

# ANTI-CORRUPTION COMPLIANCE AS A CORPORATE SOCIAL RESPONSIBILITY COMPONENT

## MANUAL

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#մերծեռքերըմաքուրեն

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# ANTI-CORRUPTION COMPLIANCE AS A CORPORATE SOCIAL RESPONSIBILITY COMPONENT

## MANUAL

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*The poster developed by the employees of "MTS Armenia" CJSC were used in the Manual.*

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**The Center for International Private Enterprise** ([www.cipe.org](http://www.cipe.org)) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy and an affiliate of the U.S. Chamber of Commerce. Since 1983, CIPE is working with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. CIPE's key program areas include anti-corruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal economy and property rights, as well as the rights of women and youth.

**The Corporate Governance Center foundation** ([www.corpgov.am](http://www.corpgov.am)) was established in 2002. CGC is an independent expertise platform, the mission of which is the promotion of corporate governance international progressive practices and principles.

The main objectives of CGC are:

- creation of prerequisites necessary for the formation of efficient corporate governance practices in private sector;
- participation in legal reforms and enforcement practices regulating corporate governance relationships;
- raising public awareness in the matters of corporate governance;
- realization of researches on corporate governance and other related issues.

CGC offers quite a wide range of services to Armenian market participants: from corporate governance assessment (review) to business consulting directed to system improvement, trainings and provision of other services.



#### ABBREVIATIONS:

<b>ACCP</b>	anti-corruption compliance program
<b>UN</b>	United Nations Organization
<b>SME</b>	small and medium enterprise
<b>GC</b>	Global Compact
<b>COP</b>	communication on progress
<b>CSR</b>	corporate social responsibility
<b>MM</b>	mass media
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ILO</b>	International Labour Organization

## ABOUT THE MANUAL

### *Why was the Manual developed?*

Socially responsible behaviour is an element of companies' strategic management. As a full member of society, responsible business directs part of its resources and efforts to solving social problems and development of society.

In the modern world, corruption is one of the most complex social problems. Unlike other social issues, corruption is invisible. Corruption does not seem to directly affect the quality of life or the environment, but its outcomes can be devastating to human development.

A socially responsible business cannot stay away from anti-corruption processes. While corporate social responsibility traditional efforts are aimed at reducing tensions between business and society, the fight against corruption provides an opportunity to identify the root causes for the tension and try to find ways to solve the problem through compliance and integrity.

The Manual is designed to present the connection between corporate social responsibility and ethical and anti-corruption compliance, its main privileges and benefits, and to assist companies in undertaking and implementing their anti-corruption commitments.

The motives for developing the Manual are:

- A Comprehensive and Enhanced Partnership Agreement signed between Armenia and the European Union, Articles 60 and 88 of which emphasize the importance of corporate governance and corporate social responsibility;
- The Action Plan of the Government of Armenia, in which the application of corporate governance principles is seen as an important factor in the sustainable development of the private sector, and the accountability of companies' corporate governance bodies and the transparency of their decisions is considered as a means of reducing risks in the private sector and stimulating foreign investment flows. At the same time, through its program, the Government has undertaken to encourage the application of corporate governance principles in the private sector and to support the promotion of programs in this field;
- The new Anti-Corruption Strategy Implementation Action Plan sets out a separate measure to promote anti-corruption compliance requirements in the business sector.

These can be seen as impulses for policy makers and companies to improve corporate governance frameworks and practices by highlighting their social responsibility and compliance issues.

### *What subjects does the Manual include?*

The Manual specifies the essence of corporate social responsibility, its main motives and benefits, characteristics in small and medium enterprises.

In the Manual a reference has been made on the social responsibility and the ethical and anti-corruption compliance of the companies and as a means of ensuring the latter, the Anti-Corruption

Compliance program, with its components, and the motives and possible outcomes of its anti-corruption collective action have been presented.

The Manual underlined the need to communicate with stakeholders about the anti-corruption actions of companies and Communication on Progress, developed and disclosed under the UN Global Compact, has been presented as a non-financial reporting type.

The Manual contains a number of situational samples. The more detailed experience of anti-corruption compliance of Corporación América Airports, VEON Armenia and MTS Armenia was presented.

The Manual comprises an Anti-Corruption Compliance Assessment Checklist to help companies evaluate their anti-corruption compliance practices and identify areas for improvement.

The Manual presented a Declaration on Business Ethics and Compliance Initiative developed in Armenia within the Project. It actually can be viewed as the hosting (signatory) company's anti-corruption commitment to being transparent, benevolent, fair and managing its corporate reputation.

### ***Who are the recipients of the Manual?***

The main recipients of the Manual are:

- Members of the Board of Directors (Trustees) and the Executive Team;
- External and internal auditors;
- Compliance Officers;
- As well as anyone interested in corporate social responsibility and compliance issues.

## PART 1. A good business is a responsible business

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*Many people assume, wrongly, that a company exists solely to make money. This is an important part of a company's existence, but we have to go deeper and find the real reason for their being.*

*As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution we call a company so they are able to accomplish something collectively that they could not accomplish separately.*

**Dave PAKARD**

**Co-founder of Hewlett Packard**

It is traditionally believed that the main objective of companies is to make a profit, to generate revenue for shareholders and investors. It is indisputable that the company is obliged to protect the interests and investments of its shareholders. Their long-term protection is directly interlinked to ensuring the company's ability to continue as a going concern, which could not be achieved without the companies taking ownership and responsibility towards the society or without proper awareness of ethical and moral aspects of business.

Any company is a full member of the society, and, as such, it should be genuinely interested in the well-being of the society as there is one simple truth: [Companies need a prosperous and healthy society as it is the key constituent forming the demand for their products and services, and establishing favorable business environment, and society needs successful and healthy companies that create jobs, material goods, and contribute to improved quality of life.](#)

One of the ways to address this challenge is corporate social responsibility (CSR), which allows companies to identify social issues that intersect with their business interests, seek and identify solutions and, thus gain competitive advantages while providing meaningful development opportunities for society.

In other words, through CSR, companies manage to balance and coordinate public and private interests. This is a process of consistent change in which the use of natural resources, investment directions, technological advancement and institutional changes are brought in line with the needs of present and future generations. From this perspective, CSR can be considered as a contribution of the business to the process of sustainable development. In order to meet public expectations, businesses demonstrate responsible behaviour, especially in areas such as environmental protection, public safety, consumer and labour rights' protection, quality of products (services), active engagement in the life of the local communities, etc. At the same time, CSR is a way of governance, forming the core of the corporate values and culture, signifying ethical and moral aspects of corporate decisions besides the economic aspects of business. In other words, CSR is more than merely compliance the laws and regulations. [CSR begins where "the law ends."](#) While

striving to ensure its legal compliance, the companies should take care of their integrity and ethics and think about what culture they impart to their stakeholders and society.

### **Stereotypes related to CSR**

**CSR is not a charity.** Charity is not the key objective of a business and is not closely related to business interests. Companies can be "charitable" as long as it does not harm their economic interests.

**CSR is not PR.** CSR is a governance method aimed at ensuring the long-term success of companies.

**CSR is not only meant for large companies.** CSR is relevant for all companies that are prepared to manage their growth. It may be relevant for large, medium as well as small companies.

**CSR is not expensive.** CSR is an area for creativity. Inspired by creative and innovative approach, companies can achieve maximized impact with minimal social investment.

**CSR is not the personal responsibility of the founder or manager of the company.** The founder or manager has a significant influence on the company's CSR commitment or position, especially in SMEs, however, CSR is not in the personal interests of the founder or manager, but rather in the long-term economic interests of the company.

### **The motives of CSR are:**

**Sustainable development.** As UN research shows, the consumption of natural resources happens faster than their recovery. Such a situation endangers the availability of development resources necessary for future generations. Therefore, **in terms of long-term business benefits, companies need to address sustainable development issues as well.** The concept of sustainable development includes combating corruption, alleviation of poverty and protection of human rights.

**Globalization.** The activities of transnational entities and the expansion of the global chain of supply push forward the issues of human rights, labour rights, environmental protection, business ethics and anti-corruption issues. In the world moving towards globalization, people in different countries oblige companies, with their demanding position, to adhere to high social and environmental standards. In view of market globalization, a number of organizations (UN, OECD, ILO) have developed and adopted principles, agreements, declarations that guide the business behaviour of companies. These include human rights, labour rights, the environmental protection, combating corruption, ethical guidance, and other issues of imperative significance.

**Technological progress.** The latest technological advances facilitate the process of public and state supervision over the companies as they operate. Media, civil society institutions and regulatory bodies are able to quickly analyze and evaluate the corporate practices applied by the companies to assess whether they may be qualified as questionable or exemplary. On the other hand, technologies make it possible to improve dialogue and cooperation between entities operating in different sectors of the economy, in different countries.

## Features of CSR in SMEs

*CSR is just a normal daily routine. There is nothing extraordinary, complicated, or expensive in it.*

*So you SMEs need to start doing things you have never done before. Start using new tools, new performance metrics. It's a daily job for you - both for the present and for the future.*

**CSR expert**

The CSR ideology is not foreign to SMEs. Small and medium enterprises (SMEs) are responsible for their very nature. They contribute to the democratization and liberalization of economic relations by involving more people in the economic decision-making process and promoting entrepreneurial responsibility. SMEs are unparalleled in the fight against poverty and inequality. It is possible to solve the problem of unequal distribution of income through SMEs. The middle class that reduces social tensions is formed and strengthened by SMEs, which is a socially significant outcome as well.

The CSR concept is not only applicable to SMEs, but the latter have considerable advantages in this area. These include:

- **Ownership and governance cohesiveness.** Due to this, the activity of SMEs is more observable and visible, the level of the manager's responsibility is high not only due to the fact that he is the owner but also due to his direct involvement in business processes. SMEs are an expression of their owners' value system. They are closer to the local civic and cultural environment. In addition, local risks are more perceptible to them.
- **Resilience and ability to act promptly.** SMEs are resilient to changes in the external environment, they can respond to them quickly and act promptly in emergencies. Resilient to external changes and new economic conditions, SMEs are helping to overcome crisis situations such as rising unemployment, declining production and consumer demand, and more.
- **Being closer to the stakeholders and the community.** This prompts SMEs not to separate the problems of the local community from their own and to participate in their solution based on their own business interests. SMEs interact at the level of owners, communicate with their stakeholders, understand their expectations, reduce possible uncertainty and failures in relationships. These interactions are open, direct and personalized. SMEs are the most pro-social participants in the economy. Representatives of vulnerable groups in society (students, the disabled, pensioners, refugees, etc.) can find opportunities for self-realization here. The reason of SME stability is to improve the social status of members of society. This contributes to building trust between the parties, which gives additional legitimacy to the activities of SMEs.
- **Tendency to innovation and creative approaches.** As a result, it is possible to provide great results with few resources, such as developing a new product or service that does not have its

own prototype, saving funds through efficient use of resources, increasing employee loyalty and productivity through responsible human resource management, attracting professional staff. SMEs are a unique "forge" for staff training, re-qualification and retraining.

The feature of the CSR concept in SMEs is its dependence on the founder, his value system, his ability to have and implement a long-term business vision. Initially, the SMEs, the founders of which try to manage the social image of their business by identifying it with their own, are in an advantageous starting position.

**The main benefits of CSR are:**

- **Formation of social capital.** This is the public attitude towards the company, in other words, a unique "public patent" for doing business. Social capital is just as important as other types of capital. It can be used to enhance the brand value and recognition, attract qualified employees, increase their motivation. The unit of measurement for social capital is the quality of the relationship with the company's stakeholders. This drives the companies to take into account the interests and expectations of stakeholders, to be transparent and predictable for the general public (especially for the target groups that have essential role in contributing to the growth of companies).
- **Risk management.** Managing the reputational, legal, social, environmental and corruption risks that permanently accompany the business in its operations in an ever-increasingly complex business environment, can enhance supply chain security and promote the stability of companies and markets. Risks that were formerly qualified as second-important (human rights, corruption, community engagement, environmental protection and safety) are now being pushed to the forefront, as the cost of error in these aspects may become too expensive for the company, not only in financial terms, but also in terms of public perception. Consequently, the demonstration of responsible behaviour, risk-weighted decision-making reduces the likelihood of potential adverse effects for the business.
- **Innovative and creative approaches.** Perceiving and responding to signals from own stakeholders can be a valuable source of ideas for creative, innovative approaches, enhancing competitive advantage, access to new products and services, as well as conquering new markets. Cooperation with stakeholders enables the company to additionally benefit from their knowledge and experience.
- **Corporate and social cohesion.** As part of socially responsible behaviour, companies are concerned about their corporate reputation and the risks associated with it. Reputational risk management consists in managing relationships with customers, partners, employees and shareholders. Reputational risk management has a positive impact on the loyalty of the company's stakeholders and creates a favorable corporate environment, which in turn leads to building trust, forming a mutually responsible environment, long-term and reliable business relationships, increased productivity, improved financial and economic performance, etc.

- **Investment attractiveness.** Responsible institutional investors, in making investment decisions, have thorough considerations regarding the social and environmental risks inherent to the company's operations, or the project to be financed, as well as to the ability and business conduct of the perspective business partner in terms of managing and containing these risks. In this regard, proper CSR commitment and accountability sends positive signals to investors. Behaviour of corporate responsibility allows companies to reduce the cost of attracting investments and the expenses as well as value of resources associated with their maintenance. In turn, with access to inexpensive financial resources the company has the opportunity to implement new development projects, that is to say, in the investment race, CSR translates into a competitive advantage.



## PART 2. Responsible business is a business with integrity

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Corruption is one of the most complex social issues facing the modern world. Unlike other social issues, corruption is not visible. Corruption, as it may seem, does not inflict immediate damage to the quality of life or to the environment, however its end result is devastating to human development for the following reasons:

- Corruption threatens the rule of law, sustainable development, public trust,
- Corruption disrupts economic growth, exacerbates social tensions, distorts the competitive environment,
- Corruption is associated with serious legal and reputational risks,
- Corruption repels investors, negatively affects the investment attractiveness of individual companies and the country as a whole,
- As a form of hidden "tax", corruption increases costs for companies and, eventually for their customers.

Corruption is bad for any business, whether large or small, international, or local.

Corruption is estimated to amount to USD 2.6 trillion a year. This is more than 5% of world GDP. USD 1 trillion is paid in bribes every year. This not only impedes fair competition and affects the profitability of businesses, but also diverts resources from their legal use, depriving citizens of quality, affordable public services.

Corruption increases costs throughout the entire value chain. Global business is carried out through a complex value chain - people, companies, infrastructure resources that transform material and human capital into intermediate and end product and services for clients and consumers. Corruption affects every link in that chain.

Studies show that in some countries, corruption increases the cost of doing business by more than 10%, and in countries with moderate and high levels of corruption, it acts as a "hidden tax" with a rate of almost 20%.

It is not incidental that in the modern world, the fight against corruption is seen as a core element of CSR. Acknowledging corruption as a unique and significant threat to the business and the public, companies should consider combating it through the prism of strategic CSR efforts. Strategic efforts in the CSR should focus on addressing issues that are critical to both companies and society. The fight against corruption provides an opportunity to focus on joint efforts between business and public to create common value. The international principles and standards of CSR are based on this logic.

Thus, the 10th principle of the UN Global Compact (Annex 1) is dedicated to the role of business in the fight against corruption. The underlying concept behind the principle is as follows: Businesses should combat corruption in all its forms, including extortion and bribery. This principle is an alert for the private sector to take responsibility in combating corruption. The principle not

only calls on the participants of the Global Compact to avoid involvement in corrupt practices, but also urges them to take preventive measures to eliminate it.

**The ISO-26000 Standard on Social Responsibility** views combating corruption as a core element of good business practices. Aiming to encourage the anti-corruption stance of entities, the standard draws their attention to the following actions:

- Identification, assessment and management of corruption risks,
- Anti-corruption commitment by the top management, adoption and implementation of anti-corruption policies and procedures,
- Encouragement of anti-corruption practices, training of employees,
- Raising anti-corruption awareness among employees and other stakeholders,
- Establishment of an effective anti-corruption system and support in the course of its implementation,
- Establishing mechanisms of whistleblowing regarding unethical behaviour,
- Encouraging partners to adopt anti-corruption compliance systems.

Companies can make efforts to include anti-corruption practices in their CSR agenda in the following areas (Figure 1):

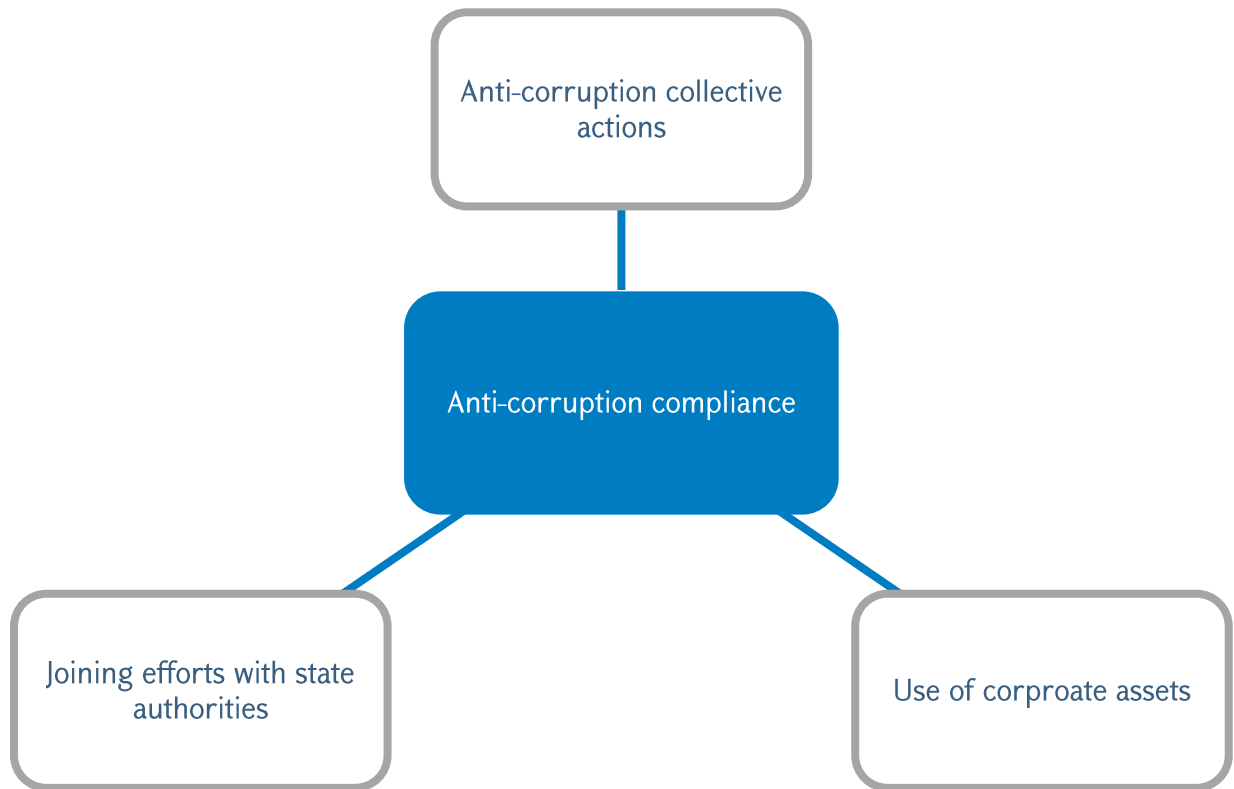
**Anti-corruption compliance.** Companies are constantly investing in their compliance ethics programs to "establish order in their own homes", to raise and strengthen their level of integrity.

**Involvement in collective activities.** Companies are stepping up their fight against corruption by collaborating with other organizations as part of their collective action.

**Involvement of the "demand side" of corruption in the anti-corruption struggle.** Companies are expanding their efforts to influence the "demand side" of corruption (public sector). One of such key efforts is to produce legislative initiatives, to declare instances of corruption identified in the state system, and so on.

**Use of corporate assets.** Companies use their corporate assets (corporate trademark, channels of communication, practical knowledge of ethics and compliance, funding) to raise public awareness, fund anti-corruption initiatives, and so on.

**Figure 1. Combating corruption as part of CSR strategy**



Business integrity does not preclude the combination of the mentioned anti-corruption areas.

Companies that incorporate anti-corruption into their CSR strategy have the following benefits:

Benefits for the company	Benefits for the society
<ul style="list-style-type: none"> <li>• Corporate decision-making process, balanced and rationalized by ethical values and stakeholder interests,</li> <li>• Improved risk management system,</li> <li>• Improved business reputation and reinforced public trust,</li> <li>• Increased competitiveness, including gaining the status of a reliable partner,</li> <li>• Improved investment attractiveness by means of raising investments from capital markets and becoming an interesting partner from the perspective of ethically oriented investors,</li> <li>• Increased employee loyalty, employee engagement and attraction of professional employees who meet high ethical standards,</li> <li>• Efficient use of resources,</li> <li>• Achieving customer loyalty by focusing on the quality of products and services, prevention and elimination of potential conflicts.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved competitiveness, investment attractiveness at the country level,</li> <li>• Enhanced access to foreign markets and increased export potential of the country,</li> <li>• Involvement of transnational organizations in the domestic market by managing risks in the supply chain,</li> <li>• Promoting effective cooperation between the state, public and private sectors.</li> </ul>

### ***How to ensure anti-corruption compliance?***

The Anti-Corruption Compliance program (ACCP) is one of the mechanisms of companies' anti-corruption compliance. It represents the company's structured efforts to prevent the emergence of corruption risks. In other words, with the adoption of the ACCP, the company is striving to "establish order in its own home."

When developing ACCP, it is recommended that companies use the following principles as guidance:

- **ACCP should be in compliance with effective legislation.** To this end, the company should comprehensively study the laws and regulations that apply to its area of business in countries in which it operates,

- **The ACCP should reflect the specifics of the company.** The ACCP should be developed based on the results of identification and assessment of corruption risks inherent to the company.
- **The key precondition for the successful implementation of the ACCP is the anti-corruption commitment within the top management,** in other words, the practical application of the "tone at the top" principle, when the top management promotes a culture based on the principle of "zero tolerance" for corruption within the company.
- **Stakeholder engagement in the process of developing and implementing ACCP helps to understand expectations of all stakeholders** of the ACCP, to bring down potential resistance at the implementation stage. This increases the level of responsibility of the stakeholders and creates an environment of trust.
- **Information on ACCP should be available.** The company may publish relevant information on its website, corporate newsletters and other means of communication. By ensuring access to information, the company overcomes the risk of unequal access to information about the ACCP for its stakeholders.
- **The content of the ACCP should be clear, concise, and accessible.**
- **Implementation of ACCP is not a one-time effort, but a continuous process,** subject to constant revision in the light of the emerging risks and their impacts for the company in the changing environment.
- **During the development, introduction and implementation of the ACCP, it is necessary to use company's resources prudently, aiming to maximize results with minimal costs.** It is important to remember that anti-corruption compliance can be additionally achieved by applying innovative and creative approaches.

### **Anti-corruption compliance in SMEs**

The relevance of anti-corruption compliance does not depend on the company's structure, size, scale or complexity of the business processes. SMEs, as well as large organizations, face the negative consequences driven by the lack of compliance. At the same time, SMEs have their own characteristic features to be considered.

The structure of SMEs is not complicated. One person can represent their top management who can demonstrate its anti-corruption commitment directly and personally. Management in SMEs should acknowledge that their behaviour establishes a certain role model perceived by employees. Employees observe and evaluate the way management responds to various situations, make decisions about resource allocation, interacts with partners, addresses compliance with anti-corruption requirements, and so on. **In SMEs, the principle of "tone at the top" is more acutely relevant, given the opportunity of direct interaction with the top management.**

In terms of risk assessment, SMEs have access to limited human and financial resources. At the same time, **the number of SME employees is small, i.e. business processes can be less**

sophisticated, which simplifies the process of risk identification. To assess corruption risks, SMEs can use publicly available guidelines, evaluation checklists, and in terms of gaining additional experience and knowledge, they may join efforts with other SMEs or chambers of commerce, business associations, anti-corruption initiatives, and large organizations within the supply chain.

Due to their size, economic potential and dependence on partners, SMEs, as a rule, are not positioned to significantly influence their partners. In many cases, SMEs refrain from terminating business relationships. To increase their influence and power, SMEs can join collective anti-corruption initiatives.

Limited access to resources prevents SMEs from having their own anti-corruption training and awareness-raising measures. To this end, SMEs may consider the following options: participate in courses and trainings organized in the supply chain, use information and training materials available for free access, train the trainers, as well as become a part of collective anti-corruption initiatives.

The average introduction of an ACCP can take from six months to a year (Figure 2).

**Figure 2. Key stages of the ACCP implementation**

Stages:	1	2	3	4	5	6
Actions	Commitment to anti-corruption compliance and policy making	Development of an action plan to ensure anti-corruption compliance Appointment of Compliance Manager	Implementation of anti-corruption compliance action plan Introduction of ACCP	Implementation of ACCP	ACCP monitoring	Evaluation of results
Responsible parties	Owner(s) Board General Director	Owner(s) Board General Director Compliance Manager	Compliance Manager Heads of subdivisions	Compliance Manager Heads of subdivisions Partners	Compliance Manager Internal and external auditors	Owner(s) Board General Director

Processes	Presentation of anti-corruption compliance commitment and policy to the organization's management	Risk assessment of the organization - identification of inherent risks  Analysis of legislation and contractual requirements	Development of anti-corruption compliance policies and procedures	Awareness-raising of employees and partners about the anti-corruption compliance program  Organizing trainings for employees and partners	Introduction of whistleblowing system  Regular system analysis  Non-compliance analysis, investigation, recording of instances of non-compliance	Evaluation of project effectiveness
Date	One month	3-6 months	3-6 months	One year	Permanent	At least once a year

## ***What are the key components of ACCP?***

### **Commitment by top management**

The ACCP should be based on the explicit anti-corruption commitment by the company's top management and tangible support in practice. This is often formulated as "tone at the top". The "tone" is usually set by the owner, the board, the director, or other representatives of top management. It is instrumental in terms of driving the corporate culture. **Anti-corruption commitment means that top management treats the prevention of corruption as a personal responsibility.**

Even the best-designed ACCP would be incapable of mitigating corruption risks, unless employees and partners are assured of the anti-corruption commitment by the company's top management. **The company's top management should clearly articulate its "zero tolerance" for corruption.** The top management should unambiguously declare that any form of corruption, whether large or small, direct or indirect, active or passive, is prohibited. This prohibition should be enshrined in the official public statement of zero tolerance for corruption. This principle should be emphasized by the company during its internal as well as public events (for example, trainings for employees and partners, general meetings of shareholders, conferences, etc.).

### **An example of anti-corruption commitment statement for SMEs**

I, \_\_\_\_\_, as the Founder of the Company, hereby commit to acknowledging my role and obligation to provide robust, explicit and active support in the implementation of the Company's corporate compliance program.

My employees are aware and understand the Anti-Corruption Compliance Policy, Code of Conduct, procedures regulating Gifts, Hospitality ...approved by the Company, and have undergone compliance training.

I hereby accept and acknowledge the requirement to ensure compliance by the company's decision-makers and service providers, as well as acknowledge that the requirement equally applies to all Company staff and business partners.

I understand issues related to conflicts of interest (actual or potential) and acknowledge the need for having procedures developed within the Company to prevent and duly disclose such possible conflicts of interest.

The anti-corruption commitment of the top leadership is not a one-time exercise. It should be articulated in the company's corporate policies and procedures and be demonstrated in all decisions and actions taken by top management. **Top management must ensure that the company's employees and partners fully understand the essence of the "zero tolerance for corruption" principle, and support the implementation of appropriate policies and procedures.**

### **Risk assessment and management**

An ACCP will be successful if it reflects the results of the company's risk assessment.

Risk is usually perceived as a negative event. However, it is important to realize that risks become negative only if they are not appropriately addressed or, in other words, if they are not managed. Accordingly, if unmanaged, risks may trigger unpredicted consequences. Companies are not immune to corruption risks. Such immunity may boost up once the company forms a clear understanding of its risk tolerance, thus keeping the risks, including corruption risks, under proper control.

The following are some of the potential outcomes of failure to manage corruption risks:

- **Legal sanctions** (e.g. fines, damages, imprisonment);
- **Emergence of commercial and operational risks that have adverse effect for the business** (for example, ban on participation in public procurement tenders, unfavorable financing conditions, etc.);
- **Emergence of reputational risk**, which can lead to added negative consequences (for example, declining sales or loss of attractiveness for the investors, key partners).

The following factors should also be considered when assessing corruption risk:

- **The company's business model.** Some business models are based on interaction with business partners (sales agents, intermediaries, contractors, etc.). Such relationships may give rise to additional corruption risks (Appendix 2).



- **The organizational structure of the company.** In an organization with a decentralized structure, control over the activities of separate subdivisions may be weak, which in turn can lead to corruption risks.
- **The corporate culture.** A corporate culture based on trust, integrity, honesty, mutual responsibility, and other ethical values helps reduce the likelihood of corruption risk.

Companies need to use different internal and external sources of information to assess corruption risks. **Legislative regulations are one of the main sources of information.** Companies should have thorough knowledge in the legislative framework governing their business. This allows them to identify all the "gray spots" leading to corruption risks and take the necessary steps to avoid shady transactions.

The company may consult with employees, partners and other stakeholders when assessing risks. This can help the company to identify non-standard risk management solutions. Furthermore, **when assessing and managing risks, companies should rely not only on their own experience and internal statistics, but also learn from other companies' experience.** In this regard, membership in various non-governmental organizations can be useful. Another option is to engage external consultants with expertise in variety of organizations, which will enable the company to identify risks that might have been otherwise overlooked in the course of internal risk assessment.

As a result of risk assessment, the company may identify risks with different priority levels. In setting risk priorities, the following two factors should be taken into consideration:

- **The impact of the event.** Assessment of all negative legal, commercial, productive, reputational implications for the organization, including direct material and non-material impact (fines, market ban, hostile coercions, etc.) as well as indirect costs (lawyers' remuneration, time costs, etc.).
- **The likelihood of occurrence of the event.** The actual probability that the corruption risk will take place in the near future.

**High level of risk means that the probability of direct or indirect implications of corruption is quite high.**

The company should document and maintain the results of the risk assessment.

After having identified and assessed the risks inherent in their operations, companies should establish a risk management and action plan for their mitigation. These actions include, but are not limited to, the following:

- Adoption of ACCP and its consistent implementation,
- Increased internal controls (for example, defining corrective and preventive actions),
- Adoption of risk management strategies, policies and procedures,
- Designation of a function/person responsible for risk management and clear definition of the scope of the latter's responsibilities,

- Designated training courses,
- Active engagement of mid-level managers,
- Encouraging key partners to commit to anti-corruption compliance,
- Participation in collective anti-corruption initiatives, etc.

### Anti-corruption policies

Anti-corruption policies are designed to manage the company's corruption risks and are developed as a result of the company's risk assessment.

Anti-corruption policies contribute to:

- development of a unified corporate approach to anti-corruption compliance,
- coherence of the company's corporate culture with anti-corruption compliance principles,
- understanding of anti-corruption concerns by the company's top management and employees.

Although the "tone" of anti-corruption compliance comes from the top, and it is impossible to succeed unless the top management of the company understands its anti-corruption stance, however, those who directly implement it, i.e. the employees, are equally important. Thus, in the process of building a team of supporters, the following measures can have a contributing role:

- awareness-raising and communication with employees on anti-corruption compliance opportunities,
- Message from the Chairman / Director / Founder of the company to the employees in support of the development and implementation of anti-corruption policies.

Anti-corruption policies should be articulated in clear and comprehensible language. The company should provide access to anti-corruption policies for its shareholders, employees, partners and other stakeholders, and make efforts to raise their awareness in those policies. Ownership for anti-corruption policies should be taken by **company's stakeholders as a whole, rather than at an individual level**, which will guarantee the successful implementation in practice. **To make the provisions of anti-corruption policies more comprehensible, it is advisable to reinforce them with practical examples and descriptions of corporate precedents.**

Examples of the anti-corruption policies include:

- corporate code of conduct,
- conflicts of interest regulations,
- gifts and business hospitality regulations,
- "Hot" line and whistleblowing mechanisms,
- internal investigations,
- due diligence of business partners,
- policies on charity and sponsorship.

**Corporate Code of Conduct is the principal guidance on the company's behaviour.** It stipulates the ethical obligations of the company founder (especially in SMEs), members of the Board of Directors, managers and employees - towards each other and towards other stakeholders, including partners, customers, government agencies and the public. The need for corporate code of conduct is essential in terms of:

- recognizing the importance of corporate values, managing corporate culture, and eventually, improving the company's business reputation and standing. Having in mind **that the business reputation and standing of any company is its most valuable asset, the adoption and consistent adherence to code of conduct contributes to the increase in the company's value,**
- effective risk management, prediction and prevention of crisis situations, or overcoming them with least damage,
- building effective relationships with stakeholders, strengthening their trust in the company,
- setting clear criteria for recruitment of staff.

In business environment, corporate code of conduct becomes the "visitor card" of the company and each of its employees. Artificial imitation of corporate code of conduct can damage the company's business reputation. Therefore, it can be stated that the **code of conduct is a rather "subtle" tool for building corporate relationships, and the company needs to have assurance of its ability to follow the code as well as of the readiness to do so by its employees.**

For corporate ethics to become an effective management tool, it must be consistent as closely as possible to the company's corporate reality.

### **Trainings and awareness-raising**

When setting up new rules of the game, **companies should not only appropriately inform their employees and partners, but also develop their capacities to detect and prevent corruption risks.** Regular training serves this purpose, which is a crucial measure for raising the awareness among the employees and partners regarding the ACCP requirements.

**The topics selected for education and training purposes should be in line with the risk assessment results, which means that their content should be regularly reviewed.**

Anti-corruption compliance training for employees should be conducted at least once a year, and changes in corporate policies, rules, and procedures should be followed up by appropriate training. Training may be provided more frequently for employees at higher risk zones. Additionally, specific subject-matter trainings and development measures may be appropriate in this case.

There is further need for education and training in the following cases:

- revised corporate policies and procedures or new ones adopted;
- recent organizational changes (a new department was formed, a compliance officer was appointed);

- upcoming seasonal events such as training on corporate procedures related to exchange of gifts on the eve of holidays;
- A culture of upholding national and international events dedicated to the fight against corruption, such as the International Anti-Corruption Day;
- The company has joined an anti-corruption initiative, such as the UN World Treaty or has signed an anti-corruption declaration;
- Preparation of non-financial report of the company for publication, etc.

As a measure of success, the participants should evaluate the effectiveness of training received. In addition, the learning process should be properly documented, participant attendance should be recorded, and participants should be tested to assess the knowledge gained after each training.

Participation of top management in the training, sharing successful examples of the company's anti-corruption compliance, as well as presentation of real-life examples of controversial situations and the active engagement of employees in their discussion, are particularly important.

Standard methods of awareness-raising and training can be accompanied by e-learning, corporate newsletters issuance, information dissemination by e-mail, and other methods of communication.

### Promoting anti-corruption compliance

The commitment of employees and partners to anti-corruption compliance is a key factor in the successful implementation of the ACCP. In practice, the process of developing an ACCP to reflect the company's corruption risks in accordance with international ethical standards, is not difficult. Most often, problems arise in the course of its implementation. In particular, companies often fail to cultivate employee and partner loyalty to corporate values and ACCP requirements.

Therefore, setting adequate system of [incentives for employees and partners is one of the key preconditions for the successful implementation of the ACCP and for driving down corruption risks](#).

The incentive system can include both material and intangible rewards. Material incentives for employees may take the form of salary increases, bonuses, promotions, valuable gifts, etc., and material rewards for partners may consist in providing new business opportunities. Intangible incentives include letters of gratitude, nominations as "best employee" or "best partner", individual appreciation by top management, and more.

Incentives can be provided to individuals as well as internal and external teams/departments.

For adherence to ACCP, the incentives need to be integrated into human resource management policy and performance targets (Appendix 3). To that end, it is necessary to set the relevant performance targets. Examples include:

- Active participation in training or other anti-corruption compliance training activities,
- Supporting the implementation of the ACCP,
- Understanding of company values, code of conduct and their implementation,

- Ability to question suspicious actions or offers, which allows the employee to refrain from engaging in corrupt practices.

It is also recommended to engage the management team in relevant activities. Managers should also be assessed in terms their ability to instill anti-corruption compliance among employees.

When introducing an incentive system to follow the ACCP, the following issues should be taken into consideration:

- Any system of incentives is subject to abuse. They can be mitigated through commensurate control mechanisms. The stronger the incentive, the more stringent control mechanism should be established. Incentives should motivate the achievement of performance targets in terms of content, be proportionate with the level of effort and the result achieved. In addition, all stakeholders should be treated equitably.
- Quite often, the pursuit of integrity and compliance is considered as a natural phenomenon, so the introduction of an incentive system raises doubts. In this regard, it is necessary to refrain from encouraging the demonstration of expected behaviour. Instead, incentives should be applied to encourage achievement of results and demonstration of behaviour that proposes new rules of conduct and contributes to the development and improvement of the ACCP.

System of incentives for anti-corruption compliance and related performance targets should be transparent so as to set reasonable expectations among employees and partners.

#### Special expenses: Charity and sponsorship

Charity and sponsorship are an integral part of companies' CSR initiatives. They affect the corporate reputation and identity of the company. However, companies must exercise caution when engaging in such activities. The underlying risk in charitable donations and sponsorship is that they may manifest concealed forms of corruption, that is, companies might attempt to achieve illegal and non-commensurate benefits by means of donation and sponsorship.

Before engaging in charity or sponsorship, companies need to have a clear understanding of the nature and specific characteristics of these types of activities.

Charitable investments and sponsorships within the framework of the ACCP are considered as special expenses that should be regulated within the framework of the relevant policy. This policy should be developed based on the results of the company's corruption risk assessment and be aimed at reducing these risks. The issues regulated by the policy include:

- Defining the objectives of charity and sponsorship and determining the target stakeholders,
- Availability of procedure to agree participation on sponsorship of charitable investments,
- Identifying conflicts of interest, i.e. assessing the potential linkages or interconnections between the company and charities or organizations selected for sponsorship etc.

The company's procedures should ensure that the funds allocated for charitable causes and sponsorship are appropriately recorded, their designated use is monitored, as well as maintain

transparency of all types of charitable donations and sponsorship support. Companies can achieve this through their non-financial statements.

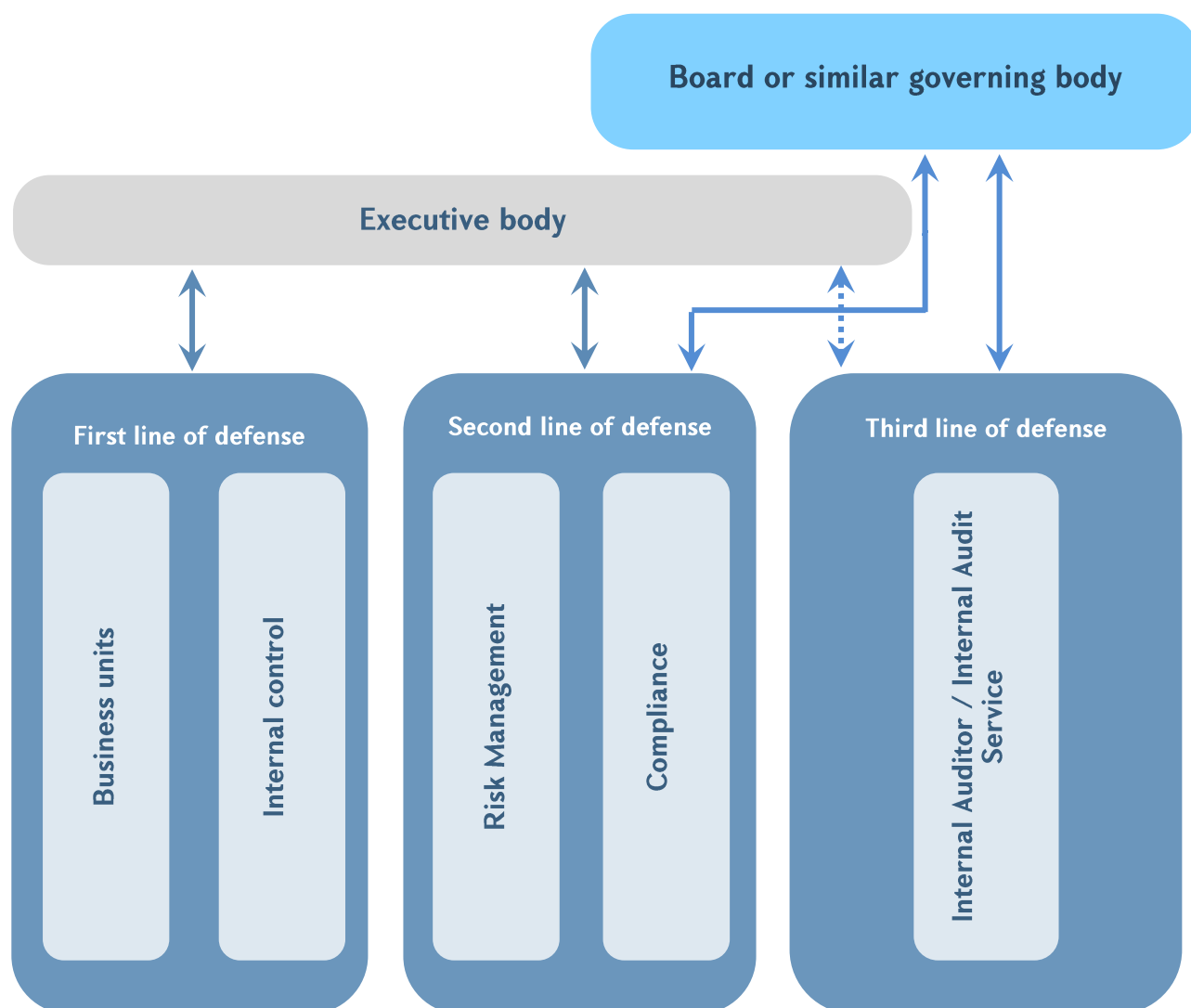
### ACCP monitoring

The effective implementation and continuous improvement of the ACCP can be achieved through regular monitoring. It is the responsibility of the board or other equivalent governing body.

The board is responsible for the formation and full functionality of internal control and risk management system. An effective system of internal control and risk management is one of the key pillars of the company's safety. It helps the company to fulfill its goals and objectives, achieve long-term success and safety of the company's operations (Appendix 4).

The internal control and risk management system is based on the "three lines of defense" model (Figure 3). The essence of the model is that in order to develop an effective risk management and control system, it is necessary to have three separate chains within the management system, with specifically designated roles. Their proper positioning and effective operation are the means to safeguard the internal control and risk management system of the company.

**Figure 3. The three lines of defense model**



The responsible parties for the first line (business function) are the owners of business processes. This line is in charge of the risk management on a day-to-day basis as well as develops and implements the measures and procedures to respond to those risks, which particularly, include risk identification and assessment, risk mitigation, elimination of inconsistencies and communication with the stakeholders of the particular business process.

The second line (monitoring function) includes risk management and compliance functions, aimed at ensuring that risk management by the first line is effectively implemented.

The third line (independent function) includes internal audit, which is not involved in any managerial functions so that the objectivity and organizational independence are preserved. This feature distinguishes it from the second line of defense. The third line is accountable and reports directly to the board.

The objective of the first line of defense is to create value, while the objective of the second and third lines is to protect value. The second and third lines should have sufficient influence, expertise and the required degree of independence to adequately challenge risk owners, share independent opinion and communicate with the board.

The elements that ensure the efficiency of defense lines are:

- the responsibilities between the three lines should be clearly distinguished and regulated,
- each line must have sufficient powers and resources to properly perform its responsibilities,
- There should be clear communication and reporting between the lines of defense. The first line is subject to control of the second and third lines, the second line - over the third, and opposite is impossible. The second is independent of the first, and the third is from the first and second.

The day-to-day monitoring of the ACCP is carried out by the compliance officer. Monitoring can begin with employee interviews, which can be conducted in an informal setting to encourage open dialogue about the risks which the employees may encounter in their daily operations and to ensure that appropriate policies and procedures are in place. Another way is to conduct regular surveys or focus group discussions with staff.

An entity should have a compliance function that effectively and entirely enables the company to assess the compliance risk and to enable the legal, ethical and anti-corruption compliance of the company.

The person responsible for carrying out the compliance functions should:

- ensure responsibility and goodwill as well as compliance of the company's operations with the requirements of laws and other legal acts, including the internal legal regulations of the company,
- support responsible behaviour and compliance of employee performance with the formation of a corporate culture adhering to the requirements of laws and other legal acts, including



the internal legal acts,

- organize seminars and discussions on corporate governance practices and policies on a regular basis,
- disclose, evaluate and manage compliance risks in relation to the entity's activities,
- assess the impact of possible changes in the regulatory framework on the entity's operations and the possible risks associated with it,
- apply corrective and preventive measures to ensure compliance of entity's operation,
- promote the introduction of an anti-corruption compliance program in the entity and monitors its implementation,
- contribute to the development of whistleblowing mechanisms within the organization, etc.

Audit is a type of monitoring, which is aimed at identifying, analyzing, correcting and eliminating specific issues related to the ACCP. The audit should be carried out independently, by means of either internal or external audit. The internal audit performed by the specialized department of the company which is independent from the processes audited while not being independent from the company. The external audit is performed by independent professional service providers engaged from outside the company.

An action plan should be developed based on monitoring results, detailing the corrective-preventive actions aimed at eliminating the actual or potential inconsistencies, with assigned responsible persons, and with set deadlines and expected outcomes.

### ***Anti-corruption collective action***

For strengthened and more sustainable impact of individual actions aimed at anti-corruption compliance, companies may wish to engage in collective anti-corruption initiatives or actions.

Anti-corruption collective actions are a process of cooperation between different stakeholders in their anti-corruption efforts, enabling them to apply various approaches to corruption and identify more robust solutions. The main objective of such joint efforts is to create a fair and equitable market environment and eliminate the temptation of taking corruption risks.

Anti-corruption collective actions unite individuals who are like-minded and for whom issues of sustainable development of the society are a priority. This cooperation empowers all stakeholders through exchange of best practices and information, uniting vulnerable market players around the stronger ones, supplementing or temporarily replacing weak local regulations, fostering anti-corruption practices, and consolidating resources.

Collective efforts in the fight against corruption represent a mechanism of self-regulation. Companies which join these efforts should realize that they make their "voice" heard, improve their social image and position themselves in the market as corporate citizens who care about the destiny of their country and of humanity in a broader sense. Companies should acknowledge that:

- together they are stronger,



- the efficiency ratio of collective actions is higher,
- Collective actions bring substantial benefits to all parties involved.

Thanks to anti-corruption collective actions, any company can become a real supporter of positive change.

The prisoner's dilemma describes the essence of collective actions very well. When the members in a group emphasize only their own interests above everything else, they eventually achieve less than they might have achieved had they cared about general welfare in a broader scale, however contradictory to their own interests it might seem at the time.

What is a "prisoner's dilemma"? Two people suspected of committing the same crime are arrested simultaneously and interrogated in different prison cells. Both are offered to confess their guilt; at the same time, they are informed that if one pleads guilty and the other does not, the latter will go free and the one who has pleaded guilty will get three years' sentence. If both plead not guilty - they both get by 1 year of imprisonment each, and if both plead guilty, they both get by 2 years of imprisonment sentence each.

	Prisoner B is silent (cooperates)	Prisoner B defects
Prisoner A is silent (collaborates)	1 year for each	Prisoner A is sentenced to 3 years Prisoner B is released
Prisoner A defects	Prisoner A is released Prisoner B is sentenced to 3 years	Each are sentenced to 2 years

The temptation is quite high. Thus, if he admits his guilt and his accomplice does not, the accomplice will be released and he will have to serve three times more prison time than he would have, had he not admitted guilt.

The most critical component of a prisoner's dilemma is trust. If you trust that your accomplice in the next room will not defect at the last moment and will do the same as you, you both win. In an atmosphere of mutual trust, all parties benefit. Otherwise, everyone is doomed to defeat.

Anti-corruption collective initiatives can take many forms, from the adoption of the Anti-Corruption Declaration to long-term initiatives using external enforcement mechanisms (Figure 4). Such initiatives may be implemented either with isolated efforts of private sector, or on a public-private partnership basis. Business associations and international organizations have an instrumental role in promoting initiatives.

**Figure 4. Key types of anti-corruption collective actions**

	Ethical commitment	External law enforcement
<b>Project based agreement</b>	Anti-corruption declaration	Integrity pact
<b>Long-term initiative</b>	Principle-based initiatives	Certified coalition

The main outcomes of the collective anti-corruption actions are:

- establishing fair competition environment,
- ensuring the practical impact of companies on laws and regulations;
- promoting public confidence towards the business,
- attracting ethically responsible investors,
- ensuring legal compliance,
- efficient use of resources and improvement of business processes.

## PART 3. Responsible business is transparent business

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Socially responsible companies report on the social and environmental impact of their activities. These reports are commonly known as "non-financial reports".

Non-financial reports cover quite a wide range of company's operations: management quality, business ethics, efficiency of social and economic investment, favorable external environment, environmental security, etc.

Non-financial reporting allows companies:

- to manage sustainable development risks,
- to perceive and comprehend stakeholder expectations,
- to manage the business reputation of the organization,
- to increase operational efficiency and performance results.

Non-financial reports may be of interest to:

**Business partners**, especially transnational corporations, which usually expect to see practical evidence of integrity, legal and anti-corruption compliance, environmental clean trail of products, protection of consumer rights, occupational and health safety.

**Investors**, for which the quality of corporate governance, social and environmental indicators of the entity play a crucial role in their investment decision-making processes. Such information is the basis of the company's ability to assess the quality of non-financial risk management. For example, the UN Principles of Responsible Investment (UNPRI) reflect the growing demand for sustainable development issues among institutional investors.

**Government agencies** that emphasize the importance of companies' engagement in addressing issues of public importance.

Non-profit organizations, mass media, rating agencies are also interested in non-financial reports.

### *The Communication on Progress (CoP)*

COP is a type of non-financial reporting. The obligation to prepare and publish the COP rests with the organizations that have joined the UN Global Compact (GC) initiative. The COP provides information to the organization's stakeholders on annual progress towards the implementation of GC Principles in its operations, or towards contribution to the UN objectives.

The main requirements for the COP are:

**Completeness of information.** It may not be required to have all ten Principles of GC to be reflected in the COP, or to cover all the Principles in the same detail, or for the SMEs to address the COP with the same thoroughness as large, transnational corporations. At the same time, the information contained in the COP should be complete and accurate so as to enable stakeholders to

assess the practices implemented within the organization aimed at ensuring compliance with the Principles.

**Content.** Explicit actions and indicators should be specified in the COP so that stakeholders can make informed judgment about the organization's progress towards implementing the Principles.

**Determining communication boundaries.** The companies should clearly define in the COP the scope of its responsibilities, i.e., the GC principles that are covered in its communication with stakeholders. It can be useful for managing stakeholder expectations, as well as for promoting a dialogue on the scope of responsibilities, especially with partners.

**Clarity.** COP language and structure should be clear and comprehensible for stakeholders.

**Presentation of progress.** The information disclosed should enable stakeholders to analyze changes in the organization's activities over time, to follow up on the fulfillment of commitments made at the previous COP, and achievement of the objectives.

**Presentation of a balanced point of view.** To inform stakeholders' evaluation of the organization's performance, the COP should address and explain the strengths and weaknesses of the company's activities.

**Validation of information.** The company should develop systems to ensure the reliability of the information provided in the COP. This process does not necessarily have to be complicated and expensive; it can be simple and affordable, for example, by means of peer reviews of COPs within the GC network.

Although there is no clearly specified standard format and structure for COP, however, it should at least include the following three sections:

**Statement of continued support to the GC.** This is one of the mandatory requirements of every COP. The statement should clearly express company's sustained support the UN Global Compact and reiterate the continuity of its commitment to the initiative, as well as describe their reasons and/or expectations in this regard. The statement should contain information on the key efforts, including joint initiatives undertaken, and outcomes achieved during the implementation of the GC principles in previous years. The statement is signed by the Director or by the Chairman of the Board of the company.

**Action Plans towards implementation of GC Principles:** this should reflect the coverage of the company's impact, for example, the supply chain, as well as the reporting framework. Actions are described in a clear, legible way for the reader to fully understand their essence. The entity's priorities for the next year should also be presented in this section. **Commitment-system-action-outcome** approach is applied to each principle of the GC.

**Commitment:** a declaration of obligation, such as human rights protection. Such commitment stems from the company's vision, mission, policy, or international standards (Universal Declaration of Human Rights). The commitment forms the basis for systems and actions.

**Systems:** an outline of management systems in place for the implementation of the GC principles that helps the reader understand how the company incorporates the principles of the GC into its strategy, its day-to-day operations, and communication processes.

**Actions:** an outline of the actions aimed at the fulfillment of GC principles during the reporting period.

**Outcomes or expected outcomes:** it is particularly important to present qualitative and quantitative indicators for actions. These should be complemented with the outline of impact, as the indicators alone are insufficient to form a comprehensive understanding of the actions taken by the company.

*The principle of anti-corruption in GC is an aspect that is always the least addressed in the annual COPs. It should be noted that within the framework of the GC, the organizations are classified into three groups: listeners, activists, and pioneers. The main reason why the GC participants are sometimes unable to move forward from their status as a listener is the lack of communication about their anti-corruption efforts.*

The information disclosed in the COP on the implementation of the 10th principle of the GC in the **commitment-system-action-outcome format** may have the following indicative content:

**Commitment.** *The company's anti-corruption commitment is disclosed*, for example:

*The company acknowledges with full confidence that corruption is an evil for long-term business health; it upholds its civic stance in combating corruption by assuming "zero tolerance" for corruption. The company will consistently incorporate this principle into its business processes and ensure the transparency of its progress for its stakeholders.*

Founder/Chairman of the Board/Director of the company

**System.** *Presents the system set up by the company to implement its anti-corruption commitment.*

For example, the company may present its ACCP, by describing the strengths and weaknesses within the program.

**Actions:** *Describes the actions taken and the system in place within the reporting year to support the commitment.*

Such actions may include but not limited to review of anti-corruption compliance policies, organizing trainings for employees and partners, participation in collective actions, introduction of whistleblowing system, compliance function, etc. The company may present the actions it intends to take in the following reporting year, especially aimed at addressing the weaknesses of the ACCP.

**Outcomes.** *Presents the key qualitative-quantitative indicators of the ACCP implementation.*

For example, the number of cases investigated, the sanctions applied, the number of employees and partners trained in anti-corruption compliance, the number of individuals with positive results of anti-compliance testing, the impact of the ACCP on the company's performance, and so on.

The COP is not a form of communication with the UN GC office. It aims to inform the company's stakeholders about the progress of the implementation of the 10 principles of GC. The COP should be perceived as a means of company's communication with its stakeholders. Therefore, sharing the

COP among the stakeholders is equally important, and to this end the company can use its web page, social networks, mail, etc.

#### *UN Global Compact Principles*

The UN Global Compact unites businesses to promote the ten common principles in the areas of human rights, labor, environmental protection and anti-corruption. It strives to instill these ten principles in the businesses worldwide and promote actions that will support the implementation of the UN's larger-scale goals. The implementation of the GC principles should be considered as a long-term process towards company's sustainable development.

##### **HUMAN RIGHTS**

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.

**Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

##### **LABOUR**

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4:** Businesses should support the elimination of all forms of forced and compulsory labour.

**Principle 5:** Businesses should support the effective abolition of child labour.

**Principle 6:** Businesses should support the elimination of discrimination in respect of employment and occupation.

##### **ENVIRONMENT**

**Principle 7:** Businesses should support a precautionary approach to environmental challenges.

**Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.

**Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.

##### **ANTI-CORRUPTION**

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

### *A company conducts a study on the compliance on its third parties*

The Company is a leading global infrastructure and engineering business, with over 50,000 employees and operations in over 80 countries. The Company operates in a sector that is known to be a high corruption risk sector, as its business often involves tendering for large public and private projects, and managing large, complex supply chains, increasingly in emerging markets.

The corruption risks are increased and harder to manage if third parties are involved whose actions can result in criminal liability or reputational damage for the company.

The Company's construction contracts rely heavily on third parties, such as sub-contractors, suppliers, and joint venture or consortium partners. The Company recognizes that it can be legally and reputationally exposed if any third party behaves in an illegal, unsafe or unethical way; for example, offering or paying bribes to get work certified or paid.

#### **A study on the compliance**

Third-party risk assessment is one of the most important procedures of the study on the compliance. To avoid corrupt third parties and enter into arrangements with their eyes open the Company needs to find out what it can about a third party's working style, track record and reputation. The Company should have an opportunity to gather about a third party's ethics and anti-corruption procedures. This attempts to minimise their reliance on such assurance so that, if they are wrong about the third party, they still have a very good chance of identifying and managing the corruption risks.

Thus, in addition to a third-party questionnaire, the Company uses a risk-assessment checklist, designed to identify the opportunities and incentives for corruption in relation to the specific project being considered.

Checklist questions include the following:

- What type of customer are we dealing with? Are they public or private, "blue chip", successful or other? Do we have any reason to think they will operate a corrupt tender process or project?
- Will the customer be operating a transparent and fair tender process for this project? Is information disclosure carefully controlled by the customer, and are tender deadlines properly enforced?
- Is there anything suspicious about the specification for the tender, e.g. is it biased in favour of a bidder, sub-contractor or supplier?
- Can an honest bidder win? Will an ethical bidder inevitably lose to a corrupt one in this case?
- What do we know about other bidders?
- Who would need to be influenced in order for a corrupt bidder to succeed?



- Would we know if the bid were awarded to us other than on merit?
- If so, what rights to withdraw or other recourse would we have?

The process of the study on the compliance continues with a consideration of the project execution and procurement risks and controls that will be present:

- In case of winning the work, are there any procedures in place to ensure that:
  - work is done safely and to the appropriate quality;
  - work is certified without bribes being offered or extorted;
  - applications for payment, variations, and extensions of time are not inflated or otherwise false?
- How will materials be imported and exported?
- Is it possible to control procurement? Is there a risk of sub-contractors paying bribes to someone who can influence the tender process?
- Are all sub-contractors and suppliers to be appointed pursuant to a proper competitive tender process? If not, on what basis are they being selected?
- Do they have any links to a public official, or was their candidacy nominated by a public official or a client?
- Will there be any consultants involved in the project, or any other third party?
  - whose services are not clearly required;
  - whose expertise and experience do not fully meet the requirements?

### **Red flags and business justification**

Having gone through the above process, they then use a business justification and red-flag checklist to identify and mitigate risks associated with each relevant third party.

Checklist includes the following:

- What are the opportunities and incentives for the third party to engage in corruption, e.g. to pre-qualify for a tender, to win or fulfill work, to get work certified or paid, to gain an advantage in doing business, or to gain permits and approvals?
- Are the partners “blue chip”, i.e. do they have a good reputation and are they subject to strict regulatory scrutiny?
- What other third parties can be involved?
- Are any third parties recommended by the customer or a public official?
- Is the third party demonstrably qualified to perform the work?
- Are they an approved supplier? If not, why not?
- Do suppliers' service fees exceed fair market value for services?

## Agents and Commissions

The Company does not utilise many agents, partly because its business model does not often warrant it, and partly because of the opportunities for corruption inherent in a commission arrangement. If the company does need to use a third party on a commission or success-fee arrangement, the Company manages the risk via a procedure that requires extensive compliance assessment, clear and legitimate justifications for fee arrangements, as well as an approval from the Group of Ethics and Compliance.

## Contractual protections

The Company also addresses corruption risks via its contracts, by having third parties enter into contractual relations and warranties, which allows:

1. to comply with applicable laws and not engage in corruption,
2. to comply with the Company's Code of Conduct for Partners, Sub-contractors and Suppliers, or, preferably, the third party's own credible anti-corruption code.

The Company takes much more comfort from a third party that can demonstrate its own embedded ethics and anti-corruption procedures. Finally, the Company generally negotiates a right to audit third parties.

### *A company combines compliance and human resources thinking to create structured financial incentives for ethics and compliance*

A new management team was appointed in the Company with the mission of meeting increased regulatory and economic challenges, as well as re-engineering the company's culture. This compliance effort was called the 'No Opportunity Lost' principle, which was adopted by the Company. This principle places compliance as the number one on every agenda of the Company.

The new management team at the Company announced immediately that compliance programme would form part of the company's strategic plan. As part of this effort, responsible persons of the Human Resources and Legal & Compliance Functions groups decided to bring together the Company's compliance and compensation tools.

The team's overall mission was to create a system in which operational managers, and not merely Compliance Managers, would talk about and act on ethics and compliance in positive terms.

The Company had a compensation system based on:

- base salary,
- variable compensation,
- long-term incentives (e.g. stock grants, stock options).

Company refined its compensation model to create a unique link between its compliance programme and the three elements of its total compensation systems in order to encourage behaviours and leadership in ethics and compliance.

The new model now includes the following steps:

- For all "key managers" - a new performance management objective (PMO) was added to the traditional six PMOs. The Compliance PMO measures an individual's performance in ethics and compliance. PMOs determine these managers' variable pay at the end of each financial year.
- Using the Company's risk-management system, each individual's Compliance PMO is tailored to specific functional roles and seniority. Senior executives' Compliance PMOs differ from those of regional sales managers; clinical managers and other customer-facing employees have different PMOs from IT teams, and so on.
- The ethics and compliance PMO must form at least 10 per cent of a covered employees' target variable compensation.

- Individual performance is assessed biannually by line managers in performance reviews. Compliance staff participates in the reviews and ensure alignment throughout the organisation on performance measurement.
- Uniquely, employees can overachieve their Compliance PMO, receiving up to 200 percent of the weighted target for this objective.
- Senior managers also have the ability to issue special discretionary variable-pay awards for outstanding leadership in ethics and compliance.

Consistent with the need for robust “tone at the top”, this system includes all members of the Company’s Executive Leadership Team, as well as the Chief Executive Officer. The CEO’s own performance vis-à-vis objectives is reviewed by the Board of Director’s Remuneration Committee and Committee for Internal Audit, based on closed-door interviews with the General Counsel and Chief Compliance Officer. The Committees have the power to interview also outside consultants/law firms.

There are also consequences when managers fail to meet the Compliance PMO:

- A performance evaluation of “Fails to Meet Expectations” should result in the loss of all variable pay.
- Performance that is below stated objectives but that does not fall to the level of “Fails” results in a multiplier of variable pay that is lower than 100 per cent.

Managers receive day-to-day guidance on both how to apply the variable pay levers in practice, as well as how ethics and compliance objectives can receive “Exceeds Expectations” or “Outstanding Performance” evaluations. Both evaluations can result in a positive multiplier for receipt of variable-pay bonuses, up to 200 per cent.

In addition, a Handbook for the Company managers has been co-written by business departments’ team to provide both quantitative and qualitative guidelines, and examples of behaviour.

The Handbook links the ethics and compliance PMO to the goals of the Company’s Global Compliance Programme in a very concrete *and measurable* manner.

Examples of conduct that will trigger a positive multiplier on variable pay include:

- Manager acts upon “No Opportunity Lost” principle and places compliance on 100 per cent of meeting agendas;
- Manager and team members carry with them at all times their individually named “Company Compliance Commitment” card, which is renewed and reissued annually to all employees having successfully completed their personalised training requirements. The card includes Compliance Team contact details, key ethics messages for the year, and is a visible and verifiable symbol of alignment to the Company’s vision for ethics and compliance;
- Manager oversees compliance with the team’s tailored training requirements 100 per cent on time, or ahead of schedule;

- In the event that mistakes are made, Manager respects the “Speak Up” policy of the Company and engages in a discussion on compliance challenges and how mistakes can be rectified.

## Annex 4

### *European engineering company develops a Supervisory Board to oversee compliance*

In December 2010, the World Bank found a leading European engineering services company responsible for failing to control the operations of a branch office in Indonesia. As a result, the company, in co-operation with the World Bank, worked to improve its capacity to reduce and eliminate the risk of similar failures in the future by adopting a special Model (hereinafter called the “Model”). The Model is based on compliance with the following fundamental requirements:

- the traceability of actions,
- adequate formalisation of activities and related controls,
- clear separation of functions and responsibilities.

The company’s existing Code of Conduct is the integral part of the Model.

Care was taken to ensure the Model meets legal requirements, the World Bank Group Integrity Guidelines, and other quality assurance procedures. The Model’s development consists of:

- An analysis of the company’s existing quality management system and of how this system could be improved;
- An external audit of the quality management system and procedures by a certifying company;
- Appointment of a Supervisory Board to ensure compliance with the Model.

The Supervisory Board, created in July 2011, is independent and composed of three members, who were selected for their experience on the board of similar companies and had the required qualities. The Board has full autonomy in its power of initiative and control. In carrying out its functions, the Supervisory Board may, in case of special need, rely on the support of independent external consultants, using a budget that is allocated by the company. One of the three members of the Supervisory Board (as per World Bank Group rules) is in charge of reporting directly to the Bank on the company’s conduct in relation to the regular compliance with the Model.

One of the company’s senior engineers has been appointed to liaise with the Supervisory Board, so as to facilitate its work and co-ordinate relations between the Supervisory Board and the company’s internal structure. The engineer attends every Board meeting. His duty is to provide the members with any information or documents they may request, as well as to assist the company’s personnel with specific issues concerning the application of the Model.

In case of non-observance of the Model and the Code of Conduct, the Supervisory Board can recommend the adoption of disciplinary measures. According to the Model, the company's management is under an obligation to inform the Supervisory Board of its important decisions and to forward any documents relating to alleged non-compliance. Furthermore, all employees have the e-mail addresses of the Board members. They are trained and informed that they may report any non-compliance at any time (even anonymously).

The company believes that the adoption of the Model – despite complications attributable to its inevitable impact on the personnel's operating procedures, consolidated by many years of operation – constitutes an essential tool for the proper governance of any company intending to operate in the global market. With the adoption of the Model, the company has since worked to train its personnel and to raise awareness of the Model, from top management to each employee of the company, as well as among business partners and consultants.

## *Business cases of anti-corruption compliance*

### **CORPORACIÓN AMÉRICA AIRPORTS**

Corporación América Airports is the largest private sector airport concession operator in the world based on the number of airports under management and the tenth largest private sector airport operator in the world based on passenger traffic. The airports that the Company operates are located in countries with compelling macro-economic trends and in key cities within those countries.

In 1998 the Company acquired the concession rights to operate 33 airports in Argentina. Since that day, the Company has expanded geographically and currently operates 52 airports globally; in Latin America, as well as in Europe and Eurasia including large international airports, such as Ezeiza Airport in Argentina, domestic airports, such as Brasilia Airport in Brazil, airports in tourist destinations, such as Galapagos Ecological Airport in Ecuador and Florence Airport in Italy, as well as mid-sized domestic airports. In Armenia, the Company manages Zvartnots International Airport in Yerevan and Shirak Airport in Gyumri.

Most of the Company's airport concessions were acquired through a public tender process. The Company improved the infrastructure significantly through large capital investments.

The Company has created a global platform with operational expertise and resources to support its organic growth plan and global expansion strategy.

The Company's compliance program aims to contribute in having a good corporate reputation. Having a good corporate reputation increases the engagement of its employees and helps to retain and attract talented people, to maintain and develop a more sustainable business and to attract new investments. As a direct consequence of this, the Company is in a better position to continue growing and to lead its ecosystem.

Furthermore, a good corporate reputation leads to a good reputation for the countries in which the Company operates, through achieving a higher level of transparency, diminishing the country risk rate, obtaining better sources of financing, promoting investments and accomplishing a sustainable growth.

The Company believes that an effective compliance program should consider the following axes:

- Integrity,
- Internal Control,
- Risk Management,
- Formal policies & procedures,
- Protection of minority shareholders.

The implementation of the Company's compliance program is based on strategic pillars that are also key factors for its success:

- Strong and visible top management commitment.
- A deep and industry-based risk analysis and exhaustive due diligence processes when applicable to a third party.
- A Code of Conduct which contemplates aspects of transparency, anti-corruption, confidentiality of information, work environment, development and equal opportunities, diversity and inclusion for all members of the company.
- A set of Integrity Policies: Conflict of Interest Prevention, Integrity Line Policy, Gift & Hospitality, Insider Trading Prevention, Anti-Bribery and Corruption Risk, among others.
- A robust integrity line, managed by an independent third party, who ensures confidentiality, option to remain anonymous, no retaliation, resources and a defined protocol to carry out investigations.
- Continuous trainings and communication.
- A well-established monitoring, assessment and adjustment process.
- A strong framework of internal controls, norms and procedures.

At the time of launching its compliance program in each one of its subsidiaries, the Company first trained:

Its employees: with the direct participation of top management. Almost 20 trainings in five countries have been held, with more than 850 people attending. This implies more than 2500 hours of training.

All the employees formally acknowledged the Code of Conduct and related policies. All the documents and the link to the integrity line are available not only in the CAAP website but also in the websites and/or intranets of the subsidiaries.

With regards to third parties, the existence of the Company's integrity policies is communicated each time a contract or a purchase order is issued to them. Besides, certain key third parties and other relevant stakeholders have received the same training that the Company's employees.

The Company's Compliance & Internal Control department sends communications and awareness messages with important matters of the program, and they serve as reference source for any questions that may arise.

The most difficult challenges that arose during the implementation of the program were related to the geographical and operational dispersion of the Company, the combination of international and local regulations to comply with, and the varying degrees of maturity in both integrity matters and internal control development among subsidiaries.



Corporación América Airports is willing to share its international experience in anti-corruption and compliance matters. Realizing that the business community cannot stay away from the processes of the fight against corruption, the Company also aims to actively participate and foster the dialogue between public and private sectors in order to improve anti-corruption practices.

During the month of September of 2019, the Company organized the “CAAP International Compliance & Anti-Corruption Congress 2019” in the city of Yerevan, with the participation of high-level members of the Armenian government, international speakers and local experts. The Company also presented its own experience on anti-corruption and compliance.

Moreover, Corporación América Airports:

- Has been part of the Integrity and Compliance Committee of the B20 meeting held in Paris, where the transparency guidelines proposed to the G20 were discussed.
- Collaborated with the Argentinean Anti-Corruption Office, contributing to the development of the guidelines of the new law on legal entities criminal liability.
- Participated as trainer in the International Compliance Certification at the CEMA University and in the Governance, Compliance Control & Assurance diploma at the San Andrés University, which are prestigious private universities in Argentina.
- Shared its experiences and practices, as speakers, in several professional congresses.

## "VEON Armenia" CJSC

VEON Armenia (formerly ArmenTel CJSC) is one of the largest telecommunication companies in Armenia. The company (Beeline brand) is part of one of the largest integrated operators in the world - "VEON" group of companies. Headquartered in Amsterdam (Kingdom of the Netherlands), VEON provides services worldwide in territories with a total population of approximately 739 million. Companies within the VEON Group provide services under the "Beeline", "Kievstar", "Wind", "Mobilink", "Banglalink" and "Djezzy" brands. VEON Armenia has been providing GSM 900/1800, 3G (UMTS) and 4G (LTE), standard mobile communication, fixed telephony services throughout Armenia under the Beeline brand since 2008, as well as provides Internet access CDMA, With ADSL and FTTB technologies.

The anti-corruption compliance program was introduced in the company in 2016. The main motive behind it was the case of violation of the US Law on Foreign Corruption Practice (FCPA) requirements by UNITEL LLC - one of the units within the group of companies, operating in Uzbekistan. An investigation by the US Department of Justice, the US Securities and Exchange Commission (SEC) and the Dutch authorities has revealed that within the period of 2006-2012 UNITEL LLC paid more than \$ 114 million in bribes to a foreign government official, aiming to gain a beneficial position in the telecommunications sector. As a result, a Deferred Prosecution Agreement was signed between SEC Ltd and VEON Ltd in 2016, under which VEON Group of Companies undertook to pay more than \$ 800 million in fines, as well as an Independent Monitoring Mission was appointed by the SEC for a period of 3 years, to analyze and evaluate the Company's anti-corruption compliance program. As part of its commitments, the Company undertook to introduce new internal control mechanisms or upgrade the existing ones, introduce operating procedures, policies and regulations aiming to achieve an enhanced, effective anti-corruption compliance program.

"VEON Armenia" CJSC anti-corruption compliance program regulates different areas of the company's operation and is based on the system of values in VEON group of companies. Some of the key components of the program are as follows:

1. engagement of the company's top management staff,
2. regular risk assessment and analysis;
3. proper control and its independence;
4. internal reports and investigations;
5. enforcement and discipline;
6. monitoring and testing;
7. anti-corruption policies and procedures;
8. courses, training and leadership by example,
9. due diligence of third parties etc.

A number of measures were implemented to effectively introduce and apply these components, most significant of which, in particular, include: the adoption of "ethical tone at the top" and setting

example by the Company's management staff; quarterly meetings by the Executive director as well as with the Head of Ethics and compliance unit with the Company staff, introduction of proper channels for reporting grievances and whistleblowing (including anonymous ones), mechanisms and tools for third-party due diligence, regular targeted training and development measures, discussions with mid-level management, regulations in place for gifts and business hospitality, oversight of relations with government and officials; regular visits to the Company's regional offices, surveys aimed at identifying the Company's corporate culture and ethics index, internal communications on the anti-corruption compliance program, etc.

Information related to the Company's Anti-Corruption Program, including the Code of Conduct, Policies, Procedures, publications, links to useful resources are available on the Company's local corporate network and accessible for all employees. Furthermore, the company has introduced an electronic training system, through which employees are informed of the various elements of the anti-corruption compliance program, the company's values, current and relevant topics of interest, etc. Also, Business Partner Code of Conduct has been developed and implemented for the Company's partners, adherence to which is mandatory for all business partners prior to establishing business relationship with the Company. Additionally, all contracts contain clauses related to "Anti-Corruption, Anti-Money Laundering, and Trade/Sanctions" requirements.

Since its inception, the Company's Anti-Corruption Compliance Program has been effective in promoting business transparency, employee engagement, upholding Company values, and strict adherence to anti-corruption compliance provisions in day-to-day operations. Anti-corruption program evaluation criteria and key achievements in 2019: Employee Engagement and Ethics Index survey conducted among company employees, the results of which in comparison to the results of the same period in 2017, demonstrated an unprecedentedly high level of trust towards the Company's management, higher willingness to use the whistleblowing channels, and better awareness of the anti-corruption program. The Company's Ethics and compliance department continues its efforts towards improvement of these indicators.

Project implementation at the early stages encountered certain degree of resistance and difficulties due to specific cultural and mental barriers which were possible to overcome with the active engagement of the Company's management staff, through regular trainings and awareness-raising activities. As a result, a high corporate culture has developed in "VEON Armenia" CJSC.

"VEON Armenia" CJSC is ready to share its extensive experience in this area, by means of active participation in various anti-corruption measures, as well as cooperation with state-private organizations regulating the sphere.

Starting from 2018 the Company actively carries out public awareness activities on anti-corruption compliance, in particular, through regular publications in the media, participation in local and international conferences, seminars, membership in World Ethics Day, etc. These measures will be ongoing, and the company plans to further expand its activities and channels of communication for public awareness-raising in areas of anti-corruption compliance program, aiming to reduce the

level of corruption and contribute to the formation of a transparent and reliable business environment in the country.

## "MTS Armenia" CJSC

MTS Armenia (VivaCell-MTS) was established in 2005 and during its 15 years of operation, it has become one of the leading telecommunications operators in Armenia, as well as a major taxpayer in the country. Since the day of its establishment, the Company has set an objective to provide innovative, high-quality telecommunication services in the Armenian market.

VivaCell-MTS has more than 2 million subscribers, and about 1,200 employees. The company's mobile coverage is available to more than 98% of the country's population.

VivaCell-MTS upholds the vision of social responsibility, and in the course of its activities is guided by the expectations of its customers, strongly adhering to the principles of business ethics, and making considerable efforts towards ensuring sustainable development.

As a corporate citizen, the Company has launched an anti-corruption compliance program based on the principles of lawfulness, transparency, and integrity, which aims to:

- lead and further strengthen the corporate reputation of the Company;
- ensure the legal, ethical and anti-corruption compliance of the Company;
- prevent corrupt practices of the Company and/or its employees.

The company's anti-corruption compliance program is not limited only to Armenia's anti-corruption legislation: it was developed following the requirements of the US Foreign Corruption Practices Act (FCPA) and the UK Bribery Act (UKBA).

One of the possible key motives for implementing VivaCell-MTS anti-corruption compliance program on an institutional basis is that the shares of the Company's shareholder, Russia's leading Mobile TeleSystems (MTS), are listed on the New York Stock Exchange.

VivaCell-MTS has built its compliance system on the basis of international best practices, and governed by the compliance requirements and guidelines of the regulatory bodies of Armenia, the USA and the UK. In confirmation of the above, the company has been awarded the International Certificate of Conformity with International ISO 19600 and 37001 "Anti-Corruption Management Systems" Standards by the International Compliance Association.

VivaCell-MTS Anti-Corruption Compliance Program extends to members of the Board of Directors, all employees, representatives, subsidiaries, and their senior management.

The components of the Company's compliance program are:

- The commitment of the company's management,
- Policies and procedures,
- Trainings and communication,
- Reporting violations, investigating, and applying disciplinary measures,
- Internal audit and control,
- Risk assessment.

VivaCell-MTS has a Compliance Officer in charge of the compliance process, who has the authority to participate in compliance-related board meetings and decision-making processes as well as in the management team meeting sessions.

The entire staff of the company is regularly trained on anti-corruption compliance program, key requirements of the Anti-Corruption Manual, vulnerable areas for corruption and mitigation of corruption risks.

VivaCell-MTS has developed an e-training on Compliance and the Code of Ethics, which is mandatory for all employees. The course is followed by a test to assess employee's knowledge. Regular reminders of the need for anti-corruption compliance are communicated through quarterly videos or text messages from the Company's management.

To stimulate the employees' interest in anti-corruption compliance, the Company always strives to make it in the forms of cheerful, memorable, and interesting events. VivaCell-MTS conducts annual quizzes and contests on anti-corruption compliance with the aim of promoting employee participation and raising their awareness. An example of such competition is the thematic poster design contest, in which the authors of the best works are awarded.

Raising awareness on anti-corruption compliance is not limited to the scope of company staff. The partners are equally engaged in awareness-raising activities, highlighting the importance, principles, and core concepts of anti-corruption. The main provisions of the company compliance system are included in the contracts entered into with the contractors and partners.

The proper implementation of the anti-corruption compliance program is monitored on a daily basis by the internal control and compliance team. As a result of these actions, no instances of corruption with the participation of the Company's employees have been recorded.

One of the key issues in implementing VivaCell-MTS anti-corruption compliance program is that sometimes contractors avoid signing anti-corruption compliance provisions.

To improve Armenia's business environment and make it attractive to foreign investors and partners, the Company is willing to participate in anti-corruption business activities, as well as public awareness campaigns on anti-corruption compliance, exemplified by a round table discussion dedicated to the application of innovative anti-corruption approaches by businesses, organized with the joint efforts of VivaCell-MTS and the Ministry of Justice.

***Performance Evaluation Checklist of Anti-corruption Compliance Program***

#	RISK ASSESSMENT	YES	NO	IN PROGRESS
1	The company is aware of the negative consequences of corruption (legal, commercial, operational, reputational and other risks).			
2	The company assesses its corruption risks, such as licensing, participation in procurement processes, cooperation with third parties, etc.			
3	The company does have a risk management strategy, policies and procedures.			
4	The company has a function/person responsible for risk management.			
5	The company has defined and documented the responsibilities of the function/person responsible for risk management.			
6	The company documents and stores the outcomes of the overall risk assessment.			
#	ANTI-CORRUPTION COMPLIANCE COMMITMENT	YES	NO	IN PROGRESS
7	The Board or the relevant governing body are committed to “zero-tolerance” of corruption			
8	The company complies with all applicable laws and regulations.			
9	The company has an accounting policy.			
10	Accounting maintained by the company ensures the reliability of information about it.			
11	The company has subdivision regulations, business process management procedures and oversight procedures of their implementation, with the aim of ensuring compliance of subdivision activities with anti-corruption commitments.			
12	The company has procedures in place to verify the compliance and accuracy of financial transactions.			
#	ANTI-CORRUPTION COMPLIANCE POLICIES	YES	NO	IN PROGRESS

13	The company has documented corporate code of conduct and provides access to it for employees and other stakeholders.			
14	The company has policies and guidelines for possible manifestations of corruption (e.g., conflict of interest, donation, hospitality, charity, support to government agencies, delegation of functions to third parties).			
15	The policies and procedures of the anti-corruption compliance program are formulated in a clear and easy-to-understand language.			
16	Anti-corruption policies are formally approved by the company's board or adequate governing body.			
17	Anti-corruption policies are regularly reviewed and changed if necessary.			
18	The development and revision of anti-corruption policies and procedures are based on a participatory approach, ensuring the involvement of the company's employees and external stakeholders.			
19	Compliance with the anti-corruption compliance program is mandatory for persons of all levels of the company.			
#	<b>OVERSIGHT OF THE ANTI-CORRUPTION COMPLIANCE PROGRAM</b>	<b>YES</b>	<b>NO</b>	<b>IN PROGRESS</b>
20	The Board of Directors or adequate governing body has the ultimate responsibility for the oversight of the anti-corruption compliance program.			
21	The executive body has appointed the person in charge of the anti-corruption compliance program/has formed a relevant department.			
22	The Board of Directors or equivalent body receives regular status reports on the execution of the anti-corruption compliance program and evaluates senior management's performance regarding implementation and continuous improvement of the anti-corruption compliance program.			
#	<b>SPECIAL TYPES OF EXPENDITURES (I.E. GIFTS, HOSPITALITY, TRAVEL, ENTERTAINMENT EXPENSES, POLITICAL CONTRIBUTIONS, CHARITABLE CONTRIBUTIONS AND SPONSORSHIPS)</b>	<b>YES</b>	<b>NO</b>	<b>IN PROGRESS</b>
23	Special procedures to mitigate the risks associated with special types of expenditures are adopted (e.g. approval procedures, definition of responsibilities, transparency and documentation requirements).			
24	The company organizes education and trainings for its employees and partners to prevent such special types of expenditures.			



#	APPLICATION OF THE ANTI-CORRUPTION COMPLIANCE PROGRAM TO BUSINESS PARTNERS	YES	NO	IN PROGRESS
25	All business partners are aware of the company's anti-corruption compliance policies and procedures.			
26	Subsidiaries of the company are required to implement their own anti-corruption compliance program.			
27	When a new business partner is selected the company ensures its proper legal assessment.			
28	The company patently informs the partner about the application of the anti-corruption compliance commitment to the latter.			
#	SYSTEM OF INTERNAL CONTROL	YES	NO	IN PROGRESS
29	The objectives of the system of internal control are communicated to employees and business partners.			
30	The effectiveness of the system of internal control is assessed by the Board of Directors or an adequate body.			
#	COMMUNICATION AND TRAININGS	YES	NO	IN PROGRESS
31	The company uses various methods of communication on anti-corruption compliance, such as website, e-mails, newsletters, annual reports.			
32	The company regularly organizes trainings for current and new employees, covering issues such as the company's code of conduct, the manifestations of corruption and their disadvantages, alerts, etc.			
33	Communication and trainings are aligned to the outcomes of the risk assessment (e.g. regular review of content).			
34	Tailored communication and trainings address the challenges and needs of employees and business partners engaged in high-risk processes, industries or locations.			
35	Communication and trainings are documented, monitored and assessed.			
36	Major events of the company are used to emphasize the importance of the anti-corruption compliance program.			
#	PROMOTING ETHICS AND COMPLIANCE	YES	NO	IN PROGRESS

37	The incentive scheme for ethics and compliance includes financial and non-financial rewards.			
38	The incentive scheme is integrated into existing human resources policies and performance evaluation processes.			
39	Incentives are offered to both individuals and internal or external teams/departments.			
40	The company imposes sanctions if employees do not meet anti-corruption standards.			
#	<b>DETECTING AND REPORTING VIOLATIONS</b>	<b>YES</b>	<b>NO</b>	<b>IN PROGRESS</b>
41	The company provides a secure and easily accessible help hotline or a dedicated person/department to support employees and business partners in the practical interpretation of the company's policies and procedures, eliminating any pressure on the person reporting.			
42	The reporting of violations is addressed in trainings.			
#	<b>ADDRESSING VIOLATIONS</b>	<b>YES</b>	<b>NO</b>	<b>IN PROGRESS</b>
43	Violations are being investigated in the company.			
44	The company has violation investigation procedures.			
45	The company expresses its cooperation with authorities after allegations against the company or one of its representatives have been made (e.g. through enhancement of its anti-corruption compliance program).			
#	<b>PERIODIC REVIEWS AND ASSESSMENT OF THE ANTI-CORRUPTION COMPLIANCE PROGRAM</b>	<b>YES</b>	<b>NO</b>	<b>IN PROGRESS</b>
46	Reviews of the anti-corruption compliance program take into consideration both developments in the business environment and the company's internal experience.			
47	Reviews are conducted based on a variety of sources of information, such as input from internal and external audits, internal controls, monitoring, feedback and reporting.			
48	The Board of Directors or other adequate body evaluates and approves suggestions by the executive body to modify the anti-corruption compliance program and ensures that reviews and evaluations are carried out on a regular basis.			

<p><b><u>Հռչակագիր Հայաստանում գործարար էթիկայի և համապատասխանության նախաձեռնության մասին</u></b></p>	<p><b><u>Declaration of Intent for Business Ethics and Compliance Initiative in Armenia</u></b></p>
<p>Մենք՝ որպես Հայաստանի մասնավոր հատվածի անդամ, գիտակցում ենք, որ կոռուպցիան նշանակալի խոչընդոտ է ազատ շուկայի, ինչպես նաև մեր ձեռնարկությունների շարունակական հաջողության համար: Մենք նաև հասկանում ենք, որ թափանցիկությունը, էթիկան, ազնվությունը և հաշվետվականությունը կոռուպցիայի դեմ պայքարի և շուկայում բոլորի մասնակցության համար արդար հնարավորությունների ապահովման միջոցներ են: Ի պաշտպանություն վերոնշյալի՝ մենք հայտարարում ենք մեր մտադրությունը.</p> <ol style="list-style-type: none"> <li>1) զբաղվել պատասխանատու գործարարությամբ և ապահովել մեր համապատասխանությունը հակակոռուպցիոն միջազգայնորեն ճանաչված ստանդարտներին և Հայաստանի օրենքներին,</li> <li>2) արգելել աշխատակիցներին մասնավոր և պետական պաշտոնյաների ու կազմակերպությունների հետ ծավալելու կոռումպացված, կեղծ և ոչ բարոյական գործունեություն,</li> <li>3) գործել թափանցիկ, այդ թվում՝ բացահայտել տեղեկատվություն ընկերության իրական սեփականատերերի վերաբերյալ,</li> <li>4) ազնվորեն և հարգանքով վերաբերվել մեր աշխատակիցներին, հաճախորդներին, գործընկերներին և մատակարարներին,</li> <li>5) էթիկայի, համապատասխանության և գերազանցության միջոցով վաստակել համբավ,</li> <li>6) աջակցել շուկայական արդար պայմանների ձևավորմանը, բիզնես գործարքների թափանցիկության խթանմանը և Հայաստանում լավ կորպորատիվ կառավարման ապահովմանն միտված նախաձեռնություններին,</li> <li>7) մշակել վերը նշված սկզբունքները ընկերության հետ գործակցող բոլոր կողմերի՝ հաճախորդների, գործընկերների և մատակարարների շրջանում տարածելու եղանակներ:</li> </ol>	<p>We, as members of the Armenian private sector, recognize that corruption is a major handicap to the country's marketplace, as well as the continued success of our enterprises. We further recognize that transparency, ethics, honesty, and accountability are the means to combating such corruption and ensuring fair opportunities for all to participate in the market. In supporting of the foregoing, we hereby declare our intent to:</p> <ol style="list-style-type: none"> <li>1) Conduct all company business responsibly and in compliance with internationally recognized anticorruption standards and the laws of Armenia.</li> <li>2) Prohibit all employees from engaging in corrupt, fraudulent, and unethical activities with private and public officials and organizations.</li> <li>3) Introduce a transparent disclosure policy for the company's operations, including transparency about those who are the true owners of the company.</li> <li>4) Treat our employees, customers, partners, and suppliers with honesty and respect.</li> <li>5) Earn a reputation for ethics, competence, and excellence.</li> <li>6) Support a nationwide initiative intended to create fair market conditions, promote transparency in business transactions, and ensure good corporate governance in Armenia.</li> <li>7) Develop practices to disseminate above principles to all parties within our company, as well as our customers, partners, and suppliers.</li> </ol>
<p>Ընկերություն .....</p> <p>Պաշտոն .....</p> <p>Ստորագրություն .....</p> <p>Ամսաթիվ .....</p>	<p>Company: .....</p> <p>Position: .....</p> <p>Signature: .....</p> <p>Date: .....</p>

## Useful resources

AccountAbility - [www.accountability.org.uk](http://www.accountability.org.uk)  
African Institute of Corporate Citizenship (AICC) - <http://www.aiccafrica.org>  
Business and Human Rights Resource Centre - <http://www.business-humanrights.org/Home>  
Business for Social Responsibility (BSR) - <http://www.bsr.org>  
Business in the Community (BiTC) - <http://www.bitc.org.uk>  
Business Social Compliance Initiative (BSCI) - <http://www.bsci-eu.org/content.php>  
Center for International Private Enterprise - [www.cipe.org](http://www.cipe.org)  
Coalition for Environmentally Responsible Economies (CERES) - <http://www.ceres.org>  
CSR Asia - [www.csr-asia.com](http://www.csr-asia.com)  
Ethical Trading Initiative (ETI) - <http://www.ethicaltrade.org>  
European Academy of Business in Society (EABIS) - <http://www.eabis.org>  
Global Reporting Initiative - <http://www.globalreporting.org>  
ISO 26000 – Social Responsibility - <http://www.iso.org/iso/home/standards/iso26000>  
NAVEX Global - [www.navexglobal.com](http://www.navexglobal.com)  
OECD Guidelines for Multinational Enterprises -  
[http://www.oecd.org/document/28/0,2340,en\\_2649\\_34889\\_2397532\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html)  
Social Accountability International - [www.sa-intl.org](http://www.sa-intl.org)  
Social Accountability International (SAI) - <http://www.sa-intl.org>  
Social Resources Institute (SRI) - <http://www.csrglobal.cn/index.jsp>  
SGS Group - <http://www.sgs.com/>  
The Conference Board - <http://www.conference-board.org>  
Transparency International - [www.transparency.org](http://www.transparency.org)  
The Principles for Responsible Investment (PRI) - [www.unpri.org](http://www.unpri.org)  
United Nations Global Compact - <http://www.unglobalcompact.org/>  
United Nations Guiding Principles on Human Rights and Business -  
[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)  
United Nations Office of the High Commissioner on Human Rights (OHCHR) -  
<http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=11164>  
World Business Council for Sustainable Development (WBCSD) - <http://www.wbcsd.org>  
World Council for Corporate Governance - <http://www.wcfcg.net>

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Global Compact for the 10th Principle. Corporate Sustainability with Integrity: Organizational Change to Collective Action. 2012. United Nations Global Compact.

Transparency International UK's Global Anti-Bribery Guidance. Best practice for companies operating internationally. <http://www.antibriberyguidance.org/>

Технический документ: Коррупционные риски и механизмы защиты прав предпринимателей в Российской Федерации. Георги Рупчев, Ив Муани и Алексей Кудряшов. ПРЕКОП-РФ Совместный проект Европейского Союза и Совета Европы. «Защита прав предпринимателей в Российской Федерации от коррупционных практик».

Методика организации коллективных акций: как бизнес, сплотившись, может возглавит борьбу с коррупцией. Джон Моррелл, Ким Эрик Беттчер, CIPE.

Программа антикоррупционных этических норм и обеспечения соблюдения антикоррупционных требований для деловых предприятий. Практическое руководство. Организация Объединенных Наций, ноябрь 2013 года.

Добропорядочность бизнеса в Восточной Европе и Центральной Азии. Антикоррупционная сеть ОЭСР в странах Восточной Европы и Центральной Азии. <http://www.oecd.org/>



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## **BUSINESS IN FIGHTING AGAINST CORRUPTION. NEW OPPORTUNITIES FOR DEVELOPMENT**

[www.cipe.org](http://www.cipe.org), [www.corpgov.am](http://www.corpgov.am)