



Institute of
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Anti-Bribery & Corruption (ABC) Standards and Frameworks

This Briefing provides an overview of standards and guidelines which have been drawn up to combat bribery and corruption in business, including their implementation requirements.

Bribery and corruption are major obstacles to socio-economic development and distort national and international economic relations. In recognition of this, nation states and international bodies have drawn up regulatory frameworks to help fight corrupt practices. Examples of international frameworks enforced through ratification by respective member states include the OECD Convention on Combating Bribery of Foreign Public Officials (1997) and the UN Convention against Corruption (2003). Whereas the former makes it a crime for companies and individuals to pay bribes to foreign public officials, the latter is much wider in scope, addressing bribery both at home and abroad and including private sector corruption.

The most recent legislation, the UK Bribery Act (2010), represents an important milestone. The Act came into force on 1st July 2011 and has extraterritorial jurisdiction unlike other anti-bribery and corruption (ABC) legislation— it applies to all UK nationals and organisations but also any organisation with operations of any kind in the UK, regardless of where in the world they are based or the bribing occurs. The US Foreign Corrupt Practices Act (FCPA) has international jurisdiction but it is limited - parties of any nationality can be prosecuted under the FCPA if they directly or through agents, cause bribery to occur *within United States territory*. Additionally, UK Bribery Act (2010) extends to business-to-business bribery whilst the FCPA addresses corrupt payments to foreign officials⁽¹⁾. The UK Bribery Act (2010) covers four offences for which individuals and/or corporate bodies can be prosecuted:

- Bribing another person
- Being bribed (i.e. accepting the bribe)
- Bribing a foreign official
- Negligent failure by commercial organisations to prevent bribery.

The latter offence is of particular note as subsequent to bribery being committed by employees or agents, organisations can be prosecuted for not having had “Adequate Procedures” in place to prevent the bribery occurring or likewise it can act as a defence against prosecution if Adequate Procedures are, and are demonstrated to be, in place.

Regulatory approaches alone are unlikely to be sufficient to tackle bribery and corruption. In order to be effective at a sector or individual company level they need to be complemented by private sector commitments⁽²⁾.

Businesses increasingly recognise the benefits of a ‘zero tolerance’ position on bribery and corruption. Among other things, it reduces uncertainty for employees when under pressure to pay or accept a bribe and helps to create a more stable business environment with positive reputational effects in the long term. The negative impact of bribery on corporate financial performance and reputation has been well documented⁽³⁾.

(1) M Volkov (2012) *FCPA Jurisdiction over Foreign Entities*. Available at: <http://www.jdsupra.com/legalnews/fcpa-jurisdiction-over-foreign-entities-90980/>

(2) C Stevulak and J Campbell, ‘Supply Side Corruption—Perspectives on a Trillion-Dollar Problem’, *Journal of Corporate Citizenship*, Spring 2008, 35-48

(3) E.g. the Walmart Mexican bribery scandal, see: ‘Walmart Stock Falls Nearly 5%’ *New York Times*, 23 April 2012. Available at: <http://www.nytimes.com/2012/04/24/business/wal-mart-stock-falls-nearly-5-after-report-of-quashed-bribery-inquiry.html?r=1>, & the Siemens bribery scandal, see: ‘Record US Fine Ends Siemens Bribery Scandal’, *The Guardian*, 16 December 2008. Available at: <http://www.guardian.co.uk/business/2008/dec/16/regulation-siemens-scandal-bribery>

Most businesses address the issue of bribery and corruption in their codes of ethics (or equivalent document) and set out expectations of employee behaviour in this area. An organisation's commitment to a zero tolerance position can be reinforced by reference to and/or participation in external initiatives and frameworks. These can serve as a checklist for businesses to ensure that their ABC policy is comprehensive and that good practice is followed in policy implementation and monitoring.

Box I lists the anti-bribery and corruption standards and guidelines explored in this Briefing. Sector

standards are not included. However, a number of industries have established anti-corruption frameworks that take into account the specifics of their respective industries. For example, in 2011, a group of leading energy and mining companies produced the *Principles for an Anti Corruption Programme under the UK Bribery Act 2010 for the Energy and Extractives Sector*⁽⁴⁾. The Principles represent a sharing of best practice and are intended to provide assistance to organisations operating in these areas on which key issues to consider as they seek to prevent bribery.

Box I: ABC Standards and frameworks covered in this Briefing

1. Dedicated anti-bribery & corruption standards

- BSI 10500 Specification for an Anti-Bribery Management System
- Business Principles for Countering Bribery
- GoodCorporation Framework on Bribery and Corruption
- ICC Rules on Combating Corruption
- ICGN Statement and Guidance on Anti-Corruption Principles
- PACI Principles for Countering Bribery
- Prague Declaration on Governance and Anti-Corruption

2. Standards incorporating a section on anti-bribery & corruption

- OECD Guidelines for Multinational Companies
- UN Global Compact

3. Other tools and frameworks

- Assurance Framework for Corporate Anti-Bribery Programmes (TI)
- Resisting Extortion and Solicitation in International Transactions (RESIST)
- The TRACE Standard – Doing Business with Intermediaries Internationally

4. Reporting guidelines

- G3.1 Guidelines

1. Dedicated anti-bribery & corruption standards

Specification for an Anti-Bribery Management System (ABMS) - [British Standards Institution \(BSI\) 10500](http://www.bsi.com/standards/BSI-10500)

The ABMS is a tool developed by the British Standards Institution in response to the UK Bribery Act (2010). It enables organisations to put the legal requirements of the Act into practice by implementing anti-bribery and corruption controls across their business. To conform to the Standard, organisations are required to:

- Adopt, communicate and provide training around an anti-bribery policy, which also gift, hospitality, donations and similar benefits, and facilitation payments.

- Conduct regular risk assessments.
- Implement a due diligence process for recruitment.
- Include anti-bribery terms in contracts.
- Implement financial, procurement and other commercial controls to minimise bribery risk for the organisation.
- Providing a speak up mechanism for reporting concerns around bribery.
- Ensure processes are in place to investigate cases of alleged bribery and for appropriate action to be taken following the results of the investigation.
- Keep accurate and detailed records of the organisation's approach to anti-bribery.
- Ensure the ABMS is monitored and reviewed on an ongoing basis.

(4) http://ibe.org.uk/userfiles/exten_anti-corruptionprinciples_2011.pdf

Business Principles for Countering Bribery - Transparency International (TI)

This tool assists enterprises to develop effective approaches to countering bribery in all of their activities. It was drawn up through, and incorporates, a multi-stakeholder approach. The Principles outline the following areas in which corrupt practices can occur:

- Bribes
- Political contributions
- Charitable contributions and sponsorships
- Facilitation payments
- Gifts, hospitality and expenses.

A range of programme implementation requirements are set out regarding:

- HR practices and policies
- Training
- Raising concerns and seeking guidance
- Communication
- Internal controls and audit
- Monitoring and review
- Application of the anti-corruption programme to third parties (subsidiaries and joint ventures, agents, contractors and suppliers).

A *Guidance Document* and *Six Step Implementation Process* contain more detailed information on the implementation of the Business Principles.

Framework on Bribery and Corruption - GoodCorporation

This Framework on Bribery and Corruption is based on a core set of practices for the avoidance of corrupt activities in any type of organisation. It sets out management practices that can be assessed to determine how well an organisation's safeguards work in reality in relation to six areas.

1. Top level commitment by the board of a zero tolerance policy, regular evaluation of ABC issues and policies at board/senior management level.
2. Communication and training on the ABC policy for all employees, the ABC policy is communicated to external stakeholders such as suppliers, customers and joint venture partners and these parties commit to support the policy, ABC guidance is provided at all levels across the organisation, from the top, down.

3. Regular risk assessments are conducted to review the organisation's exposure to bribery and corruption risk in different markets/sectors etc, and organisation monitors and reviews its ABC mechanisms and updates these appropriately.
4. Due diligence processes are in place for bribery and corruption and it considers the ethical practices of suppliers, agents, distributors, intermediaries etc.
5. Key business functions such as sales and marketing, procurement, human resources, finance, and government and regulatory affairs are involved.
6. Compliance function with remit to address bribery and corruption in the organisation, for example through the provision of an ABC reporting line, and monitoring through stakeholder surveys to help review and improve the ABC measures already in place.

Rules on Combating Corruption (2011 edition replaces Combating Extortion and Bribery: ICC Rules of Conduct and Recommendations) - International Chamber of Commerce (ICC)

The Rules provide a method of self regulation by business against the background of applicable national laws. They are designed to assist enterprises to comply with their legal obligations and with the numerous anti-corruption initiatives at international level.

There are three parts to the Rules; the first sets out the ICC Rules on Combating Corruption, the second identifies corporate policies which organisations should have in place to support compliance with the Rules, and the third part lists the elements of an efficient corporate compliance programme. To comply with the Rules requires organisations to consider policies and practice in the following areas:

- Prohibition of bribery and extortion
- Third parties (agents and other intermediaries)
- Business partners, joint ventures and outsourcing agreements
- Political and charitable contributions and sponsorships
- Gifts, hospitality and expenses
- Facilitation payments
- Conflicts of interest

- Human Resources
- Financial recording and auditing
- Board responsibilities.

The ICC also provides a *Fighting Corruption Handbook* which has more detailed information on the implementation of the Rules.

Statement and Guidance on Anti-Corruption Principles - [International Corporate Governance Network](#)

The ICGN Statement and Guidance identifies why corruption is a concern for investors and shareholders i.e. how corruption is ultimately detrimental to shareowner value. The Guidance has been established by the ICGN Anti Corruption Practices Working Group and identifies four areas of organisational practice on anti-corruption for investors to consider:

- Policy
- Procedures and enforcement
- Transparency
- Voluntary initiatives.

Principles for Countering Bribery - [World Economic Forum - Partnering Against Corruption Initiative](#)

The aim of the PACI Principles is to provide a framework for good business practices and risk management strategies for countering bribery. They are intended to assist enterprises to:

- Eliminate bribery
- Demonstrate their commitment to countering bribery
- Make a positive contribution to improving business standards of integrity, transparency and accountability wherever they operate.

The PACI Principles largely replicate the content and structure of the *TI Business Principles for Countering Bribery*. They add 'Advisers and Other Intermediaries'

2. Standards incorporating a section on bribery and corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery - [The UN Global Compact \(UNGC\)](#)

The UN Global Compact is a voluntary strategic policy initiative covering human rights, labour standards, the environment and anti-corruption. Organisations

and 'Subcontractors' to the list of third parties to which the Principles should be applied. Companies can become signatories to the initiative. By signing up, they commit themselves to a zero tolerance policy towards bribery and the development of a practical and effective implementation programme. PACI signatories are expected to follow a three stage implementation process:

- *STAGE 1 (mandatory)*: Developing and implementing an internal programme (or if programme already exists, benchmarking against PACI Principles).
- *STAGE 2 (invited)*: Self-monitoring & self-evaluation.
- *STAGE 3 (optional)*: External verification / Third party certification.

Signatory companies are encouraged to submit a report within 2 years of signature.

Prague Declaration on Governance and Anti-Corruption - [World Forum on Governance](#)

The Declaration embodies ten Principles, established at the first World Forum on Governance held in Prague in November 2011. The Declaration addresses bribery at a government, public sector and business level via its Ten Principles.

Principle 5 applies to corporations and states that companies should have zero tolerance ABC policies in place, which are supported at board level and applied to all parties the company does business with including suppliers, vendors and other agents. The company should regularly report progress on the implementation of the policies to relevant stakeholders including investors and public authorities, for assurance purposes. Corporations should also develop best practices regarding the disclosure of corporate payments to governments.

The World Forum on Governance will reconvene in November 2012 where the uptake of the Principles will be discussed.

(business and non-business) can become signatories to the Global Compact. Businesses are expected to advocate publicly the UNGC and its Ten Principles through a "Corporate Commitment" by the CEO, clearly supported at board level. Companies are required to embed the UNGC Principles into business

strategy and decision-making, engage in partnerships and advocacy activities to promote responsible business practices and to publish in their annual report (or equivalent) a description of the ways in which they are supporting the Global Compact and its Principles. The latter is referred to as a Communication of Progress (COP) report, and will be published on the UN Global Compact website.

The implementation guidelines on the Tenth Principle set out how companies are expected to create, implement, and report on their anti-corruption policy.

Guidelines for Multinational Enterprises - Article VI: Combating Bribery - [OECD](#)

The Guidelines are recommendations proposed by governments to multinational enterprises operating in or from their countries. Article VI in the Guidelines specifically focuses on the issue of combating bribery,

bribe solicitation and extortion. The most recent edition of the Guidelines was published in 2011 following an update. Recommendations include:

- Absolute prohibition of offering, paying or requesting bribes to public officials or the employees of business partners.
- Adoption of appropriate internal management control systems, including the development of an ethics and compliance programme, for preventing and detecting bribery.
- Prohibition of facilitation payments.
- Consideration of bribery risks when conducting due diligence in the recruitment process, including when dealing with agents and other third parties
- How to handle political contributions.
- Promoting employee awareness and compliance.
- Measures to enhance transparency of corporate anti-corruption activities.

3. Other tools and frameworks

Assurance Framework for Corporate Anti-Bribery Programmes - [Transparency International](#)

The Assurance Framework builds on the *TI Business Principles for Countering Bribery*. The Framework sets out measures for organisations to self-assess their anti-bribery and corruption programmes. The Framework sets out a number of 'control objectives' organisations should have in place, to reinforce their anti-bribery policy:

- The organisational environment – are ABC policies and procedures in place, and supported by board level oversight? Is there a culture of ethics and integrity?
- Risk assessment – ongoing and continuous assessments of the organisations bribery and corruption risks, on a business unit level and considering third parties, contractors etc.
- Control activities - developed based on the risk assessment procedure i.e. having an investigation procedure in place.
- Information and communication – training at all employee levels is provided, there is a mechanism in place for reporting bribery.
- Monitoring – ongoing evaluations of the organisation's anti-bribery programme, the results of which are communicated to relevant parties for corrective action to be taken.

Resisting Extortion and Solicitation in International Transactions (RESIST) - [UNGC](#), [World Economic Forum](#), [ICC & TI](#)

RESIST is a tool which provides practical guidance for organisations in implementing processes and systems to: a) reduce the probability of demands being made for bribery and b) how to react to demands for bribes. The tool sets out twenty two scenarios and includes good practice guidance for each.

For 'demand prevention' the RESIST tool recommends organisations to:

- Have policies on anti-corruption and specifically facilitation payments in place.
- Provide policies and guidance for company representatives who are exposed to bribery and corruption risks.
- Carry out due diligence and have controls in place for the management of agents and other third parties.
- Consider transparency in procurement processes, including supporting authorities.
- Engage in collective action against bribery and corruption i.e. partnerships and initiatives with other organisations.
- Ensure relevant and legal financial controls are in place.

For 'responses to bribery demand', it is suggested that organisations:

- Respond immediately
- Report internally
- Investigate
- Discuss the demand with appropriate persons
- If relevant i.e. allegations are substantiated, the incident should be reported externally as appropriate and the company should withdraw from the situation.

The TRACE Standard - Doing Business with Intermediaries Internationally - TRACE, Inc. (Transparent Agents and Contracting Entities)

The TRACE standard applies to:

- The selection of intermediaries
- The investigation of intermediaries
- The management of contractual partnerships with intermediaries.

The Standard is for business people, compliance officers, and those responsible for vetting their company's international business partners. It explains the significance of each step and, where appropriate, the risk involved in permitting intermediaries to side-step a requirement.

4. Reporting guidelines

Sustainability Reporting Guidelines (G3.1) - Global Reporting Initiative (GRI)

The GRI framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. Sections S02-S04 in the GRI Guidelines set out performance indicators relating to bribery and

corruption on which a company may report:

- SO2: Percentage and total number of business units analysed for risks related to corruption.
- SO3: Percentage of employees trained in organisation's anti-corruption policies and procedures.
- SO4: Actions taken in response to incidents of corruption.

The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.

Our vision is to lead the dissemination of knowledge and good practice in business ethics.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We help organisations to strengthen their ethics culture through effective and relevant ethics programmes.

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