

#### 2018/SOM1/ACT/WKSP/010

Session 3

#### Why Is Corruption Prevention Important for Business?

Submitted by: ASEAN CSR Network



Best Fit Practices and Experience Sharing
Workshop on Corruption Prevention
Mechanisms in APEC Economies
Port Moresby, Papua New Guinea
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# Why Is Corruption Prevention Important for Business?

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ASEAN CSR Network











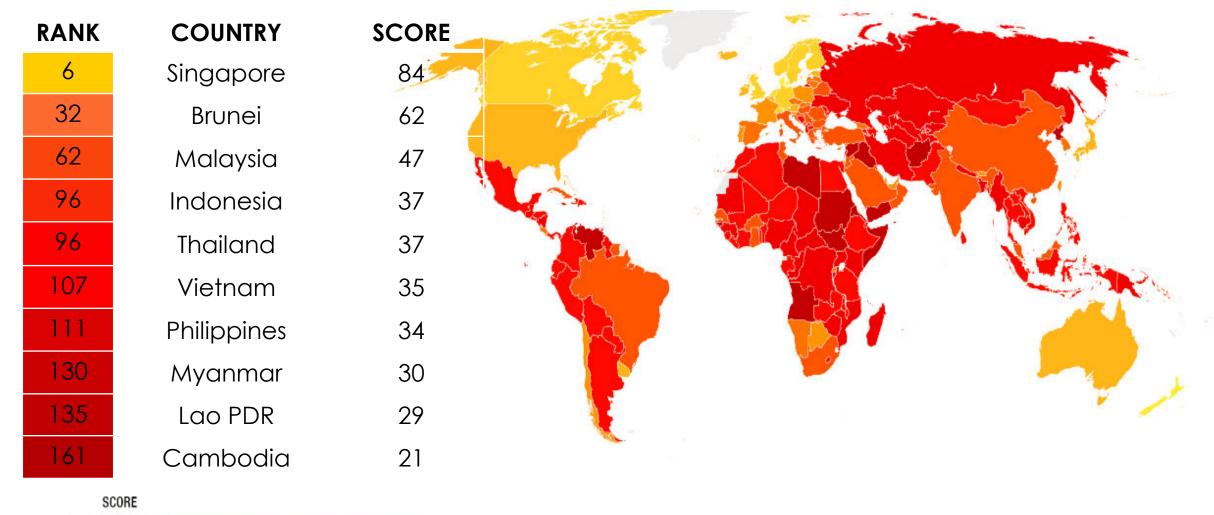




#### Cost of corruption equals:

- More than 5% of global GDP (or US\$ 2.6 trillion), with over US\$ 1 trillion paid in bribes each year
- 10% of the total cost of doing business in many parts of the world
- 25% of the total cost of procurement contracts in developing countries

## Regionally, corruption is the biggest challenge in ASEAN TI Corruption Perception Index 2017



20-29 30-39 40-49 50-59 60-69 70-79 80-89 90-100

Country	2017 Rank	2016 Rank	2017 Score	2016 Score
Singapore	6	7	84	84
Brunei	32	41	62	58
Malaysia	62	55	47	49
Indonesia	96	90	37	37
Thailand	96	101	37	35
Vietnam	107	113	35	33
Philippines	111	101	34	35
Myanmar	130	136	30	28
Lao PDR	135	123	29	30
Cambodia	161	156	21	21

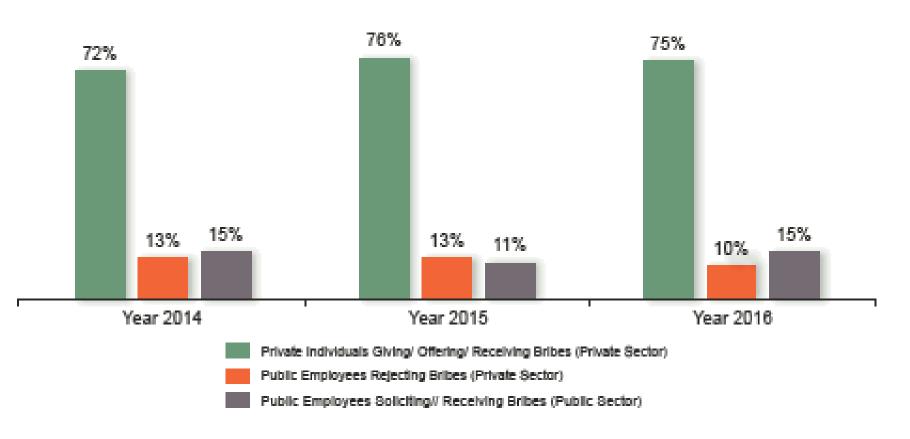




Singapore seems to be performing better on anti-corruption, but not an exception

85% of the cases investigated by CPIB involved the private sector

#### Breakdown of Cases Registered for Investigation by Private and Public Sector



2 JAN 2018





### The costly lesson of the Keppel case

PUBLISHED 5 HOURS AGO

**COTWITTER**EMAIL

Keppel Offshore & Marine (Keppel O&M) has been fined US\$422.2 smillion (S\$565 million) as part of a global resolution with the authorities in the United States, Brazil and Singapore. The resolution relates to US\$55 million in corrupt payments made by a former Keppel agent in Brazil. The fine is a substantial one, but it will not sink Keppel. However, the costly lesson of this crisis is that it could dent the reputation of Singapore's government-linked companies (GLCs), whose standards of financial probity are expected to match the State's own.

# Keppel O&M bribery case: The rise and stumble of Singapore's biggest rig builder

The prospect of new contracts led Keppel's offshore and marine unit into Brazil and subsequently, the murky waters of corruption.

Keppel Offshore & Marine damages Singapore's no corruption image

# Keppel's Q4 results throws up questions over its O&M provisions

## The Case of Keppel Offshore & Marine







TOTAL FINES:
US\$422m
(S\$567m)

- US\$55 million over 13 years
  - Approximately \$4.23 million per year
  - Revenue 6 to 7 billions per year
  - Profits \$\$784m in 2016\$\$217m in 2017
- Fines paid just a small price to pay?

#### **Business Case Against Corruption**





#### **Individually:**

- ✓ Reduce the costs of doing business
- ✓ Reduce legal and reputational risks
- ✓ Build trust and confidence
- ✓ Attract investments from ethically oriented investors
- ✓ Attract & retain highly principled employees, improving morale
- ✓ Obtain a competitive advantage of becoming the preferred choice of ethically concerned customers/ consumers

#### Collectively:

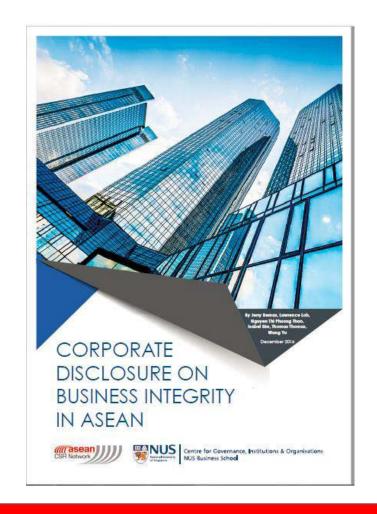
- ✓ Create a level playing field for all
- ✓ Improve public trust in business
- ✓ Influence future laws & regulations

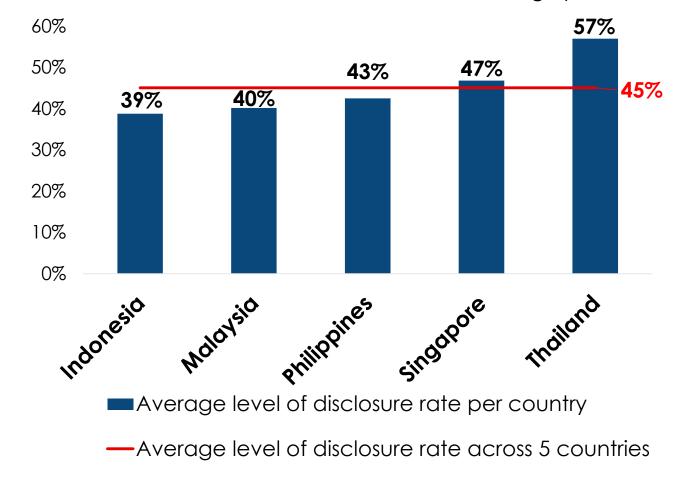
# ASEAN businesses have not been forthcoming on their integrity-related disclosures





Overall level of disclosure on business integrity





Category	Question	Description	Disclosure
			Rate
Internal	1	Zero-tolerance statement	54%
commitment to	2	Commitment to comply with laws	96%
anti-corruption	3	Leadership support	18%
	4	Code applied to all employees and directors	<b>75</b> %
	7	Training programme for all employees and directors	45%
External	5	Code applied to agents	14%
commitment to	6	Code applied to suppliers	19%
anti-corruption	8	Gifts, hospitality, travel policies	59%
	9	Prohibition of facilitation payments	21%
	13	Disclosure of political contributions	31%
Reporting and	10	Prohibition of retaliation for reporting	64%
monitoring	11	Confidential reporting channel	56%
	12	Regular programme monitoring	34%

# TOP 10 Highest Disclosure Rate on Business Integrity across ASEAN

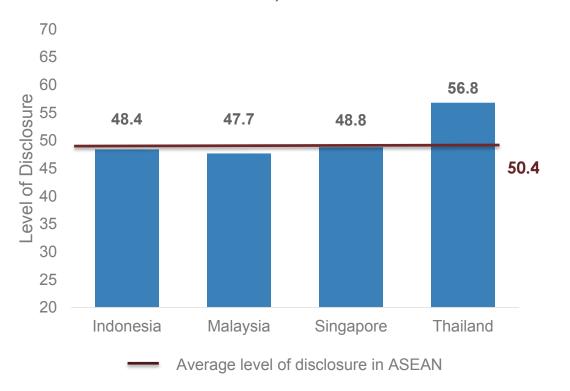
Advanced Info Service Pcl Thailand Bangchak Petroleum Pcl Thailand **Electricity Generating Pcl** Thailand Intouch Holdings Pcl Thailand Sembcorp Industries Ltd Singapore Sembcorp Marine Ltd Singapore SIA Engineering Co Ltd Singapore Singapore Technologies Engineering Ltd Singapore Thai Oil Pcl Thailand True Corp Pcl Thailand

## Level of sustainability disclosure in ASEAN

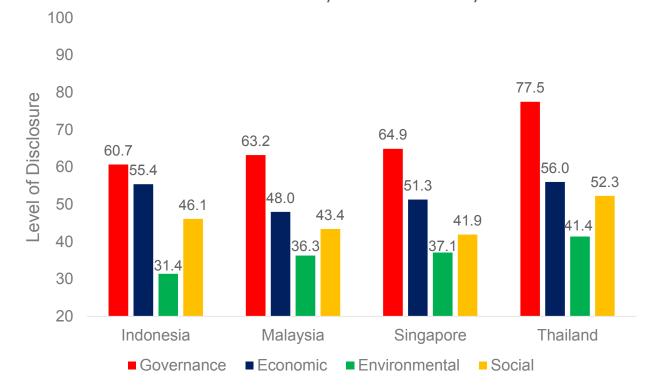




Level of sustainability disclosure in ASEAN



Level of sustainability disclosure by indicator



Source: ACN-CGIO Study on Sustainability Reporting in ASEAN (2016)





# ASEAN Leaders are committed to fight against corruption in the ASEAN Community:

- ☐ Instill the culture of good governance [...] enhance transparency, accountability, participatory and effective governance (A.2.2)
- ☐ Instill the culture of integrity and anti-corruption (A.2.3)

(ASEAN Political-Security Blueprint 2025)

#### Myanmar declares war against corruption





YANGON, Jan. 23 (Xinhua) -- Myanmar's anti-corruption chief U Aung Kyi has declared war on bribery and corruption, describing corruption as common enemy, the official Global New Light of Myanmar reported Tuesday.

and malpractice, U Aung Kyi, chairman of the Anti-Corruption C ceremony in Yangon on Monday.

#### **HOW THIS AGENCY IS** A two-year plan is being formulated to systematically rid the col WAGING WAR AGAINST CORRUPTION IN INDONESIA, AND WINNING

Despite what some see as inadequate funding and a sometimes bumpy relationship with the police, the Corruption Eradication Commission is having an effect on the nation's longstanding culture of fraud, bribery and graft







## 50% of ASEAN countries have business integrity initiatives



Integrity Initiative



Private Sector Collective Action Coalition against Corruption



Corporate Integrity System Malaysia



Indonesia Integrity Initiative
Professional with Integrity Movement (PROFIT)



Project 12/ Dean12





#### **COMMON CHALLENGES**

"First mover disadvantage" – Most corporates do not want to be the first to act as it potentially puts them at a disadvantage vis a vis competitors

Common excuse that corruption or bribery is part of Asian/ ASEAN "business culture" – this is a misconception that needs to stop

Lack of Inc

Lack of Incentives to be 'Certified'

#### Promoting Business Integrity in ASEAN: Collective Action Against Corruption

**CSR Network** 



Working Group on Business Integrity In ASEAN



















#### **Collective Action Against Corruption**







> Joint Effort



www.integrityhasnoborders.com

#### Regional Business Integrity Pledge





The Regional Business Integrity Pledge is a voluntary document that allows a company or an organisation to make a commitment to uphold ethical values at the enterprise/organisation, national and regional level.

The Following Groups may sign the Integrity Pledge:

- Companies/Private Sector
- Governments/Public Sector
- Civil Society Organisations
- International Agencies
- Others

Download the Pledge at www.integrityhasnoborders.com

		INTEGRITY HAS NO BORDERS		
	'INTEGRITY HAS NO BORDERS	PLEDGE		
	A commitment to ethical business practices is	. ASEAN		
tecogn	galding that:			
	Comunition is a national, cross-border and international concern that impacts the reputat	ion of the whole ASEAN regional community		
	and its member-states.			
•	<ul> <li>Corruption crodes confidence and trust. It is an impediment to inclusive constanic gro</li> </ul>	MATERIAL PROPERTY.		
•	No single individual or entity can solve corruption by themselves. Governments take the lead in the anti-corruption crusade, Long- term success will require complementing efforts from other stakeholders, particularly businesses.			
**	The Business Community is a stakeholder, to be a part of this anti-corruption crussed. Through national and cross-honter initiatives, the business community has taken on a more proactive and stronger stand against corruption, making commitments to having practical actions.			
Vhere	resic			
•	There are various groups engaged in efforts to tackle corruption at the national and regional levels:  The Regional Working Group on Business Integrity in ASEAN led by the ASEAN CSR Network is committed to promote and implement national and regional and-corruption and integrity initiatives that can enable businesses to operate more responsibly			
	and ethically, contributing towards endicating corruption in ASEAN.  O United Nations (UN) Office on Drugs and Crime and UN Development Progra- community's engagement in the prevention of corruption through public-prival business principles to the fundamental principles endurined in the UN Convention.	e pertnership, encouraging the alignment of against Corruption.		
	O Transparency International (TI) and TI's National Chapters are committed to work globally and locally with companies, business associations and other stakeholders to assist companies in the development and implementation of anti-corruption programment, to promote more robust anti-corruption behavior and accountability amongst companies, to contribute towards strengthening national and international integrity systems.			
•	<ul> <li>There is an evident need to strengthen regional alignment and cooperation in order to a anti-corruption and integrity programmes in the ASEAN region;</li> </ul>	chieve scale and enhance the effectiveness of		
Ve her	ereby committee			
*	<ul> <li>Support the realisation of the "ASEAN 2025: Forging Ahead Together" Biosprint in principles described of integrity and settl-corruption and maintenant these principles ASEAN Community.</li> </ul>			
•	Work with relevant stakeholders in the region to uphold internationally accepted standards and norms, including the UN Convention against Corruption, the UN Global Compact's 10 <sup>6</sup> Principle, and the UN Statatinable Development Goal 16.5, amongst others, and support the humanonisation of viscouses integrity includeds across the region.			
•	Support national and regional collective action initiatives that aim to strengthen anti-corruption activities, ensure good corporate governance and create fair market conditions.			
•	Promote and uphold the principles of transparency, integrity and accountability wherever we may operate or have influence in according to the belief that "Integrity Has No Borders".			
	Name of Signatury			
	Designation			
	Company/Organization			
	Date Signed			

## Company Level Anti Corruption Action (Masean)



#### Some Areas of Great Risk

- ✓ Procurement
- ✓ Fraudulent Billing
- ✓ Kick backs
- ✓ Bribery
- ✓ Suppliers bypassing rules, standards

#### It is linked to other areas of risk:

- √ Governance
- ✓ Modern Day Slavery/ trafficking in Persons
- ✓ Health and Safety
- ✓ Product Quality
- ✓ Customer relations
- ✓ Supply Chain management

## Company Level Anti Corruption Action (Masean)



#### **Action Plan - Internal**

- ✓ Management's Will to be clean
- ✓ Public Policy declaration
- ✓ Code of Conduct Importance of Ethics
- ✓ Assess risks and develop action plan
- ✓ Training
- ✓ Reinforcing the message zero tolerance for corruption

#### **External Driver:**

- ✓ Good regulations and framework
- ✓ Enforcement Regulators Impunity
- ✓ Investors
- ✓ Civil Society
- ✓ Collective Action

#### **Promoting Business Integrity**







Phase 2







#### **Promoting Business Integrity**





> Challenges?

Political Will

Readiness of local networks







https://www.facebook.com/ASEANCSRNetwork/



https://twitter.com/aseancsrnetwork



http://asean-csr-network.org

### Thank You