

REPRISK CASE STUDY

FIFA

International corruption and bribery scandal leads to major reputational damage

What happened

On May 27, 2015 a number of FIFA (Fédération Internationale de Football Association) and CONCACAF (Confederation of North, Central America, and Caribbean Association Football) officials were arrested by Swiss police in Zurich and held for extradition to the US on charges including racketeering, wire fraud, and money laundering conspiracy. The allegations referred to senior executives at FIFA receiving bribes of more than USD 150 million in return for granting “lucrative media and marketing rights” to football tournaments over the previous 24 years.

Just few days later on June 2, 2015, Sepp Blatter stepped down as the President of FIFA after US officials confirmed that he was a target in an ongoing US Justice Department corruption investigation.

Consequences for FIFA

FIFA suffered severe reputational damage as a result of the corruption investigations and subsequent arrests. This scandal cast doubt over the transparency and honesty in the process of allocating World Cup tournaments, electing its president, and the administration of funds, including those earmarked for improving football facilities in some of FIFA’s poorer member associations.

As a consequence of the scandal, FIFA’s corporate sponsors stated they were seriously reconsidering

Case Study Timeline

2015

May

US prosecutors open an indictment alleging that senior executives at FIFA had received more than USD 150 million in bribes as part of a criminal scheme.

July

The Wall Street Journal (WSJ) reports that US prosecutors had questioned several banks about their alleged handling of funds linked to corruption at FIFA.

December

A total of 16 FIFA officials are charged with money laundering, racketeering, and wire fraud in an indictment announced by the US Justice Department, for their involvement in a 24-year corruption scheme.

2016

February

Former FIFA Secretary-General Jerome Valcke is suspended for 12 years and fined CHF 100,000 for profiteering, destroying evidence, conflict of interest, and encouraging breaches of agreements.

Swiss authorities open an investigation into alleged corruption in the distribution and sale of FIFA World Cup tickets, going as far back as the 1990s.

June

The WSJ reports that internal investigators at FIFA had unearthed documents that apparently show a coordinated scheme by FIFA’s ex-president, former secretary-general, and former deputy secretary-general to pay each other annual salary increases, bonuses, and other incentives worth more than CHF 79 million between 2011 and 2015.

RepRisk has published a series of Case Studies that demonstrate the materiality of environmental, social, and governance (ESG) issues – and how RepRisk can serve as an early warning system before these issues translate into reputational, compliance, and financial risks. For more Cases, please visit www.reprisk.com/publications or contact us at media@reprisk.com.

their sponsorship of future World Cup competitions. Several, including Coca-Cola, McDonald's, Sony, and Visa, were the target of a "name and shame" campaign by activists hoping to induce the companies to withdraw their sponsorships.

FIFA also faced a federal class-action lawsuit in the US, which accused the Association of fraudulently overcharging for 2014 World Cup tickets. In February 2016, an extraordinary FIFA Congress elected a new president and passed a major reform package.

Was it predictable?

Before the scandal broke in May 2015, RepRisk had already highlighted significant risk exposure for FIFA. In particular, RepRisk registered a substantial jump in FIFA's RepRisk Index (RRI) from 47 in September 2013 to 80 in October 2013, when serious labor abuses surfaced in connection with the construction of facilities for the 2022 Qatar World Cup.

In addition, there were multiple accusations of corruption and bribery related to the acquisition of marketing and broadcasting rights, as well as to the bidding process for the 2018 and 2022 World Cups that were won by Rus-

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sia and Qatar respectively. Due to this systematic and widespread risk exposure, FIFA was ranked number one in RepRisk's [Most Controversial Companies in 2013](#) (MCC 2013) and was ranked number six in the [MCC 2014 Report](#). Furthermore, the 2022 FIFA World Cup in Qatar was ranked in the top ten of RepRisk's [Most Controversial Projects of 2014](#) report.

Company Description

FIFA (Fédération Internationale de Football Association) the governing body of association football, futsal, and beach soccer, is responsible for the organization of football's major international tourna-

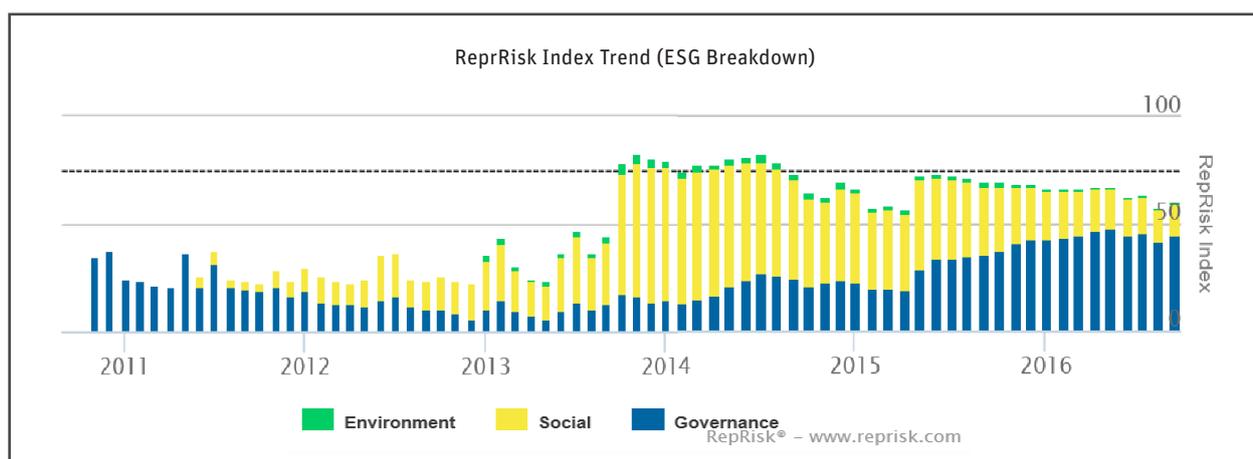


Figure 1: RRI¹ of FIFA between January 2011 and September 2016. Source: RepRisk www.reprisk.com

¹ The RepRisk Index (RRI) is a proprietary algorithm that dynamically quantifies reputational risk exposure related to ESG issues. It facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a company. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure: 0-25 = low risk exposure, 26-49 = medium risk exposure, 50-59 = high risk exposure, 60-74 = very high risk exposure, 75-100 = extremely high risk exposure.

ments, such as the World Cup (first held in 1930) and the Women's World Cup (first held in 1991).

FIFA was founded in 1904 to supervise international competitions among the national associations of Belgium, Denmark, France, Germany, the Netherlands, Spain, Sweden, and Switzerland. Headquartered in Zurich, Switzerland, today its members include 211 national associations.

What RepRisk data captured

November 2010 FIFA is accused of corruption in relation to the decision to assign the 2018 and 2022 World Cups to Russia and Qatar respectively.

Since May 2011 RepRisk reported severe criticism related to Brazil, Russia, and Qatar World Cup construction sites, in particular in relation to incidents associated with poor employment conditions, forced labor, and occupational health and safety issues.

June 2014 FIFA faces a new investigation following fresh allegations of corruption in relation to the bidding process for the 2022 World Cup.

November 2014 Emirates Group, one of FIFA's major sponsors, decides to terminate its relationship with the Federation due to the corruption allegations.

December 2014 FIFA is severely criticized for absolving Russia and Qatar from corruption allegations and other major sponsors (Castrol, Continental, Johnson & Johnson, and Sony) decide to terminate their relationship with the Association.