



**Asia-Pacific  
Economic Cooperation**

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**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  
24 February 2018**

# Why Is Corruption Prevention Important for Business?

Presentation by:  
Thomas Thomas,  
ASEAN CSR Network



Corruption is a **cross-border concern** that **hinders peace and justice** for sustainable development. It is the **most neglected** human rights violation.



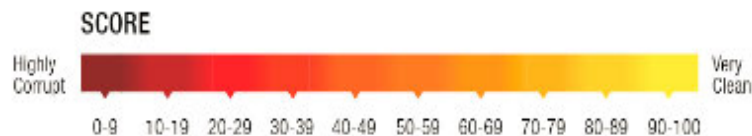
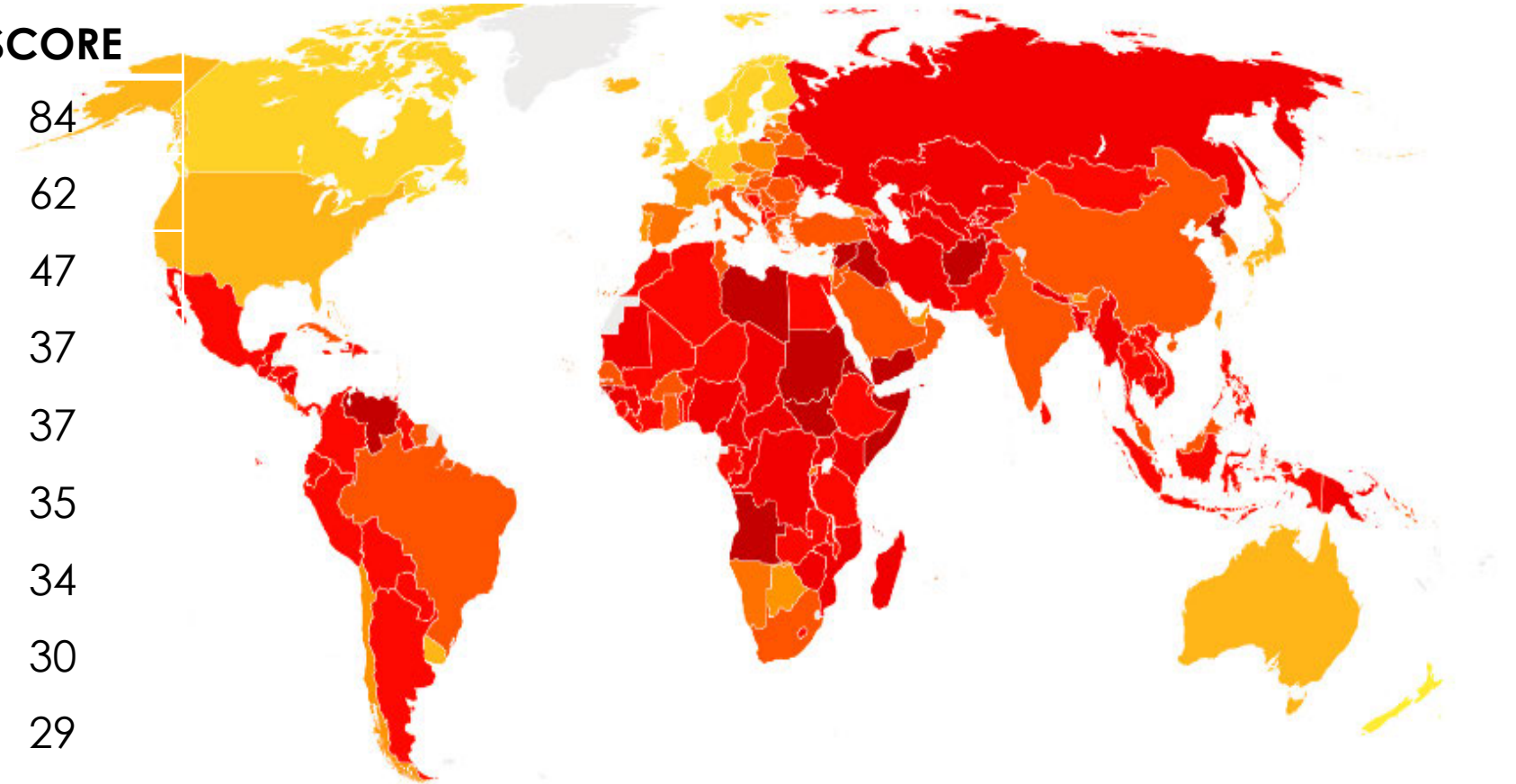
### Cost of corruption equals:

- ❖ 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

RANK	COUNTRY	SCORE
6	Singapore	84
32	Brunei	62
62	Malaysia	47
96	Indonesia	37
96	Thailand	37
107	Vietnam	35
111	Philippines	34
130	Myanmar	30
135	Lao PDR	29
161	Cambodia	21



[www.transparency.org/cpi](http://www.transparency.org/cpi)

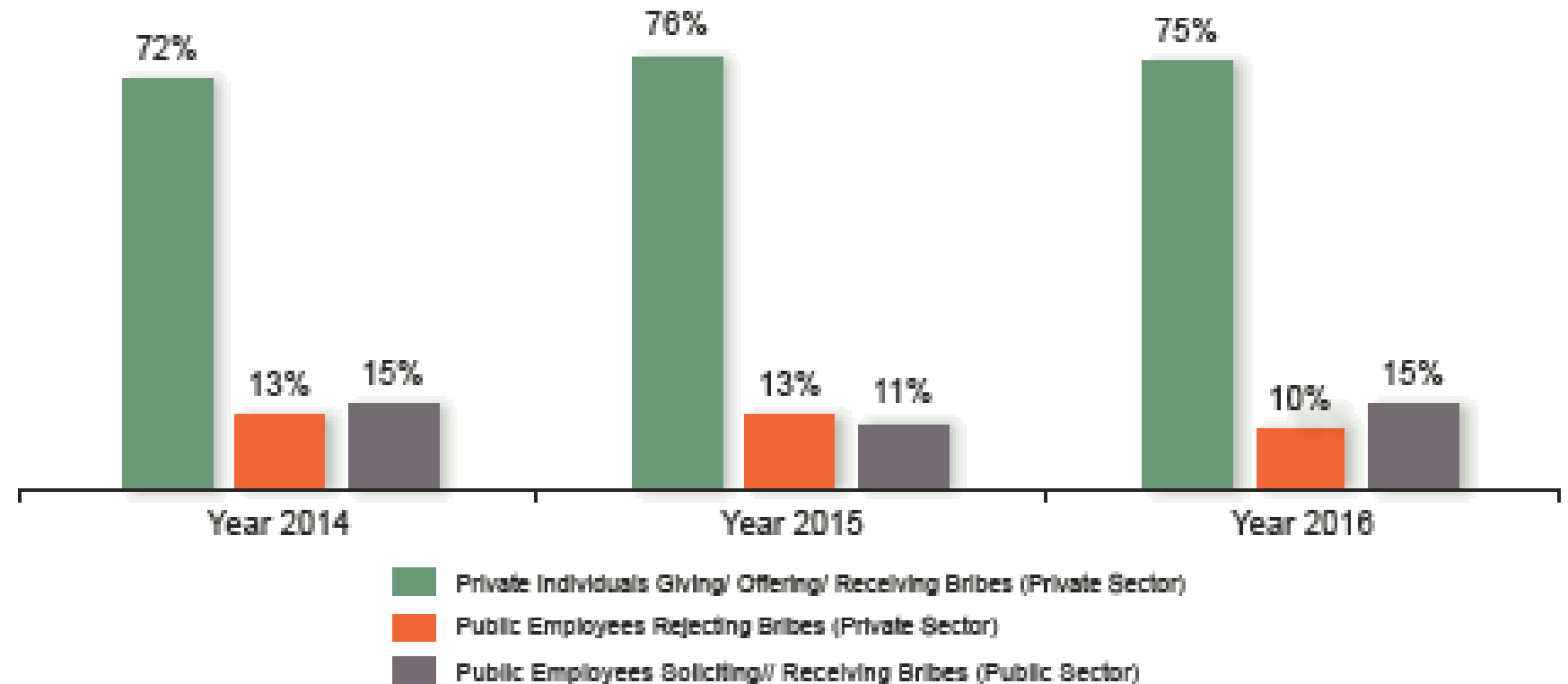
[www.asean-csr-network.org](http://www.asean-csr-network.org)

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**



# The costly lesson of the Keppel case

PUBLISHED  
5 HOURS AGO

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Keppel Offshore & Marine (Keppel O&M) has been fined US\$422.2 million (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



**PROJECTS:**

- Through corrupt payments amounting to **US\$55m**, Keppel O&M secured 13 projects from Petrobras and another Brazilian company, Sete Brasil
- Together with its related entities, it earned **US\$351.8m** through the bribery scheme



**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 S\$784m in 2016  
S\$217m in 2017
- ❖ Fines paid just a small price to pay?



# Business Case Against Corruption



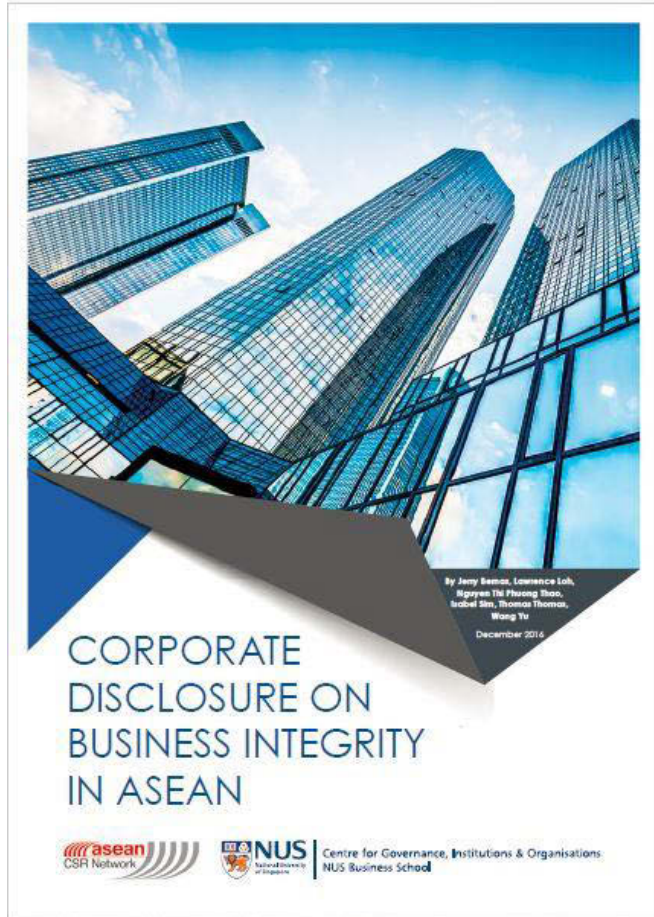
## Individually:

- ✓ 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

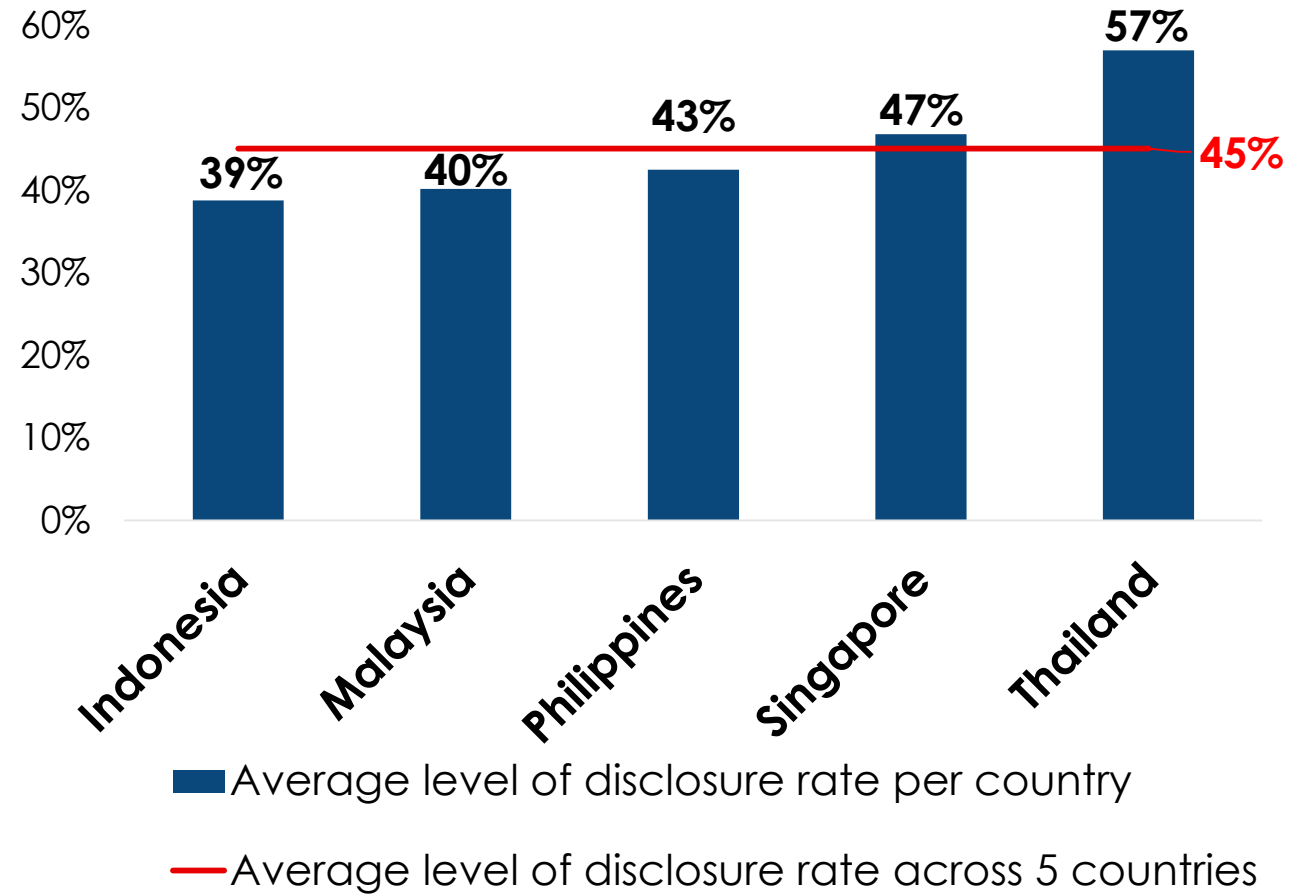
## Collectively:

- ✓ 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



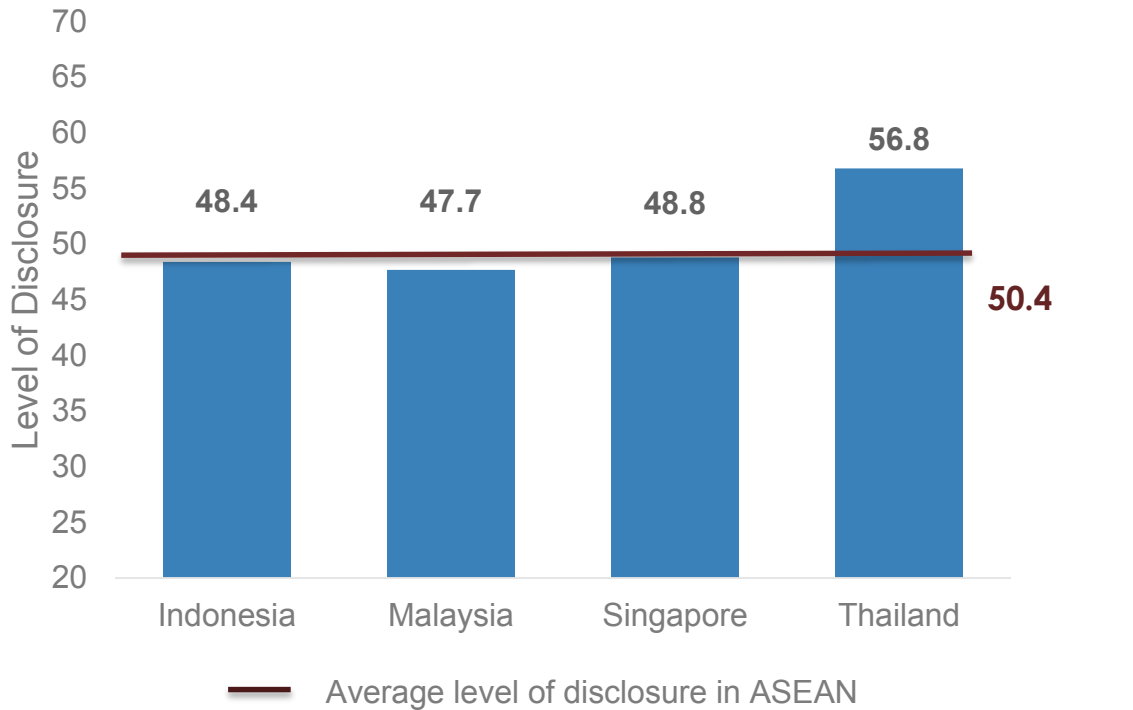
Category	Question	Description	Disclosure Rate
<b>Internal commitment to anti-corruption</b>	1	Zero-tolerance statement	<b>54%</b>
	2	Commitment to comply with laws	<b>96%</b>
	3	Leadership support	<b>18%</b>
	4	Code applied to all employees and directors	<b>75%</b>
	7	Training programme for all employees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

**TOP 10**  
**Highest**  
**Disclosure Rate on**  
**Business Integrity**  
**across ASEAN**

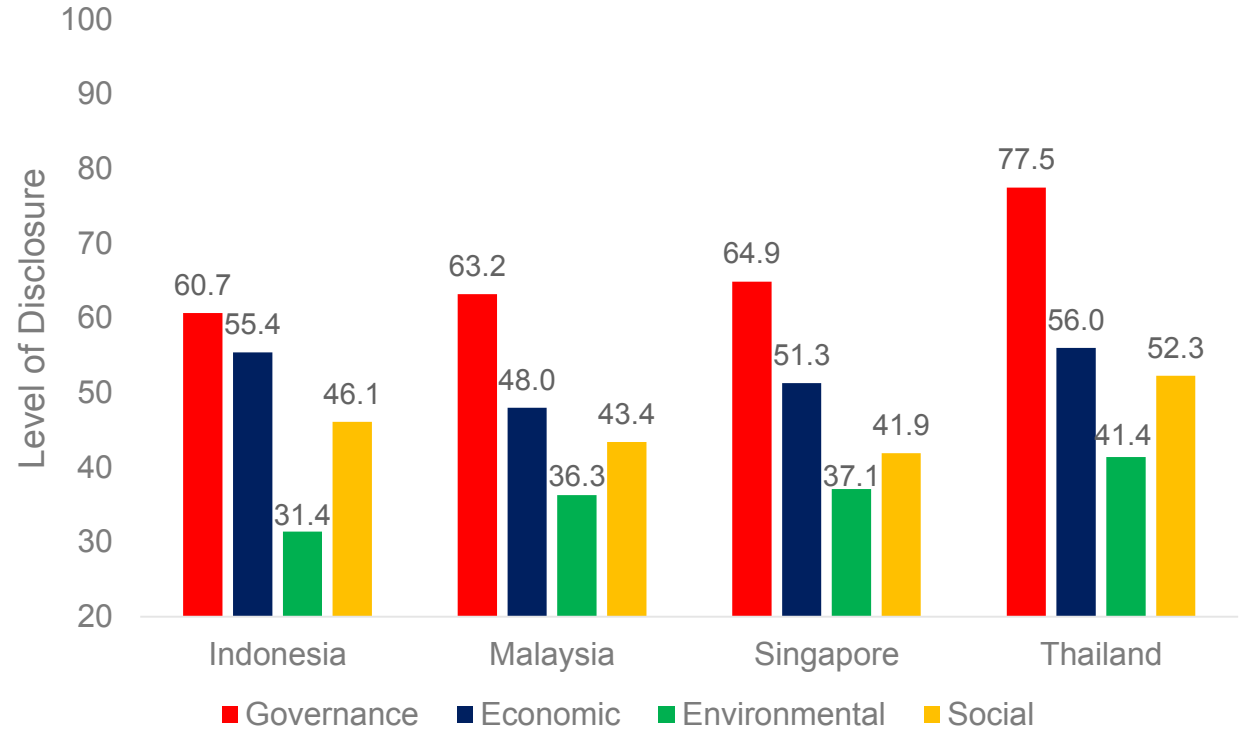
✓	Advanced Info Service Pcl	Thailand
✓	Bangchak Petroleum Pcl	Thailand
✓	Electricity Generating Pcl	Thailand
✓	Intouch Holdings Pcl	Thailand
✓	Sembcorp Industries Ltd	Singapore
✓	Sembcorp Marine Ltd	Singapore
✓	SIA Engineering Co Ltd	Singapore
✓	Singapore Technologies Engineering Ltd	Singapore
✓	Thai 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.

A two-year plan is being formulated to systematically rid the country of corruption and malpractice, U Aung Kyi, chairman of the Anti-Corruption Commission, said at a ceremony in Yangon on Monday.

## HOW THIS AGENCY IS 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

1

“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

2

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

3

Lack of Incentives to be ‘Certified’

# Promoting Business Integrity in ASEAN: Collective Action Against Corruption

## Working Group on Business Integrity In ASEAN



Network Singapore



# Collective Action Against Corruption



➤ Joint Effort



[www.integrityhasnoborders.com](http://www.integrityhasnoborders.com)

# Regional Business Integrity Pledge

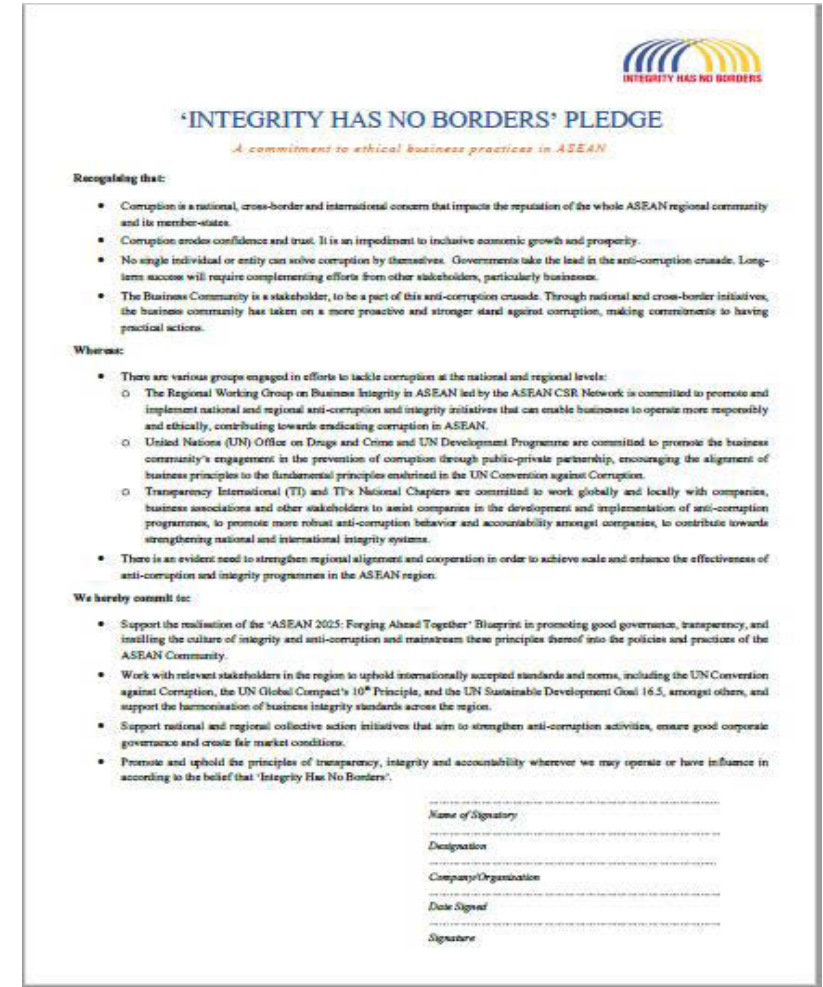


The Regional Business Integrity Pledge is a voluntary document that allows a company or an organisation to make a commitment to uphold ethical values at the enterprise/organisation, national and regional level.

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](http://www.integrityhasnoborders.com)



# Company Level Anti Corruption Action



## 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



## 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



# Promoting Business Integrity



## ➤ Challenges?

Political Will

Readiness of local networks





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<http://asean-csr-network.org>

# Thank You