

FINDING THE RIGHT ALLIES FOR ANTI-CORRUPTION COMPLIANCE

Corinne Lagache - Safran

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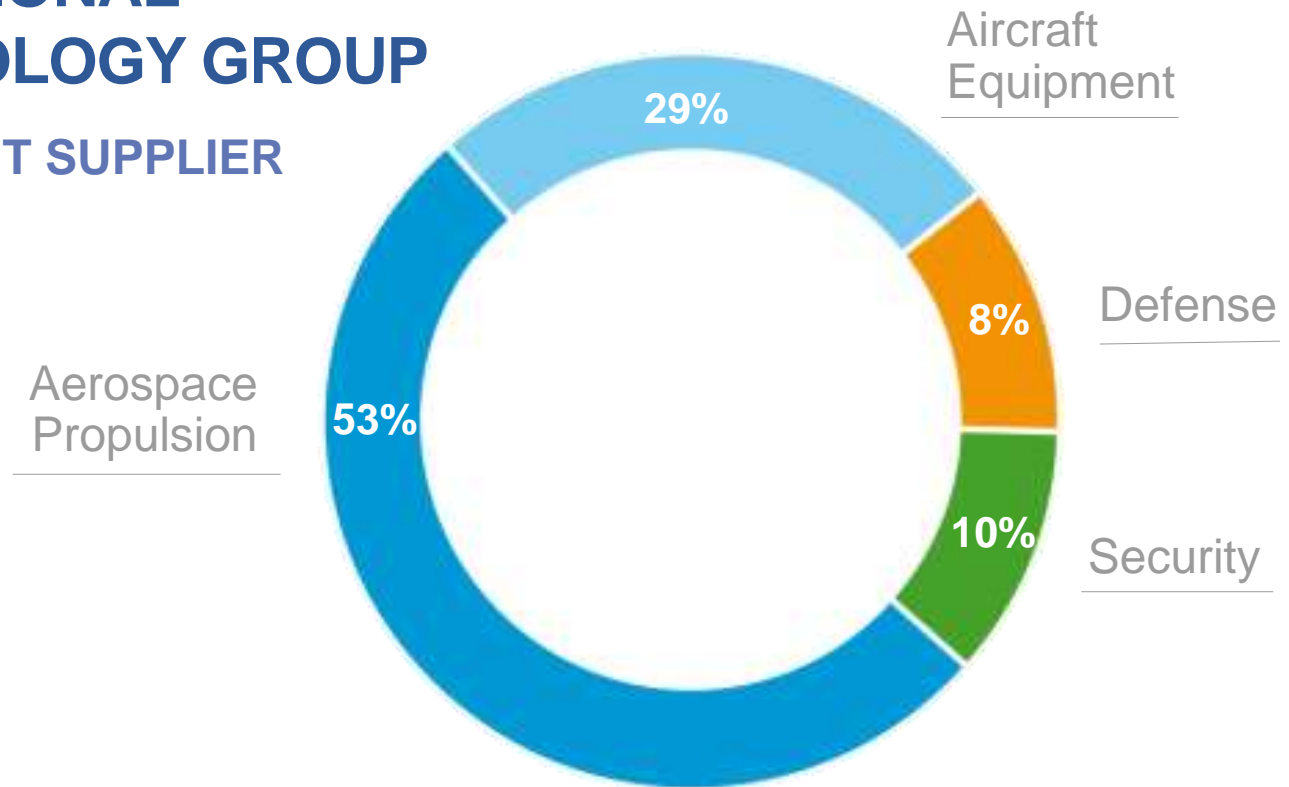


Corinne Lagache - Safran
Vice-Chair of BIAC's task force on
Anti-Bribery/Corruption

SAFRAN AN INTERNATIONAL HIGH-TECHNOLOGY GROUP

Created in 2005, listed in 2011

TIER-1 EQUIPMENT SUPPLIER



- Revenue: 15.4 billion euros (+80% export)
- Employees: 69 000
- 85% of Safran business is export (from France) in very competitive markets

WHAT IS CORRUPTION?

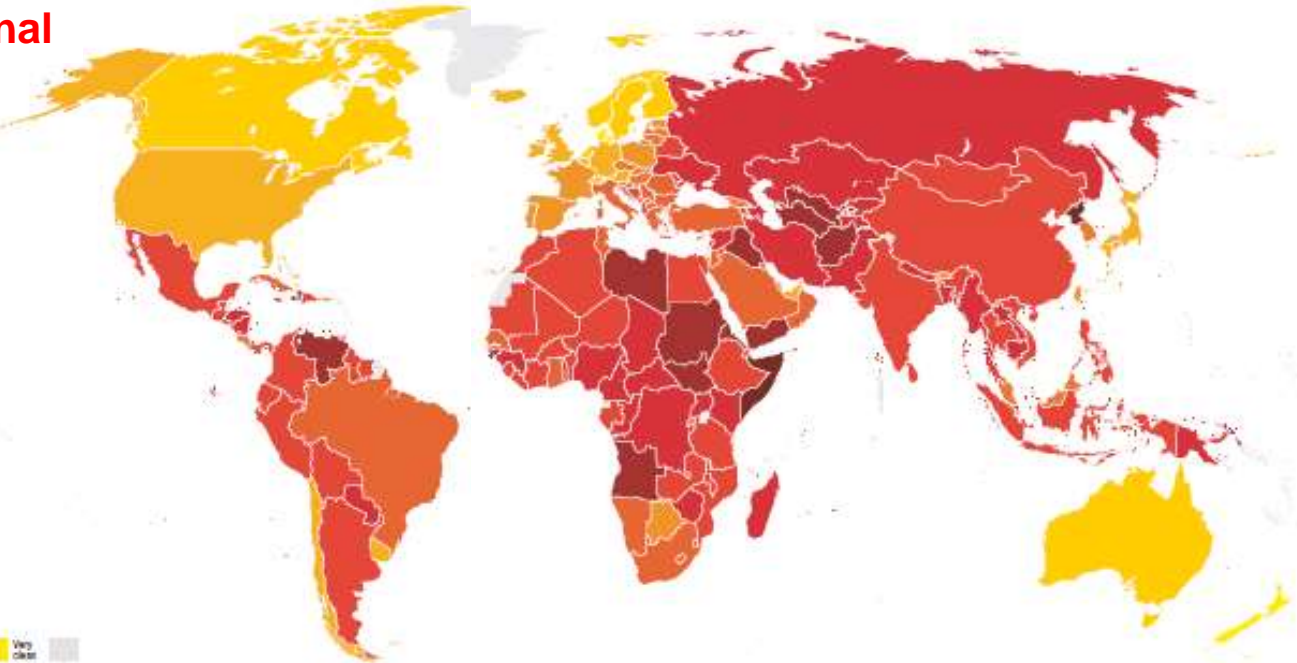
There is no universally accepted definition of corruption:

- offer, promise or give any undue pecuniary or other advantage, whether direct or through intermediaries to a foreign public official for influencing that official in the execution of his/her official duties ...
- **improper action to receive an undue advantage**
 - Supply side: Active corruption
 - Demand side: Passive corruption
 - Directly or indirectly through third parties

**175 COUNTRIES.
175 SCORES.**

CORRUPTION PERCEPTIONS INDEX 2014

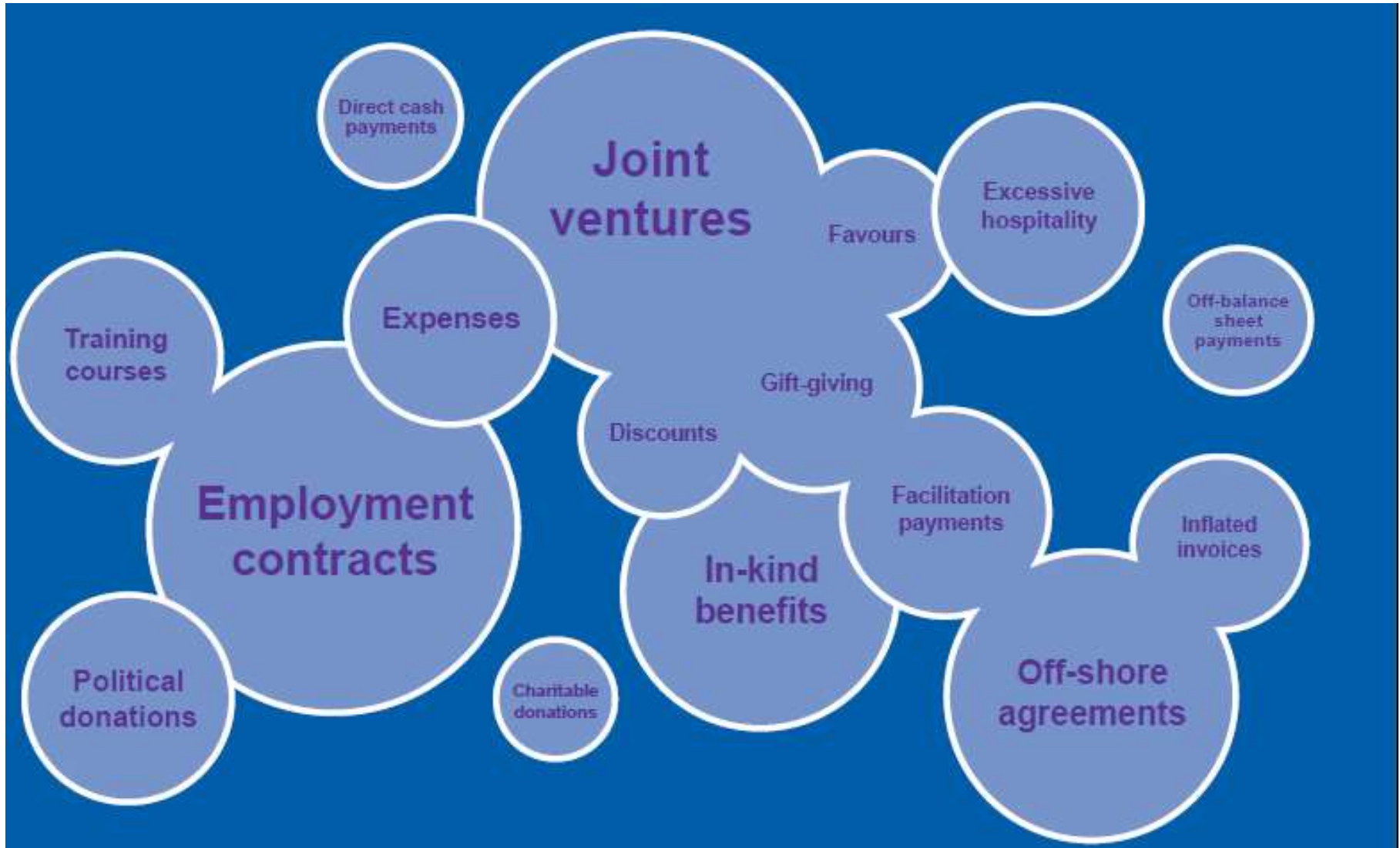
The perceived levels of public sector corruption in 175 countries/territories around the world.



RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	92	24	Bahrain	71
2	New Zealand	91	25	United Arab Emirates	70
3	Finland	89	26	Estonia	69
4	Sweden	87	27	France	69
5	Norway	86	28	Qatar	69
6	Switzerland	86	29	Saint Vincent and the Grenadines	67
7	Singapore	84	30	Bhutan	66
8	Netherlands	83	31	Botswana	65
9	Luxembourg	82	32	Cyprus	65
10	Canada	81	33	Portugal	63
11	Australia	80	34	Puerto Rico	63
12	Germany	79	35	Poland	61
13	Iceland	79	36	Taiwan	61
14	United Kingdom	78	37	Israel	60
15	Belgium	78	38	Spain	60
16	Japan	78	39	Dominica	58
17	Barbados	74	40	Lithuania	58
18	Hong Kong	74	41	Slovenia	58
19	Ireland	74	42	Cape Verde	57
20	United States	74	43	Korea (South)	55
21	Chile	73	44	Latvia	55
22	Uruguay	73	45	Malta	55
23	Austria	72	46	Switzerland	55
47	Costa Rica	54	69	Bulgaria	43
47	Hungary	54	70	Greece	43
47	Mauritius	54	71	Italy	43
50	Georgia	52	72	Romania	43
52	Malaysia	52	73	Senegal	43
52	Samoa	52	74	Swaziland	43
53	Czech Republic	51	75	Montenegro	42
54	Ecuador	50	76	Sao Tome and Principe	42
55	Bahrain	49	77	Serbia	41
55	Jordan	49	78	Tunisia	40
56	Lesotho	49	79	Berlin	39
56	Namibia	49	80	Bozza and Herzegovina	39
58	Rwanda	49	81	El Salvador	39
58	Saudi Arabia	49	82	Mongolia	39
58	Croatia	48	83	Morocco	39
58	China	48	84	Burkina Faso	38
58	Oman	48	85	India	38
58	The FYR of Macedonia	48	86	Jamaica	38
58	Turkey	48	87	Peru	38
58	Kuwait	44	88	Philippines	38
58	South Africa	44	89	Sri Lanka	38
89	Brazil	43	90	Thailand	38

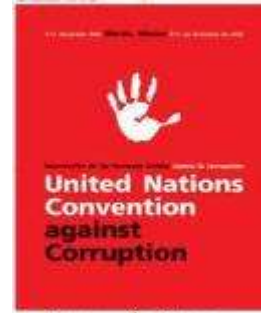
RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
110	Kosovo	33	156	Cambodia	21
110	Mali	33	156	Myanmar	21
110	Cote d'Ivoire	32	156	Zimbabwe	21
136	Iran	27	156	Burundi	30
136	Kyrgyzstan	27	156	Syria	30
136	Lebanon	27	161	Angola	19
136	Nigeria	27	161	Guinea-Bissau	19
136	Russia	27	161	Haiti	19
142	Comoros	26	161	Venezuela	19
142	Uganda	26	161	Yemen	19
142	Ukraine	26	166	Eritrea	18
146	Bangladesh	25	166	Libya	18
146	Guinea	25	166	Uzbekistan	18
146	Kenya	25	166	Tajikistan	17
146	Laos	25	170	Inaq	16
146	Papua New Guinea	25	171	South Sudan	15
150	Central African Republic	24	172	Afghanistan	12
150	Paraguay	24	173	Sudan	11
150	Congo Republic	23	174	Korea (North)	8
150	Tajikistan	23	184	Chad	22
150	Chad	22	184	Democratic Republic of the Congo	22
150	Ethiopia	33	184	Timor-Leste	28
150	Timor-Leste	28			

WHAT IS CORRUPTION?

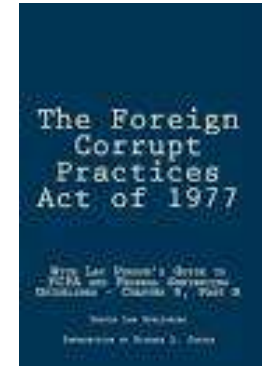


MULTIPLE HARD AND SOFT LAWS APPLIED

European & International Conventions



Local laws of the countries where companies operate



“Soft laws”:
standards, codes of conduct, collective actions, NGOs, rating agencies, etc.



COLLECTIVE ACTIONS PROMOTE A LEVEL PLAYING FIELD

Since 2007: **ASD ‘Common Industry Standards’**

Since 2009: **IFBEC** (International Forum of Business Ethical Conduct) and **Global Principles of Business Ethics**

- Companies that endorse these Global Principles commit to have comprehensive policies and integrity programmes, and to foster effective practices within their business operations to implement these global principles

6th Annual Conference - Boston, Massachusetts



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ANTI-CORRUPTION COLLECTIVE ACTIONS

Key objectives

- A '**level playing field for fair trade**' must imperatively be reached with competitors, particularly from non-Western countries
- Integrity needs to become a differentiation factor offering **competitive advantages**
- Promote **Collective Actions** towards major stakeholders (including banks and financial institutions)
- Reinforce the voice of the **B20** against public corruption
- **Public procurement:** Make integrity a mandatory clause in international tenders

DEFINE UNIVERSAL STANDARDS

Adequate systems and procedures to prevent bribery.

The four principles for bribery prevention:

- Top level commitment
- Clear, practical and accessible policies and proportionate procedures
 - Due diligence of all relationships: sales, offset, M&A, etc.
 - General conditions of purchasing/sales
 - Gifts, hospitality, donations, other expenses
- Effective implementation of the policies and procedures; communication & training to create a “compliance culture and behaviours”
- Monitoring and review

ISSUES TO CONSIDER

Who deals with solicitations?

What about the « Ne bis in idem » principle?

- Implementation of the article 4 paragraph 3 of the OECD Anti-Corruption Convention

OECD's « Trust & Business Project »?

THE FIGHT AGAINST CORRUPTION

Drago Kos

Head, OECD Working Group on Bribery

IS CORRUPTION GETTING WORSE?

Statistics as of December 2012:

221 individuals and 90 entities from 13 state parties were sanctioned for foreign bribery under criminal proceedings between 1999 and 2012.

Around 320 investigations in 24 State Parties and prosecutions against 184 individuals and 18 entities in 15 State Parties at end of 2012.

Statistics as of December 2014:

361 individuals and 126 entities from 17 State Parties were sanctioned between 1999 and 2014.

Around 393 investigations in 25 State Parties and prosecutions against 142 individuals and 14 entities in 12 State Parties at end of 2014.

IS COMPLIANCE EFFECTIVE?

33% of cases (from 427) of foreign bribery came to the attention of authorities through **self-reporting** by defendant companies or individuals.

The next most common sources were law enforcement authorities (13%) and mutual legal assistance between countries (13%).

Companies that self-reported became aware of the foreign bribery in their international operations primarily through internal audits (31%) and merger and acquisition due-diligence procedures (28%).

OECD Foreign Bribery Report: <http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm>

IS BEING CORRUPT BENEFICIAL?

There are serious allegations that companies from some countries (those who do not have to follow international AC standards in international business) use corruption as a **competitive advantage**.

Why then would management boards and/or CEOs opt for a robust compliance program in their company?

BIAC* KNOWS WHAT NEEDS TO BE DONE

Incentivise and reward self-reporting and duly recognise voluntary efforts of companies while highlighting the need to avoid double jeopardy.

Explore ways to effectively address the demand side of bribery, i.e. bribe solicitation and extortion by public officials, including through case studies.

*Business and Industry Advisory Committee to the OECD

GOVERNMENTS “INCENTIVISING” COMPLIANCE?

In Italy and UK the existence of an effective compliance system can – according to the law – be a full-fledged defence, in the US (according to the Federal Sentencing Guidelines) it can be a mitigating circumstance.

What about **positive motivation**: condition for participation in public procurement, extra evaluation points, easier access to export credits, other?

OECD AND COMPLIANCE IN THE FUTURE

Topics for the OECD WGB evaluation in Phase IV:

- Progress on recommendations from previous phases
- Detecting foreign bribery (incl. protection of whistleblowers, access to public information, role of the media)
- Enforcement of foreign bribery (incl. new challenges arising from changes made after Phase III, cases, LE resources and expertise, int'l cooperation, Article 5, enforcement results)
- Engagement with legal persons (incl. responsibility of legal persons, engaging with the private sector)

Possible recommendations on corporate compliance, internal controls and ethics measures

GOVERNMENTS AND INTERNATIONAL ORGANISATIONS VS CORPORATE COMPLIANCE

- Mistrust
- Strong orientation towards enforcement
- Tendency for excessive monitoring
- Sanctions for non-existing or weak compliance systems
- Absolute lack of positive rewards for effective compliance systems
- No real will for cooperation

SO, WHO CAN DO WHAT?

- Companies themselves (especially if big companies take the lead): through **real** collective action, integrity pledges, etc.
- International organisations (both monitoring ones + those representing business sector): through **joint** standard setting and enforcement
- Governments: but **only** if they understand they can not fight corruption without involvement of business sector

HOW DO WE GET THERE (IN PRACTICAL TERMS)?

Business associations will have to break the ice with international organisations (OECD, WB, UN) first and then (together) start influencing governments.

It will be a long road but no other way is possible – for anybody!

THANK YOU

We want your feedback! Use the conference app or visit the Registration desk.

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