA's ethics process," leaving hundreds of cases open. Under increasing international pressure, Mutko eventually did resign in January of this year from Russia's World Cup Organizing Committee. Needless to say, the

fired FIFA Ethics Committee members were not reinstated.

All these facts are well known to the public, lawmakers, investigators, and certainly to the corporate sponsors and media companies partnering with FIFA. These global corporations and their executive leaders are also aware that the greatest spectacle of the "people's sport" will soon be hosted in a country currently accused of: (1) undermining democracies through sophisticated cyberattacks and fake news; (2) using a globally banned chemical nerve agent

to attempt to murder two people in Britain; (3) condoning the use of chemical weapons by the Assad regime; (4) openly discriminating against the LGBT community; (5) continuing to occupy Crimea, which it invaded within weeks after the Sochi Olympics; and (6)

supporting pro-Russian troops in eastern Ukraine. So, let's have a closer look at what some of those corporations say about ethics and compliance.

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### The gap between corporate codes and FIFA sponsorship

The Adidas Code of Ethics, titled *Fair Play*, notes the importance of "navigating ethical hurdles with the correct mind-set." Coca-Cola's Code of Business Conduct states, "Our...strong, innovative and collaborative culture...is committed to ethical behavior, accountability and transparency." McDonald's Standards of Business Conduct opens with a quote from founder Ray Kroc: "The basis for our entire business is that we are ethical,

truthful and dependable.” Charlie Scharf, CEO of Visa, says in his opening letter in Visa’s Code of Business Conduct and Ethics: “The Code...reminds us of our responsibility to act with the highest ethical standards to preserve the trust we have built with all of our stakeholders.” No objective observer would say that FIFA reflects fair play, a commitment to ethical behavior and transparency, or acting with the highest ethical standards. So, what do these words really mean?

In a July 2016 article in this publication, I posited that real change would only come if corporate sponsors and media companies demanded it. I also raised the need for a truly independent governance structure that would guarantee the design and operation of a best practice compliance program.<sup>7</sup> Neither of those has happened.

**The game plan must change**

The ethics, compliance, and governance transformation that FIFA needs can largely be adopted from existing corporate best practices. Reforms must include the following three fundamental elements.

**Establishment of an independent ethics and compliance oversight committee**

The committee’s independence must be ensured by prohibiting FIFA executives from having any influence over the makeup or management of it. One key trustworthy and respected individual, such as Dick Pound of WADA, could take the lead in assembling the committee. It should include sponsor

representatives as well as a player and an official transparently elected by each regional football confederation. The committee would be led primarily by FIFA outsiders who are respected for their forward-looking leadership and integrity.

**Establishment of a program of ethics and compliance**

The ethics and compliance oversight committee should require FIFA to set up a fully funded ethics and compliance program modeled on best practices of leading corporations. An experienced chief ethics and compliance officer should be named to build out and manage a global network and program, with

a direct reporting line to the ethics and compliance oversight committee and only indirectly to the FIFA general secretary. The program’s clearly articulated policies and processes, mapped to the specific risks of FIFA, can be implemented by experienced ethics and compliance professionals who form a global network to support the culture change.

Only with sufficient experienced staff and resources can the program set and enforce minimum standards for transparency, governance, and accountability in FIFA and in its regional and national affiliates. The program’s leadership must certify at regular intervals that within FIFA headquarters, in regional confederations, and within national football associations, there are serious independent ethics and compliance programs that reflect best practices. The office should

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also be empowered to conduct internal and external audits. Further, it should set and continuously certify adherence to mandatory professional qualifications—including for integrity—for all officials with fiduciary responsibilities.

Finally, to manage the spike in ethics and compliance risks that accompany each World Cup, the program must expand temporarily within each host country. Sufficient financial and personnel resources should be made available to mitigate risks. In 2017, FIFA took a step forward by adopting a human rights policy, largely at the urging of Harvard Professor John Ruggie, who a year earlier recommended several reform steps to meet standards set forth in the *UN Guiding Principles on Business and Human Rights*.<sup>8</sup> It remains to be seen if FIFA commits long-term to putting the policy into action. FIFA must, however, go beyond acknowledging basic human rights, using its influence to counter the corruption and environmental degradation associated with its activities. This will only happen if FIFA's corporate benefactors insist on it.

### Focus on tournaments

Billions of dollars in taxpayer money are lost to fraud, waste, and corruption when host countries prepare for and host major football events. Brazil and South Africa, the two most recent World Cup host countries, are littered with white elephant stadiums. The social and economic benefits promised by government officials never materialized. The organization of FIFA tournaments should pass to a new tournaments committee that would include some outside experts. The goal is to ensure that clear rules and processes are designed and adhered to for all tournament aspects, including:

- ▶ Bidding
- ▶ Site selection

- ▶ Infrastructure construction
- ▶ Sponsorships
- ▶ Media and marketing
- ▶ Event management
- ▶ Post-tournament audit and performance assessment

The tournament committee should require “integrity pacts” that commit companies to compete cleanly for business related to major FIFA events. To participate in bidding, companies must agree to allow their books and records to be audited independently throughout the commercial relationship, possibly with the support of an organization like Transparency International and managed by the FIFA ethics and compliance program. Any entity that attempts to bribe or otherwise engage in corrupt activity would be severely penalized legally—and potentially debarred from doing business with FIFA for several years. Conversely, companies that demonstrate they meet the highest ethics and compliance standards could become preferred FIFA partners.

In Infantino's February 2016 speech, he also said: “I want to work with all of you together in order to restore and rebuild a new era in FIFA.” This aspiration remains largely unfulfilled. FIFA's corporate sponsors and media partners are in the best position to awaken it and give it life. For the good of the “people's sport,” they must. \*

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