



THE INSTITUTE OF INTERNAL AUDITORS

**INTERNATIONAL
CONFERENCE**

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DUBAI 2018



Building Ethical Culture in Organizations

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Bangladesh



- Population **163** million
- Area of land **147,570** sq km
- GDP growth **7.28%**
- Per Capita **1610** USD
- Literacy rate **61.5%**



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37 years experience in corporate governance, internal audit and compliance in MNC.

Chief Compliance Officer in a large telecommunications company in Bangladesh.

Secretary General & Board Member in IIA Bangladesh

Agenda

- 1 What is Compliance/Ethics
- 2 Why Compliance is required? (Consequences of unethical practice)
- 3 How to build Ethical Culture (Compliance Framework)

Relationship between Ethics & Compliance

“A good compliance program requires a corporate culture that values integrity and ethical behavior”

- *Philippe Montigny, President, ETHIC Intelligence Certification Committee*

The terms “ethics” and “compliance” are often used synonymously; as a result, drawing a distinction between the two concepts may seem unimportant.

What is Compliance

COMPLIANCE IS ...
DOING THE RIGHT THING

AND BEING ABLE TO
DEMONSTRATE THIS



How to Do the Right Thing?

TO DO THE RIGHT THING

When taking decision ask your self:

- ✓ Is it legal?
- ✓ Is it ethical?
- ✓ Does it comply with the Code?
- ✓ What would others think about this action — my colleagues, community or family?
- ✓ Would I want to read about it in a newspaper?



DOES IT FEEL RIGHT

Consequences of unethical practice



- **VW ordered by Court to pay \$4.3bn penalty.**
 - Six former Volkswagen executives are being charged over their alleged roles.



- **GlaxoSmithKline Found Guilty of Bribery in China**
 - U.K. Drug Maker Handed Largest Ever Corporate Fine close to \$500 million in China



- **VimpelCom fined \$795m in corruption case**
 - Russian mobile group admits to bribery to gain entry into Uzbekistan

Consequences of unethical business practice

- The irreparable damage it can do to reputation and internal morale
- Financial cost to business if unethical business practice is tolerated
- The enormous social cost of environmental damage, child labor and corruption to the poorest countries in the world

Bernard Madoff	150 years in jail
<i>WorldCom CEO</i>	25 years in jail
<i>Tyco CEO</i>	8-25 years in jail

Companies

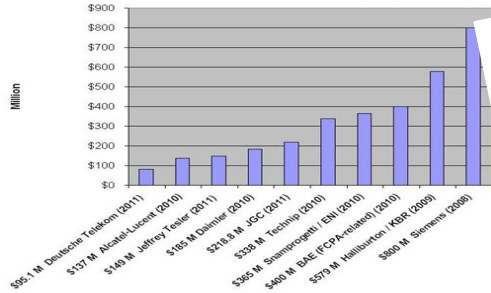
- Enron
- WorldCom
- Parmalat
- Intel
- America Movil
- Siemens
- GSK

Impact

- Bankruptcy
- Bankruptcy
- Bankruptcy
- US\$1Bn fine
- US\$1Bn fine
- €1Bn fines
- €1Bn in costs
- €300 mln fine

Consequences of unethical business practice

MILLER CHEVALIER
**Largest FCPA Settlements
 (Combined Penalties/Disgorgement)**



Siemens Hit With \$1.6 Billion Fine In Bribery Case

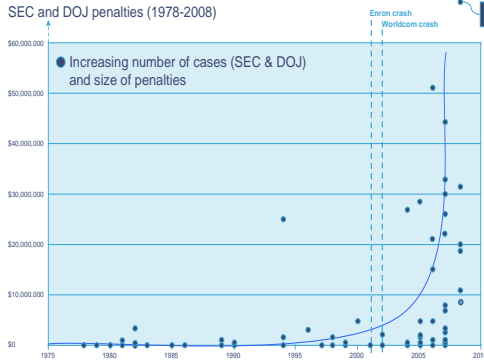
VimpelCom to Pay \$795 Million in Global Settlement for FCPA Violations

Daimler pay \$185 million in fines and civil penalties

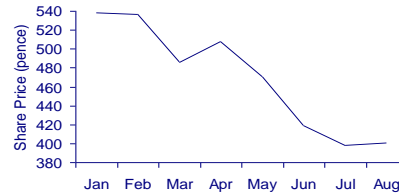
Telenor offices in Norway raided in competition probe

How the massive Siemens bribery scandal made US style internal investigations the new model for Europe

TeliaSonera loses chief in wake of corruption allegations



Effect on British Airways share price of anti-competitive behaviour allegations
BA Share Price



KBR, Halliburton Agree to \$579 Million Fine for Nigeria Bribes

Compliance Framework

Key Expectation for Effective Compliance Program

Hallmarks of an Effective Compliance Program

The U.S. Department of Justice ("DOJ") and the U.S. Securities and Exchange Commission ("SEC") have outlined key expectations for effective compliance programs according to the following hallmarks ("Hallmarks of an Effective Compliance Program").



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1. High Level Commitment
2. Policies & Procedures
3. Proper Oversight & Independence
4. Periodic Risk Based Review
5. Training & Guidance
6. Third Party Relationship
7. Internal Reporting & Investigation
8. Enforcement and Discipline
9. Merger & Acquisition
10. Monitoring & Testing

High Level Commitment

How have senior leaders, through their words and actions, encouraged or discouraged the type of misconduct in question?

What concrete actions have they taken to demonstrate leadership in the company's compliance and remediation efforts?

How does the company monitor its senior leadership's behavior?

How has senior leadership modelled proper behavior to subordinates?

What specific actions have senior leaders and other stakeholders (e.g., business and operational managers, Finance, Procurement, Legal, Human Resources) taken to demonstrate their commitment to compliance, including their remediation efforts?

An organization can never be ethical unless its leaders poses ethical behavior and set the standards

Policies and Procedures

Code of Conduct

- Every organization must have a code of conduct/Ethics.
- The code applies to all employees, and to those who do work on the organization's behalf.
- The code is an important vehicle for communicating executive management's clear commitment to organizational culture and ethics, integrity and compliance.



Policies and Procedures

Policies & Procedures that must have

Anti-Bribery & Corruption Policy

- 3P screening procedure
 - Gift & Hospitality Procedure
 - Donation/sponsorship procedure
 - Government Interaction procedure
 - Investigation procedure
-
- COI Policy
 - CR Policy
 - Finance Policy
 - Procurement Policy
 - HR Policy



Policies and Procedures

Gifts and Hospitality

- Must be directly connected to a legitimate business purpose.
- The offering or acceptance thereof is strictly limited in **value** and **frequency**.
- Particular care is required in relation to any dealings with public officials, governments, government agencies as this is often highly regulated by complex laws.

Conflict of Interest

- ***A conflict of interest may arise when your loyalty is divided between your work and your own personal interests.***
- In general, **we should avoid situations where our personal interests conflict, or may appear to conflict, with those of our organization.**
- Employees and officers should disclose such situations to their **line manager and compliance officer.**
- Most of the Col risk mitigated upon proactive declaration by employee.

Internal Reporting & Investigation

- ✓ Comfort Speaking Up –
 - ✓ Whistle blower Hotline - Offering employees a safe way to report problems and issues is critical for a strong organizational culture.
 - email
 - Dedicated Hotline (provided by Independent Third Party)
 - Web-portal (provided by Independent Third Party)
 - ✓ Non-retaliation Policy - Fear of retaliation is one of the most common reasons that staff refuse to speak up about poor care or other misconduct.

- ✓ All Investigation must be governed by Investigation Procedure

Training & Guidance

- Risk based approach
- Company should perform a thorough analysis of the risk exposure attached to individual roles, functions and positions
- Training curricula should include a risk-based refresher concept, which ensures continuous awareness and knowledge about compliance
- Regular communication of compliance Policies/Procedures and messages as reminder:
 - email
 - Pop-up banner/Posters
 - Desktop Backdrop
 - Screensaver

Third Party Relationship

How many of corruption cases involved Third Party:

❖ 64 %;

❖ 75 %

❖ 96 %

❖ 100 %

- ✓ Companies must engage in risk based due diligence for its business partners before on-boarding.
- ✓ Introduction of Business Partner (BP) Code of Conduct
- ✓ Mandatory ABC Clause in agreement with BP
- ✓ Provide training & guidance to High risk BPs

Proper Oversight & Independence

- Company should make the Compliance function autonomous from other key control functions like the Legal function.
- provide it with its own, independent budget and clearly define, implement and communicate its role within the organization.
- Skilled and adequate number of resources based on organization's size.

Risk Assessment, Audit, Monitoring & Testing

- Implement annual audits of compliance program processes to ensure effectiveness and identify areas for improvement.
- Periodically perform integrated Compliance Risk Assessment by independent person/entity, design and implement effective Risk mitigation action plan within the deadline.
- Identify - detail analysis - Risk mitigation recommendation/action plan - Implementation – Reporting – follow-up implementation.
- Continuous Monitoring and Testing – Compliance and Ethics Survey



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Thank You

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