

# WORLD BANK GROUP INTEGRITY COMPLIANCE GUIDELINES

This document seeks to provide practical guidance to entities debarred through the World Bank Group's (Bank Group) sanctions system, whose release from debarment is conditioned on implementing an ethics and compliance program acceptable to the Bank Group. The Guidelines outline the components of an Integrity Compliance Program (Program) whose objective is to prevent, detect, and remediate corruption, collusion, coercion, and fraud (Misconduct) within the party. An effective Program incorporates the entirety of a party's integrity compliance efforts and functions as an integral part of daily practice.

These Guidelines are a direct reflection of internationally recognized standards in corporate ethics and compliance. As such, the Bank Group will continuously update these Guidelines to reflect the evolving best practice in this field. The current content of the Guidelines draws from the following standard-setting documents and Bank Group consultations with experts and relevant organizations:

- 2009 OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions (the "Anti-Bribery Recommendations"). Annex II "*Good Practice Guidance on Internal Controls, Ethics, and Compliance*"
- International Chamber of Commerce Commission on Anti-Corruption, Combating Extortion and Bribery: ICC Rules of Conduct and Recommendations
- Transparency International Business Guidelines for Countering Bribery (and Guidelines for SMEs)
- World Economic Forum Partnering Against Corruption Initiative (PACI) Guidelines for Countering Bribery
- US Sentencing Guidelines, Chapter 8
- The UK Draft Bribery Bill preliminary guidance, "Anti-corruption compliance guidance for assessing whether adequate procedures are in place to combat bribery and corruption" as provided by Lord Bach, Parliamentary Under-Secretary of State, in December 2009 [Guidance required under the Bill as adopted in April expected in June 2010]
- The Global Infrastructure Anti-Corruption Centre Template Anticorruption Integrity Compliance Program
- TRACE Model Anti-Bribery Integrity Compliance Program
- The Woolf Report on BAE Systems
- Corporate compliance programs implemented by corporations known for their best practices (collectively "Corporate Codes")
- Consultations with foregoing and other organizations and large, medium, and small enterprises across four continents

The Bank Group recognizes, through its Governance and Anticorruption (GAC) Strategy, that "engaging systematically with ... business, ... supporting the growth of... a competitive and responsible private sector... and facilitating the efforts of private firms to engage more actively in efforts to combat corruption..."<sup>1</sup> is necessary for effective and sustainable development and economic growth.<sup>2</sup> These Guidelines, along with the program designed to track party progress on its implementation, seek to advance this partnership.

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<sup>1</sup> See *Strengthening World Bank Group Engagement on Governance and Anticorruption*, (March 21, 2007), p. 22, para 35.

<sup>2</sup> The Bank Group also seeks to advance the UN Convention Against Corruption's call to "[p]romote the development of standards and procedures designed to safeguard the compliance of relevant private entities, including codes of conduct for the correct, honorable and proper performance of the activities of business and all relevant professions and the prevention of conflicts of interest, and for the promotion of the use of good commercial practices among businesses." UNCAC para. 12(2)(b).

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## TAILOR INTEGRITY COMPLIANCE PROGRAM TO REALITY

Every party should adopt measures that reflect all of the Guidelines set forth in this document.<sup>3</sup> However, the formality, specific actions, and resources committed to meet these Guidelines<sup>4</sup> should be developed on the basis of a risk assessment addressing the individual circumstances of the party.<sup>5</sup> Considerations include the party's size, its geographical location, industrial sector of operation,<sup>6</sup> countries in which it operates, and the scale and scope of its engagement with business partners and government officials.<sup>7</sup>

**Every party can take steps to eliminate fraud, corruption and other Misconduct.**

**SME's may adopt less formal measures, and individuals can lead on ethics and compliance within their affiliated organizations.**

For example, large companies should generally devote more formal operations and greater resources in meeting the Guidelines than should a small organization. Small organizations are expected to demonstrate the same degree of commitment to ethics and compliance as large companies. They may, in appropriate circumstances, rely on informal processes and use fewer resources to achieve this end. Examples include: (i) the governing authority's discharge of its responsibility for oversight of the compliance and ethics Program by directly managing the organization's compliance and ethics efforts; (ii) training employees through informal staff meetings, and monitoring through regular "walk-arounds" or continuous observation while managing the organization; (iii) using available personnel, rather than employing separate staff, to carry out the compliance and ethics Program; and (iv) modeling its own compliance and ethics Program on existing, well-regarded compliance and ethics Programs and best practices of other similar organizations.<sup>8</sup>

In general, individuals will not be required to adopt a formal Program, although they likely will be required to participate in training and other awareness and educational efforts designed to inculcate a new mind-set, one of zero tolerance for fraud, corruption and other Misconduct. Additionally, the commercial organizations and entities over which a debarred individual has direct or indirect control will be required to adopt and implement a Program in order for the debarred person to obtain his/her release

A debarred party's circumstances and risks should be regularly monitored, re-assessed, and adapted as necessary to ensure the continued effectiveness of the party's Integrity Compliance Program.<sup>9</sup>

<sup>3</sup> See 2009 US Sentencing Principles Manual §8B2.1 Application Notes, 2(A).

<sup>4</sup> See 2009 US Sentencing Principles Manual §8B2.1 Application Notes, 2(C) (i-iii).

<sup>5</sup> See OECD Good Practice Guidance, Annex 2 (A).

<sup>6</sup> See OECD Good Practice Guidance, (X).

<sup>7</sup> See TI SME Business Principles.

<sup>8</sup> See 2009 US Sentencing Principles Manual §8B2.1 Application Notes, 2(C) (i-iii).

<sup>9</sup> See OECD Good Practice Guidance, Annex 2 (A). This includes individuals, who also will be appropriately monitored throughout the debarment period.

## THE GUIDELINES

***The following Guidelines, incorporating standards, principles and components commonly recognized by many institutions and entities as good governance and anti-fraud and corruption practices, are not intended to be all-inclusive, exclusive or prescriptive. A party's adoption of these Guidelines, or variants hereof, should be determined based on that party's own circumstances. Adoption of these Guidelines alone will not ensure that a party debarred under the Bank Group's Sanctions Regime will be released from debarment. Further, these Guidelines are subject to change, including to reflect what the Bank Group considers to be evolving "best practices" in relation to preventing all types of Bank Group Sanctionable Practices (Misconduct).***

### 1. PROHIBITION OF MISCONDUCT

A clearly articulated and visible prohibition of Misconduct (fraud, corruption, collusion and coercive practices) at all times and in any form, whether direct or indirect, whether through agents and other intermediaries under its effective control, to be articulated in a code of conduct or similar document or communication.<sup>10</sup>

The Integrity Compliance Program should provide guidance on the meaning of the scope of this prohibition, with particular attention to areas of high risk to a party in its business sector. For example, the party should prohibit its employees from soliciting, arranging or accepting bribes intended for the employee's benefit or that of the employee's family, friends, associates or acquaintance.<sup>11</sup>

### 2. RESPONSIBILITY

Create and maintain a trust-based, inclusive organizational culture that encourages ethical conduct, a commitment to compliance with the law and a culture in which misconduct is not tolerated.<sup>12</sup>

#### 2.1. LEADERSHIP

Strong, explicit, visible, and active support and commitment from senior management and the Board of Directors or similar bodies, for the party's Integrity Compliance Program and its implementation, in letter and spirit.<sup>13</sup>

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<sup>10</sup> See OECD Working Group on Bribery in International Business Transactions, Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions (26 November 2009) (OECD Good Practice Guidance) Annex 2, A2; ICC Rules of Conduct and Recommendations, Article 1; TI Business Principles, para. 4.1.1; PACI Principles, para. 4.1.1.

<sup>11</sup> See TI Business Principles, paras. 4.1.2; PACI Principles, para. 4.1.3.

<sup>12</sup> See TI Business Principles, paras. 2 and 4.1.2; PACI Principles, para. 4.1.3.; 2009 US Sentencing Principles Manual §8B2.1. (a)(2).

The Board of Directors, or equivalent body, is responsible for overseeing the development and implementation of an effective Integrity Compliance Program. It should commit to an Integrity Compliance Program and provide leadership, resources and active support for management's development and implementation of the Integrity Compliance Program. It should be knowledgeable about the content and operation of the Integrity Compliance Program, and it should exercise reasonable oversight with respect to the Integrity Compliance Program's implementation and effectiveness. It should ensure that the Integrity Compliance Program is reviewed and evaluated periodically to determine its adequacy, and when shortcomings are identified, that appropriate corrective action is taken.<sup>14</sup>

The audit committee of the board or other body with similar responsibility should conduct regular and independent review of compliance with the Integrity Compliance Program and recommend corrective measures or policies as necessary.<sup>15</sup>

Compliance with the Integrity Compliance Program must be mandatory for directors, and appropriate sanctions must be applied for violations of the Integrity Compliance Program.<sup>16</sup>

The Chief Executive Officer, executive board, or other high-level personnel is responsible for seeing that the Integrity Compliance Program is carried out consistently with clear lines of authority.<sup>17</sup>

## 2.2. INDIVIDUAL RESPONSIBILITY

Compliance with the Integrity Compliance Program is mandatory and is the duty of individuals at all levels of the party. The Integrity Compliance Program should be designed and implemented on a party-wide basis, applicable in all material respects to controlled subsidiary entities. Entities should involve employees in the development and implementation of the Integrity Compliance Program.<sup>18</sup>

## 2.3. COMPLIANCE FUNCTION

Oversight and management of an Integrity Compliance Program, including the authority to report matters directly to high-level personnel, as appropriate, to the governing authority or internal audit committees of boards of directors, and independent monitoring bodies, is the duty of one or more senior corporate officers, with an

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<sup>13</sup> See OECD Good Practice Guidance Annex 2, A1; PACI Principles, para. 5.1.3; TI Business Principles, para. 5.1.3; Lord Bach's Letter, para. 3.

<sup>14</sup> See TI Business Principles, para 5.1.1; PACI Principles, para. 5.1.1.1, 5.1.1.2., and 5.8.2, Lord Bach's Letter, para. 2; 2009 US Sentencing Principles Manual §8B2.1. (b)(2)(A).

<sup>15</sup> See ICC Rules of Conduct, Article 9.

<sup>16</sup> See TI Business Principles, para. 5.1.4.

<sup>17</sup> See PACI Principles, para. 5.1.2; TI Business Principles, para.5.1.2, 2009 US Sentencing Principles Manual §8B2.1. (b)(2)(B).

<sup>18</sup> See OECD Good Practice Guidance, Annex 2 A3; PACI Principles, paras. 3.4., 5.2.1.1 and 5.3.1; TI Business Principles, para. 5.3.3..

adequate level of autonomy from management, sufficient resources, and with the authority effectively implement.<sup>19</sup>

### 3. PROGRAM INITIATION, RISK ASSESSMENT, AND REVIEWS

When establishing a suitable Program, carry out an initial (or updated) comprehensive risk assessment, relating to all types of Misconduct, of the party's business and operations taking into account its size, business sector, location(s) of operations and other circumstances particular to the party; and review and update this risk assessment periodically and whenever necessary to meet changed circumstances.<sup>20</sup>

Senior management should implement a systemic approach to monitoring the Integrity Compliance Program, periodically reviewing the Integrity Compliance Program's suitability, adequacy and effectiveness in preventing, detecting, investigating and responding to all types of Misconduct.<sup>21</sup>

It should take into account relevant developments in the field of compliance, and evolving international and industry standards. Standards could include the creation of monitoring bodies, independent of management, such as audit committees of boards of directors or of supervisory boards.<sup>22</sup>

A systemic approach should include feedback mechanisms open to receiving communications from relevant interested parties with respect to the Integrity Compliance Program and other internal processes supporting the Integrity Compliance Program's continuous improvement.<sup>23</sup>

When shortcomings are identified, the party should take reasonable steps respond with appropriate corrective action and to prevent further similar shortcomings, including making any necessary modifications to the Integrity Compliance Program.<sup>24</sup>

Senior management should periodically report the result of the Integrity Compliance Program review to the Board, Audit Committee, or equivalent body. The Board or equivalent body should consider disclosing that an external review has taken place, together with the related verification or assurance option.<sup>25</sup>

### 4. INTERNAL POLICIES

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<sup>19</sup> See OECD Good Practice Guidance, Annex 2, A4; PACI Principles, para. 5.1.2.1; Lord Bach's letter, para. 3; 2009 US Sentencing Principles Manual §8B2.1. (b)(2)(C).

<sup>20</sup> See 2009 US Sentencing Principles Manual §8B2.1 Application Notes, 2(A) and (C) (i-iii); OECD Good Practice Guidance, Annex 2 (A); TI SME Business Principles; GIACC para. 17.

<sup>21</sup> See PACI Principles, para. 5.8.1; TI Business Principles, para. 5.8.2; Lord Bach letter, para. 5.

<sup>22</sup> See OECD Good Practice Guidance, Annex 2 A12, and (X)(C) (iv).

<sup>23</sup> See PACI Principles, para. 5.6.3; TI Business Principles, para. 5.8.1 and 5.6.3.

<sup>24</sup> See 2009 US Sentencing Principles Manual §8B2.1. (b) (7); PACI Principles, para. 5.1.1.2.

<sup>25</sup> See TI Business Principles, para. 5.9.2; PACI Principles, para. 5.8.1.

Develop a practical and effective Integrity Compliance Program that clearly and in reasonable detail articulates values, policies, and procedures to be used to prevent, detect, investigate, and remediate all forms of Misconduct in all activities under an party's/person's effective control.<sup>26</sup>

The Integrity Compliance Program should be consistent with all laws relevant to Misconduct in all the jurisdictions in which the party operates. The party should ensure that it is informed of all matters material to the effective development and implementation of the Integrity Compliance Program, including emerging industry practices, through appropriate monitoring activities and communications with relevant interested parties.<sup>27</sup>

The party should develop the Integrity Compliance Program in consultation with employees, trade unions or other employee representative bodies.<sup>28</sup>

#### 4.1. DUE DILIGENCE OF EMPLOYEES

Vet all future employees, including management and Board members, before they are employed to determine if they have engaged in Misconduct or other conduct inconsistent with an effective Integrity Compliance Program.<sup>29</sup>

#### 4.2. RESTRICTING ARRANGEMENTS FOR FORMER PUBLIC OFFICIALS

Impose restrictions, as appropriate and for a reasonable period of time, on the employment of, or other remunerative arrangements with former public officials, and with entities and persons associated or related to them, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure or those functions over which they were or continue to be able to exercise material influence.<sup>30</sup>

#### 4.3. GIFTS, HOSPITALITY, ENTERTAINMENT, TRAVEL AND EXPENSES

Establish controls and procedures, including thresholds and reporting procedures, covering the offer or receipt of gifts, hospitality, entertainment, travel or expenses in order to ensure that such arrangements (a) are limited to reasonable and bona fide expenditures, and (b) do not improperly affect, or might be deemed to improperly affect, the outcome of a procurement or other business transaction, or otherwise result

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<sup>26</sup> See PACI Principles, Introduction and para. 3.1; TI Business Principles, para. 3.1.

<sup>27</sup> See PACI Principles, paras. 3.3 & 3.5; TI Business Principles, paras. 3.3 and 3.5.

<sup>28</sup> See TI Business Principles, para. 3.4.

<sup>29</sup> See Lord Bach, para. 6(a); 2009 US Sentencing Principles Manual §8B2.1. (b)(3).

<sup>30</sup> See UNCAC, para. 12(2)(d).

in an improper advantage, and are not reasonable and *bona fide* expenditures.<sup>31</sup>  
Maintain appropriate records.

#### 4.4. POLITICAL CONTRIBUTIONS

Only make contributions to political parties, party officials and candidates in accordance with applicable laws, and take appropriate steps to publicly disclose all political contributions unless secrecy or confidentiality is legally required. Companies should establish reasonable controls and procedures to ensure that improper political and charitable contributions are not made. The amount and timing of political contributions should be reviewed to ensure that they are not used as a subterfuge for Misconduct, particularly in contributions to organizations in which prominent political figures, or relatives, friends and business associates are involved.<sup>32</sup> Maintain appropriate records.

#### 4.5. CHARITABLE DONATIONS & SPONSORSHIPS

Take measures within the party's power to ensure that its charitable contributions are not used as a subterfuge for Misconduct. Unless secrecy or confidentiality is legally required, all charitable contributions and sponsorships should be publicly disclosed, and made in accordance with applicable law.<sup>33</sup>

The Integrity Compliance Program should include controls and procedures to ensure that improper charitable contributions and sponsorships are not made. Special care should be exercised in reviewing contributions to organizations in which prominent political figures, or their relatives, friends and business associates are involved.<sup>34</sup>

#### 4.6. FACILITATION PAYMENTS

Facilitation payments are small payments made to secure or expedite the performance of a routine action to which the party is entitled. Parties should not make facilitation payments. In the event that a debarred party determines that a facilitation payment has been made, in each instance the debarred party must report to the Bank Group's Integrity Compliance Officer (ICO) the circumstances surrounding each such payment, including whether it was legal in the country concerned, was limited to a small payment to a low-level official(s) for a routine action(s) to which the party is entitled and was appropriately accounted for. The party's Program must identify countries in which it operates where facilitation payments are illegal. The Program must emphasize that any facilitation payment must be of limited nature and scope (small payments to low-level

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<sup>31</sup> See ICC Rules of Conduct, Article 5; PACI Principles, para. 4.5.1 and 4.5.2; TI Business Principles, para. 4.5.1, OECD Good Practice Guidance, Annex 2 A5; Lord Bach, para. 7

<sup>32</sup> See ICC Rules of Conduct, Article 4, (a)(c), OECD Good Practice Guidance, Annex 2 A5, TI Business Principles, para. 4.2.2 and PACI Principles, para. 4.2.2.

<sup>33</sup> See ICC Rules of Conduct, Article 4, (b); PACI Principles, para. 4.3.1 and 4.3.2; TI Business Principles paras. 4.3.1 and 4.3.2; OECD Good Practice Guidance, Annex 2 A5.

<sup>34</sup> See ICC Rules of Conduct, Article 4, (c); PACI Principles, para. 4.3.3.



officials for routine actions to which the party is entitled) and must be appropriately accounted for, and the party must have appropriate controls and procedures in place to effect these requirements and limitations. Any exceptional need for the continued use of facilitation payments should be reviewed periodically with the objective of eliminating them as soon as possible.<sup>35</sup>

#### 4.7. RECORDKEEPING

Appropriate records must be maintained regarding all aspects covered by the Program, including when any payment is made for the matters or items listed in 4.3 through 4.6 above.

#### 4.8. FRAUDULENT, COLLUSIVE, AND COERCIVE PRACTICES

Particular safeguards, practices and procedures should be adopted to detect and prevent not only corruption, but also fraudulent, collusive and coercive practices.

### 5. POLICIES RE: BUSINESS PARTNERS

The party should use its best efforts to encourage all business partners, with which it has a significant investment, with which it has significant business relationships, or over which it has influence, to adopt an equivalent commitment to prevent, detect, investigate, and remediate Misconduct (and, in the case of business partners which are controlled affiliates, joint ventures, unincorporated associations or similar entities, to the extent possible obligate them to so adopt). Business partners include third parties such as agents, advisers and other intermediaries, consultants, representatives, distributors, contractors, subcontractors and suppliers, consortia, joint venture partners, and other third parties with whom it has business relationships or with whom it works to obtain orders, permits, or other legal service, such as sales representatives, customs agents, lawyers and consultants:<sup>36</sup>

#### 5.1. DUE DILIGENCE ON BUSINESS PARTNERS

Conduct properly documented, risk-based due diligence (including to identify any beneficial owners or other beneficiaries not on record) before entering into a relationship with a business partner, and on an on-going basis. Due diligence should include a determination of whether the business partner has effective Compliance policies and practices. The Integrity Compliance Program should provide guidance for conducting due diligence. Avoid dealing with contractors, suppliers and other business

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<sup>35</sup> See ICC Rules of Conduct, Article 6; TI Business Principles, para. 4.4.1; PACI Principles, para. 4.4.1; OECD Good Practice Guidance, Annex 2 A5.

<sup>36</sup> See ICC Rules of Conduct and Recommendations, Article 2; OECD Good Practice Guidance, Annex 2 A6; PACI Principles, para. 5.2; TI Business Principles, para. 5.2.1.

partners known or (except in extraordinary circumstances and where appropriate mitigants are put in place) reasonably suspected to be engaging in Misconduct.<sup>37</sup>

## 5.2. INFORM PARTNER OF INTEGRITY COMPLIANCE PROGRAM

Make the party's Integrity Compliance Program known to all business partners and make it clear that the party expects all activities carried out on its behalf to be compliant with its Integrity Compliance Program.<sup>38</sup>

## 5.3. RECIPROCAL COMMITMENT

Seek reciprocal commitment to compliance from the party's business partners. Business partners should agree explicitly not to engage in Misconduct. If business partners do not have an Integrity Compliance Program, the party should encourage them to adopt a robust and effective program by reference to the activities and circumstances of those partners.<sup>39</sup>

In particular, agents, advisers and other intermediaries should contractually agree in writing to comply with the party's Integrity Compliance Program, provide access to records, and cooperate in investigations and similar matters pertaining to the contract. The party should provide them with materials explaining their obligation.<sup>40</sup>

## 5.4. PROPER DOCUMENTATION

Document fully the relationship with party's business partners and require business partners to maintain a record of the names, terms of employment and payments to all agents who are retained by them in connection with transactions related to the party, in particular with public bodies, state or private entities.<sup>41</sup>

## 5.5. APPROPRIATE REMUNERATION

Ensure that any payment made to any business partner represents no more than an appropriate and justifiable remuneration for legitimate services or goods rendered by such business partner and that it is paid through *bona fide* channels.<sup>42</sup>

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<sup>37</sup> See OECD Good Practice Guidance, Annex 2 A6; TI Business Principles, para. 5.2.3.2. and 5.2.4.2; PACI Principles, paras. 5.2.2.1, 5.2.4.2, 5.2.3.2.1; TI Business Principles, para. 5.2.4.2; Lord Bach, para. 9.

<sup>38</sup> See TI Business Principles, para. 5.2.2.3; ICC Rules of Conduct and Recommendations, Article 2.

<sup>39</sup> See OECD Good Practice Guidance, Annex 2 A6; ICC Rules of Conduct and Recommendations, Article 2; TI Business Principles, para. 5.2.2.3.

<sup>40</sup> See PACI Principles, para. 5.2.3.2.3; ICC Rules of Conduct and Recommendations, Article 2.

<sup>41</sup> See ICC Rules of Conduct and Recommendations, Article 2; TI Business Principles, para. 5.2.3.7.

<sup>42</sup> See ICC Rules of Conduct and Recommendations, Article 2; PACI Principles, para. 5.2.3.2.5; TI Business Principles, para. 5.2.3.4.

## 5.6. MONITORING/OVERSIGHT

Monitor the execution of all Bank Group-financed and other contracts to which the party is a party in order to ensure, as far as is reasonable, that there is no Misconduct in their execution.<sup>43</sup>

## 6. INTERNAL CONTROLS

### 6.1. FINANCIAL

Establish and maintain an effective system of internal controls, comprising financial and organizational checks and balances over the party's financial, accounting and recordkeeping practices and other business processes related to the Integrity Compliance Program. The system of system of internal controls should be reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts, available for inspection by boards of directors, if applicable, or a corresponding body, as well as auditors to ensure that party finances cannot be used for the purpose of Misconduct.<sup>44</sup>

The party should properly and fairly document all financial transactions. It must prohibit the establishment and maintenance of off-the-books accounts, the making of off-the-books or inadequately identified transactions, the recording of non-existent expenditures, the entry of liabilities with incorrect identification of their object, as well as the use of false documents, for the purpose of corrupt or collusive acts or of hiding them.<sup>45</sup>

The party should subject the internal controls systems, in particular the accounting and recordkeeping practices, to regular, independent, internal and external audits to provide an objective assurance on their design, implementation, and effectiveness, to verify compliance with the Integrity Compliance Program, or to bring to light any transactions which contravene the Integrity Compliance Program. The auditor who discovers indications of a suspected Misconduct should report this discovery to management and, as appropriate, to corporate monitoring bodies.<sup>46</sup>

### 6.2. CONTRACTUAL OBLIGATIONS

Employment and business partner contracts should include express contractual obligations, remedies and/or penalties in relation to Misconduct (including, in the case

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<sup>43</sup> See TI Business Principles, para. 5.2.2.4; PACI Principles, para. 5.2.3.2.6.

<sup>44</sup> See OECD Good Practice Guidance, Annex 2 A7; ICC Rules of Conduct, Article 8 (a) & (b), PACI Principles, para. 5.7.2; TI Business Principles, para. 5.7.1.; Lord Bach para. 11.

<sup>45</sup> See OECD Good Practice Guidance, X(A)(i-iii); PACI Principles, para. 5.7.1; TI Business Principles, para. 5.7.2; ICC Rules of Conduct, Article 8 (a) & (b).

<sup>46</sup> See OECD Good Practice Guidance, X(B) (i-v); ICC Rules of Conduct, Article 8, (c); TI Business Principles, para. 5.7.3; PACI Principles, para. 5.7.4.

of business partners, a plan to exit from the arrangement, such as a contractual right of termination in the event that the business partner engages in Misconduct, is reasonably thought to have engaged in Misconduct, or if it behaved in a manner inconsistent with the Integrity Compliance Program.<sup>47</sup>

### 6.3. DECISION-MAKING PROCESS

Establish a decision-making process whereby the decision process and the seniority of the decision-maker is appropriate for the value of the transaction and the perceived risk of each type of Misconduct. All agreements with agents, advisers, and other intermediaries should require prior approval of senior management.<sup>48</sup>

## 7. TRAINING & COMMUNICATION

Take reasonable, practical steps to periodically communicate, in a practical manner its Integrity Compliance Program and to provide and document effective training in the Integrity Compliance Program, tailored to relevant needs, circumstances, roles and responsibilities to all levels of the party (especially those involved in “high risk” activities), including members of the governing authority, high-level personnel, substantial authority personnel, employees, and the organization’s subsidiaries and agents. Where appropriate, business partners (such as contractors and suppliers) should receive training on the Integrity Compliance Program. Training activities should be assessed periodically for effectiveness.<sup>49</sup>

Party management should make statements in their annual reports or otherwise publicly disclose their Integrity Compliance Program.<sup>50</sup>

## 8. INCENTIVES

Human resources practices including recruitment, promotion, training, performance evaluation, remuneration and recognition should reflect the party’s commitment to the Integrity Compliance Program.<sup>51</sup>

### 8.1. POSITIVE

Promote the Integrity Compliance Program throughout the organization by adopting appropriate incentives to encourage and provide positive support for the observance of

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<sup>47</sup>See Lord Bach, para. 6(b); GIACC, para. 4l; TI Business Principles, para. 5.2.4.4; PACI Principles, para. 5.2.3.2.6; ICC Rules of Conduct and Recommendations, Article 2.

<sup>48</sup>See PACI Principles, para. 5.2.3.2.2; TI Business Principles, para. 5.2.3.3; GIACC para. 8; Lord Bach, para. 10; The Woolf Committee Report on BAE Systems Ethical Business Conduct.

<sup>49</sup>See OECD Good Practice Guidance, Annex 2 A8, 2009, PACI Principles, para. 5.4.3; TI Business Principles, para. 5.4.2; US Sentencing Principles Manual §8B2.1. (b)(4)(A) & (B); Lord Bach, para. 8.

<sup>50</sup>See OECD Good Practice Guidance, (X)(C)(iii); TI Business Principles, para. 5.6.1; Lord Bach’s Letter, para. 4.

<sup>51</sup>See TI Business Principles, para. 5.3.1.

Integrity Compliance Integrity Compliance Program, at all levels of the party. The party should make clear that no employee will demotion, penalty or other adverse consequences for refusing to pay bribes even if it may result in the party losing business.<sup>52</sup>

## 8.2. DISCIPLINARY MEASURES

Take appropriate disciplinary procedures to address violations or failures to take reasonable steps to prevent, detect, or respond to violations of the party's Integrity Compliance Program at all levels of the party, including the officers and directors. Appropriate sanctions should include termination.<sup>53</sup>

## 9. REPORTING

### 9.1. DUTY TO REPORT

Communicate to all personnel that they have a duty to report promptly any concerns they may have concerning the Integrity Compliance Program, whether relating to their own actions or the acts of others. Provide alternative channels of communication for employees who may be reluctant to communicate directly with their supervisors.<sup>54</sup>

### 9.2. ADVICE

Adopt effective measures for providing guidance and advice to directors, officers, employees, and business partners on complying with the party's Integrity Compliance Integrity Compliance Program, including when they need urgent advice on difficult situations in foreign jurisdictions.<sup>55</sup>

### 9.3. WHISTLEBLOWING/HOTLINES

Provide and publicize a system of secure and accessible channels, which may allow for anonymity or confidentiality, for directors, officers, employees, and business partners, not willing to violate professional standards or ethics or breaches of the law under instructions or pressure from hierarchical superiors to report, raise concerns, and seek guidance regarding potential or actual misconduct, or suggest improvements to the Integrity Compliance Program, to responsible party officials as early as possible,

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<sup>52</sup> See OECD Good Practice Guidance, Annex 2, A9, PACI Principles, para. 5.3.1; TI Business Principles, para. 5.3.3., 2009 US Sentencing Principles Manual §8B2.1. (b) (6).

<sup>53</sup> See OECD Good Practice Guidance, Annex 2 A10; PACI Principles, para. 5.3.3; TI Business Principles, paras. 5.1.4 and 5.3.4; Lord Bach, para. 6; 2009 US Sentencing Principles Manual §8B2.1. (b)(6).

<sup>54</sup> See Corporate Codes; Complying with the FCPA, para. 7.03f [3].

<sup>55</sup> See OECD Good Practice Guidance, Annex 2, A11(i).

without fear of retaliation. The party should take appropriate action based on such reporting.<sup>56</sup>

#### 9.4. PERIODIC CERTIFICATION

All relevant personnel with decision-making authority or in a position to influence business results should periodically (at least annually) certify, in writing that they have reviewed the party's Code of Conduct, that they have complied with the Integrity Compliance Program, and that they have communicated to the designated corporate officer responsible for integrity compliance matters any information they may have relating to possible violation of the Integrity Compliance Program by other corporate personnel, or business partners, and will continue to do so.<sup>57</sup>

### 10. REMEDIATE MISCONDUCT

#### 10.1. INVESTIGATING PROCEDURES

Implement procedures for investigating and dealing with Misconduct and other violations of the party's Program, which is encountered, reported or discovered by the party.<sup>58</sup>

#### 10.2. RESPONSIVE ACTION

When Misconduct is identified, the party should take reasonable steps to respond with appropriate corrective action and to prevent further similar or other Misconduct and other violations of the Program.<sup>59</sup>

### 11. COLLECTIVE ACTION

Make a positive contribution to improving business standards of Compliance, transparency, and accountability whenever they operate and in their business community by engaging with business organizations, industry groups, professional associations, and civil society organization, where appropriate, to encourage and assist other companies in developing internal controls, ethics, Integrity Compliance Integrity Compliance Programs for the purpose of preventing and detecting Misconduct; disseminating information on Misconduct issues, including regarding relevant developments in international and regional forums, and access to relevant databases; making training, prevention, due diligence, and other compliance tools available;

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<sup>56</sup> See OECD Good Practice Guidance, Annex 2 A11(ii) & (iii); PACI Principles, para. 5.5.2; TI Business Principles, para. 5.5.1; 2009 US Sentencing Principles Manual §8B2.1. (b) (5) (C); Lord Bach para. 13.

<sup>57</sup> See Corporate Codes; Business Law Monographs, Complying with the Foreign Corrupt Practices Act, Roger M. Witten from Wilmer Cutler and Kimberly Parker from Wilmer Cutler, August 2005. Para 7.03 [4].

<sup>58</sup> See Lord Bach, para. 13; GIACC, para. 18.

<sup>59</sup> See 2009 US Sentencing Principles Manual §8B2.1. (b) (7), PACI Principles, para. 5.1.1.2.

providing general advice on carrying out due diligence; and engaging in other collective action initiatives.<sup>60</sup>

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<sup>60</sup> See OECD Guidance Note, X C(ii) and Annex II B; PACI Principles, Introduction; the Woolf Committee Report on BAE Systems Ethical Business Conduct.

