

SUMMARY OF DISCUSSION

Seminar on Anti-corruption and Prevention of Bribery of Foreign Public Officials 5 July 2016, Moscow, Russia

The Organisation for Economic Co-operation and Development (OECD) launched a series of seminars on business integrity carried out in partnership with Deloitte CIS, thanks to the support of the Siemens Integrity Initiative¹. The seminars provide a forum for discussion and knowledge-sharing of OECD and international expertise on issues relative business integrity, with a special focus on the national settings and challenges in Russia.

The first session of the series was held on 5 July 2016 in Moscow with discussions focusing on international standards and best practices on fighting corruption and preventing foreign bribery through fostering business integrity. The discussions covered the functioning of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, prevention of foreign bribery through business integrity and corporate governance, investors' expectations relative to anti-corruption practices by firms as well as the current trends in anti-corruption work in Russia.

Presentations were given by foreign and Russian experts, and corporate representatives from the private sector, including Olga Savran, Manager of the Anti-Corruption Network for Eastern Europe and Central Asia at the OECD, Ludmila Grechanik, Forensic Partner in Deloitte CIS, Yulia Sofronova, Manager for the Canadian and Nordic Networks of the Principles for Responsible Investment (PRI) and Ludmila Ivashina, Country Division Compliance Officer at Siemens Russia. The opening remarks were delivered by Héctor Lehuedé, Senior Policy Analyst in the Corporate Affairs Division of the OECD and the seminar was moderated by Marianne Aalto, Junior Policy Analyst in the Corporate Affairs Division of the OECD.

Opening remarks

The session was opened by Héctor Lehuedé (OECD) who introduced the series of seminars and their objective to explore ways to address corporate misconduct from within companies and the practical measures companies can take to promote business integrity. Mr Lehuedé pointed out that reputation is one of the main reasons for corporations to implement good practices of business integrity, and highlighted that the board, management as well as the compliance units in companies should all be aligned in setting a tone from the top of high standards of integrity.

¹ Siemens Integrity Initiative: <http://www.siemens.com/about/sustainability/en/core-topics/collective-action/integrity-initiative/>

OECD Anti-Bribery Convention

Ms Savran presented the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*², which establishes legally binding standards to criminalize bribery of foreign public officials in international business transactions and measures that make this effective. It is the first and only international anti-corruption instrument focused on the ‘supply side’ of the bribery transaction. Countries’ implementation and enforcement of the Convention is monitored by the OECD Working Group on Bribery in International Business Transactions³ through a peer-review monitoring system, consisting of several phases: evaluation of the adequacy of a country’s legislation to implement the Convention (phase 1), assessment of the effectiveness of the country’s application of the legislation (phase 2), and the evaluation of enforcement of the Convention and recommendations (phase 3). Phase 4 of the monitoring process is currently under development.

Ms Savran also presented the results of the recent *OECD Foreign Bribery Report, An Analysis of the Crime of Bribery of Foreign Public Officials*⁴, which presents the results of over 400 cases of foreign bribery prosecuted by jurisdictions members of the Convention. The results reveal that the top management is involved in one out of three bribery cases. In a majority of the cases, companies which seek to secure large contracts were associated with corrupt transactions. The results also show that bribes are being paid to officials in economies at all stages of development and not only in developing economies. One in five bribes was paid in countries with “very high” human development according to the UN Human Development Index⁵. This could be due to these countries’ greater capacity to cooperate in foreign bribery investigations and their effective information-sharing practices.

Ms Savran referred to one of the chapters of the upcoming 2016 OECD Business and Finance Outlook, which analyses the punishment for bribery in many countries. That report shows that considering possible sanctions, in many jurisdictions with low sanctions for bribery crimes businesses may be willing to be involved in bribery despite the risk of being caught by authorities as the reward is higher than the penalty. According to the 2016 report, a strong sanctioning and enforcement system is in place in only a small number of countries. Ms Savran concluded by referring to the recent OECD report *Prevention of Corruption in the Public Sector in Eastern Europe and Central Asia*⁶, which outlines good practices in the private sector as well as the authorities in the countries in the region.

Russian Integrity Practices

In her presentation, Ms Grechanik focused on the managing of corruption risks in Russia and the main developments and challenges in the field. She briefly highlighted that the current activities of Deloitte CIS are significantly more diverse than 5-7 years ago, with services encompassing a various number of areas such as compliance implementation and testing, whistleblower hotline setup and maintenance, anti-bribery investigations, audit of third parties and other topics. The interest among Russian businesses towards compliance issues has, thus, remarkably increased during the last few years. Furthermore, clear progress in the business practices in Russia has taken place since 5-7 years,

² OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions: http://www.oecd.org/daf/anti-bribery/ConvCombatBribery_ENG.pdf

³ OECD Working Group on Bribery in International Business Transactions: <http://www.oecd.org/corruption/anti-bribery/anti-briberyconvention/oecdworkinggrouponbriberyininternationalbusinesstransactions.htm>

⁴ OECD 2014, *Foreign Bribery Report, An Analysis of the Crime of Bribery of Foreign Public Officials*, OECD Publishing, Paris: <http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm>

⁵ UN Human Development Index: <http://hdr.undp.org/en/content/human-development-index-hdi>

⁶ OECD 2015, *Prevention of Corruption in the Public Sector in Eastern Europe and Central Asia*, OECD Publishing, Paris: <http://www.oecd.org/corruption/acn/ACN-Prevention-Corruption-Report.pdf>

which is demonstrated, among other examples, by the existence of compliance policies, improved disclosure of information and awareness of compliance issues, enhanced local regulation, better audit practices as well as decreased number of high risk banks.

However, the Russian private sector is still facing challenges in managing corruption risks, such as the lack of risk based approach, insufficient compliance budgets, lack of experience and knowledge within the audit teams, lack of independence of compliance and audit managers, insufficient disclosure of information beyond management level, and inadequate independence assessment of compliance and internal control systems. To overcome these challenges, Deloitte CIS has issued recommendations, including setting a “tone from the top” of intolerance towards corrupt behavior, screening of senior management and sufficient background checks as part of the recruitment process, proper compliance policies, effective and independent reporting channels for cases involving conflict of interest and for communication by the internal audit and compliance units, regular compliance monitoring, independent audit and effective hotlines for reporting of misconduct.

In particular, the use of various channels of information to carry out recruitment related background checks was suggested by Ms Grechanik so as to obtain relevant and useful information about possible misconduct by an employee during previous assignments.

Investor's Principles for Responsible Investment

Ms Sofronova discussed ways for investors to promote business integrity in corporations and how to organise this type of engagement in practice. She opened her presentation by briefly presenting the Principles for Responsible Investment⁷, an UN-supported network of investors for engagement with corporations so as to promote the implementation of the six Principles. All signatory investors of the PRI are responsible for assessing the implementation of the Principles in their companies. Ms Sofronova explained that, in practice, engagement takes the form of dialogue between companies and investors so as to obtain adequate information from the companies as well as collaboration and knowledge-sharing between investors regarding companies’ practices relative to ESG issues (environmental, social and corporate governance related issues).

The PRI carried out an anti-corruption engagement programme in 2013-2015 with the objectives of identifying good practices for companies to integrate transparency considerations into their operations and to improve disclosure of information so as to mitigate corruption risks. The programme was supported by Transparency International which provided a methodology and indicators as well as a points system to facilitate the assessment process. The results of the programme show that majority of the companies improved their rating towards the end of the programme⁸. The key area of improvement involved disclosure of information regarding compliance with anti-corruption legislation.

The programme helped to identify some good practices such as in-depth dialogue between the investors and the companies in order to support the investors’ understanding of the company’s culture, main risks and ways to mitigate them. Furthermore, the importance of taking cultural differences into consideration when engaging with companies was also highlighted during the programme. For example, the approach towards disclosure of information may vary according to the cultural context.

Siemens business integrity system

Ms Ivashina presented the work of Siemens on compliance and brought out practical examples of compliance related issues in the company. She emphasised that risk management is one of the most

⁷ Principles for Responsible Investment: <https://www.unpri.org/>

⁸ Principles for Responsible Investment 2016, Engaging on Anti-bribery and Corruption. A Guide for Investors and Companies: https://www.unpri.org/download_report/18553

important aspects in the field of compliance in Siemens. To prevent corporate misconduct, clear and comprehensive compliance mechanisms have been established in the company and the employees are provided with regular compliance training.

Ms Ivashina highlighted the importance of designing the training so as to reach actual results rather than the activity being regarded as merely a tick-the-box exercise. The compliance training in Siemens is a three-step programme with concrete examples of practical challenges during the last phase, in which the managers take part together with compliance specialists so as to provide team and company specific knowledge to the employees taking part in the training. Consequently, concrete and practical examples can help the employees to take compliance issues into consideration in their everyday work.

Furthermore, Ms Ivashina briefly outlined the due diligence related work in Siemens and reminded that significant amount of resources is often allocated for this work. However, the depth and length of the verification process of partner companies' operations depends on the level or risk involved in the collaboration. Ms Ivashina concluded by stating that compliance does not only help to manage the risk of misconduct. An effective compliance system can also significantly increase a company's competitiveness.

Speakers Bios

Olga Savran is the Manager of the Anti-Corruption Network for Eastern Europe and Central Asia at the OECD. Among her other responsibilities, she leads the Istanbul Anti-Corruption Action Plan, which is a programme of studies on prevention of corruption in public administration and in the private sector. She also contributes to other global relations programmes of the OECD Working Group on Bribery. She started her career with the OECD in 1996, and has been involved in public governance reforms in the OECD member states as well as in non-member economies. She has also carried out extensive work on anti-corruption in EU-candidate countries as well as in the MENA region.

Ludmila Grechanik is a Forensic Partner and Consumer Products Leader in Deloitte. Ludmila joined the Deloitte Forensic Department in May 2012 after accumulating extensive experience in other Big Four companies. Ludmila is a Certified Public Accountant, a Certified Fraud Examiner, holds a Russian Audit license and a Certificate in Business Valuation. She is specialised in fraud investigations, compliance, disputes and forensic due diligence among other topics.

Yulia Sofronova joined the PRI in 2010. She is responsible for the Canadian and Nordic Networks. Before joining the PRI she worked at Pensions Investment Research Consultants (PIRC) in a proxy voting team conducting analysis of companies' corporate governance practices as well as consideration of social and environmental issues into their business strategies in the Nordic countries, US and Russia. Yulia worked for Deloitte CIS in Russia between 2005-2008 before pursuing her postgraduate studies in London. Yulia graduated from the Kingston University Business School with MA in Corporate Communications in 2009 and holds a specialist diploma in foreign languages.

Ludmila Ivashina is the Country Division Compliance Officer in Siemens with a special responsibility for the departments of Digital Factory and Process Industries, and Drives Divisions in Russia. Previously she acted as the Zone Compliance Officer of Siemens Industry Software and prior to this she was a Senior Consultant in Fraud Investigation & Dispute services of Ernst & Young, Finance Security Manager in IKEA as well as Head of Accounting in multiple law firms. Ludmila has over 10 years of experience in the areas of compliance, audit and investigations. She received her degree in Economic Security and Risk Analysis from Finance Academy under the Government of Russian Federation.